The Caribbean, NAFTA and Regional Developmentalism

Don Decourcey Marshall BA (Hons), M.Phil

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University of Newcastle-upon-Tyne

Department of Politics

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ABSTRACT

This thesis examines the record of development and the prospects for national ascent in the anglophone Caribbean. It argues that a transformative dialectic is operating through the restructuring of political-economic relations in the Americas. NAFTA and its expansion open up possibilities for business linkages, joint venture arrangements, and investment and trade creation opportunities for participating countries. This is a structural development opportunity that Caribbean state managers can least ignore. Indeed, a record of missed or squandered opportunities extends backwards into the region's colonial past. Since the independence period, developmentalist projects have been stultified by populist-statism and the circulationism of merchant capital in the individual countries. In spite of this, the national option appeared a secure one. Economic viability rested on the sale of one or two cash crop exports; the securing of non-reciprocal trading arrangements in the international arena; the promotion of the individual countries as cheap labour platforms for foreign manufacturing; a dependence on incomes from tourism and offshore services; and easy access to international loan capital. Today, the shifting competitive dynamics of the international system have very far reaching implications for the nature of the Caribbean political economy. Economies of scope and scale are increasingly being favoured. The region has been caught napping because capital accumulation remains rooted in distribution infrastructures and not production ones. Indeed, the hegemony of circulation over production in the Caribbean points to the special circumstances that attended the new political class at the time of independence in the 1960s. The stability goal took paramount importance. State managers and the old commercial oligarchy became united by a lowest common-denominator interest, i.e. to reap and extend the benefits of the status quo. The nature of this postcolonial arrangement meant that state managers would fail to deepen the process of capital accumulation and industrialise. This thesis suggests that in light of the present balance of global socio-political forces, and the region's economic malaise, the Caribbean will be on better ground to pursue economic recovery through a deeper form of regionalism. It argues that export-orientated development is a social transformation venture that goes beyond new fiscal measures and market reforms. Hence the need to engender the rise of a new economic class of industrial entrepreneurs. Accordingly, this thesis concludes that a regionalised developmental state in the Caribbean will be vital for altering the region's status in the international system and the hemisphere, and for pursuing a `nurture industrial capitalism' project.

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INTRODUCTION

This thesis investigates the challenge of Commonwealth Caribbean industrial development in the wake of changes affecting the hemisphere. I argue that there is a transformative dialectic operating through U.S. attempts to restructure its regional hegemony in the Americas. A structural opportunity thus exists for countries in the Americas to deepen the process of capital accumulation within their respective economies. From this point of view, the society and economy best directed towards exploiting this structural opportunity is likely to be the most successful. This thesis asks: how does this square with the Commonwealth Caribbean -- a sub-region considered to be part of the `weaker half' of the Caribbean Basin? The central task lies in unravelling the paradoxical relationship between the postcolonial Caribbean state and capitalist development. The paradox is that while the Caribbean is structurally dependent upon deepening integration into the world economic system, state power has proved quite an unreliable instrument for sustaining and expanding conditions necessary for robust capital accumulation. There are many reasons for this, but they relate to the historical legacy of colonialism, the role and nuances of core (hegemonic) powers, the insecurities of the political class, the highly demanding working majority, and the power, limits, and contradictions of merchant capital. The net result: Caribbean states have tended to miss or squander structural opportunities for industrial deepening.

The anglophone Caribbean presents a classic case study of the increasing delegitimation of populist development-oriented states and the blight of merchant capital predominance in the domestic sphere. Indeed, these twin problems are at the root of the region's development dilemma. Over the last thirty years, Caribbean state managers pursued policies aimed at regime-consolidation. Redistributivist measures, jobs-development strategies, and the pursuit of non-reciprocal trading arrangements formed essential parts in each government's development programmes. It was basically a populist project designed to give `the people' what they want: longer lives, more employment, better health, educational opportunities, and the like. Governments consequently organised society and economy for consumption and not rapid capital accumulation because expanding consumption created the illusion of `material progress'. Meanwhile, with the help of the postcolonial state, merchant capital continued to control the commercial circuits that integrated the economy (from import-trading and property development, to tourism and offshore banking), dominating the pace and rhythm of development. This arrangement did not adversely affect the balance-of-payments position of the individual countries because loans and preferential trading arrangements were easily obtainable in the international order of the 1960s and early 1970s. However, such weak economic structures proved vulnerable to the `exogenous shocks' of the mid-1970s and 1980s.

The ongoing restructuring of global capitalism is unleashing new competitive dynamics. As it stands, late 20th century capitalism finds each Caribbean country lacking the mechanisms for readily adapting to the requirements of export-competition -- a sufficient capital goods base, complex infrastructures and integrated production systems, large markets, large amounts of capital, and a critical mass of talent and skills. In addition, traditional sources of revenue for the respective governments are dwindling or no longer seem certain. Declining rents on import-trading goods, the pending foreclosure of preferential trading arrangements, price-falls on the region's raw materials exports, and increased competition in the tourism sector have forced export-orientated industrialisation on to the policy agenda. But fostering the rise of export-industry in the respective countries is proving especially difficult given the absence of the above-mentioned site factors, and the declining bargaining capacity and influence of the individual governments *vis-à-vis* international forces. Ostensibly however, the new mapping of the Americas presents the Caribbean as a region with an opportunity to consider a regional(ised) industrial strategy. Certainly a spatial increase in economic scale and scope in the Caribbean will provide the space necessary for the rise of a new economic class. But the individual ruling regimes seem content with the island-national option. Political union continues to be scorned. The view is that economic recovery in the region can be realised through closer neo-functional cooperation, hitching one's fate to the `magic of the market', and eventual accession into a hemispheric free trade bloc. But who will champion industrial transformation? And who will facilitate the rise of an industrial class? Are the risks not in fact too high in light of the expected opposition from the old capitalist classes? It will be argued that the inadequate resource foundation in each country does not make the island-national scale the ideal site for contemplating a split with the old commercial oligarchy in favour of a new ruling alliance with fledgling industrial entrepreneurs. This is because the chance of an industrial class emerging from out of this sub-group appears too remote.

The case of the anglophone Caribbean resonates with previous analyses that focused on the limits of populist-development strategies in Africa, Latin America and the wider Caribbean. However, this thesis focuses squarely on the Caribbean sub-region because it provides an opportunity for examining how merchant capital operates in select peripheral countries. Although it is the dominant form of capital and entrepreneurial activity in the Commonwealth Caribbean, there has been little theoretical or empirical work on its impact on the socio-economic processes in the region. What this research highlights in this regard is that once merchant capital is in ascendancy, it leads the economy along development paths that have sharp consequences for the economic and class structure, labour productivity, economic and social development, entrepreneurial culture, and ultimately international competitiveness.

While each chapter explores all the above issues in greater detail, the broad thrust of this thesis addresses some fundamental questions on international political economy (IPE) and development. A standard question in IPE is how do we situate market forces and state planning within the context of development? What are the factors responsible for the rise of a developmental state; and further, how is it that developmentalism as a modal characteristic of the state is present in one set of countries (e.g. South Korea, Taiwan) and not others? In short, how do we approach the problem of ascent?

Some scholars privilege the invisible hand of the market, while others pay tribute to developmental state planning. But neither of these explanations are wholly sufficient for explaining economic success. Endogenous, regional and global factors are changing all the time. It is not enough for state managers to promulgate policy, for the desired outcomes are not guaranteed. Commodity prices may rise or fall; war(s) may break out; ecological disasters may occur; product cycles are rapidly shortening; international or hemispheric relations are not certain; and speculative capital moves in and out of the domestic banking system very quickly. How does one, in effect, theorise a moving target?

To be sure, development cannot be willed by state powerholders. Despite the implementation of neoliberal policy reforms, the Caribbean could not stave off macroeconomic shocks in the 1980s. There is indeed a political-economic cost to liberalisation. However, even as the global neoliberal transition coincides with a world-wide recession (circa 1988-1994), this recession articulates differently across different state/regions. At the very least, those economies that have in place semi-automated or fully-automated driven infrastructures and that apply knowledge to the production process, are strategically better placed to recover, than those that purely depend on labour-intensive driven infrastructures. Contrary to the expectations of policy-makers in places like the Commonwealth Caribbean, macroeconomic policy reforms on their own, does not increase the prospects of recovery. Recovery is only possible when these are married closely to a retooling exercise, research and development activity, intersectoral improvements and the like. In short, success comes to those countries best able to adapt to the changing circumstances of their reality. And what exactly is `their reality'? I refer to the state/region's general IPE complex. That is, the role and influence of the regional hegemon, the state elite, the domestic bourgeoisie, foreign investors, the popular classes, and the overall culture at work. These can act together or in sufficient combination to inhibit or foster economic growth.

The current vogue has been to look to the `miracle' industrialisation process in East Asia as a model for `late developers'. Indeed, the East Asian NICs present rich evidence for each camp (neo-liberal and state-centric) to argue its case. This is because at a conjuncturally sensitive moment, a sufficient combination of factors necessary for East Asia's rise were in place. A social structure conducive to state autonomy was in place; the state directed the economy towards capital accumulation and industrial development; sound fiscal and tax measures were implemented; U.S. and Japanese largesse and expertise were available; and there was a presence of an aggressive cadre of entrepreneurs. Geopolitically, the threat of communism in the Asian sphere resulted in a type of concessionary politics by the U.S and Japan that redounded to the transformation fortunes of the NICs. If indeed all these factors mainly account for East Asia's rise, then many scholars have been working intensely at a limited conception of the problem. Neither state nor market behaviour was singly or in combination wholly responsible for South Korea or Taiwan's ascent. Without a favourable conjuncture -- that historical moment when a Cold War alliance system emerged -- select states in Asia could not reap successes. I would suggest therefore that states/regions transform or develop in the world system at conjunctural moments and with the interplay of various forces, domestic, regional and international. This structural opportunity presents itself to a few countries at a time. In order to seize the chance, `future-conscious politics' must be in command.

Chapter One theoretically explores these ideas and presents a neostructuralist framework for discussing ascent. It will be argued that in the final analysis development is about reorganising the political-economic base at conjuncturally sensitive moments in order to exploit possible advantages or opportunities. Therefore, the case is made for the conceptual elevation of the geopolitical and the conjunctural in development theory. This finally leads to a discussion of what constitutes a `structural development opportunity', and paves the way for looking at the U.S. response to its declining hegemony as presenting such an opportunity for the anglophone Caribbean and other countries in the Americas.

Chapter Two looks at the record of missed or squandered opportunities in Caribbean history. Apart from untimely conjunctural shifts in fortunes, and the changing nuances of hegemonic influence, this chapter points to features in the Caribbean political economy that have been fetters to economic growth and dynamism. The point made is that the character, dynamics, and reproduction requirements of Caribbean social formations contradicted the logic of (industrial) capital. The role of state power in safeguarding existing class relations within these small societies stymied, undercut, and diminished the usefulness of the state as an instrument for implementing broad-gauged, long-term projects and strategies -- such as sustaining or expanding the small industrial base.

Chapters Three and **Four** argue that Caribbean national development strategies are at a dead-end. The point is that there are no mid-to long-term prospects for the national option in the Caribbean. This is in light of recent technological and ideological developments. Infant-industry arrangements, cheap labour/low-tech options, non-reciprocal trading arrangements, and the sale of one or two exports are no longer safe pillars for national viability. However, I have been especially critical of the approach that suggests that there is a single secular wave sweeping us into the twenty-first century. The current vogue has been to establish globalisation as both epoch and epistemology. Not only is there a thin empirical foundation to support globalisation claims, but its teleology renders countries at the periphery powerless to affect their circumstance. The impression created is that the game of national ascent is over since the world is becoming `borderless', bourgeoisies are becoming tightly interlinked, and capital has become supranational. Countries like those in the Caribbean are told of the assumed benefits of simply hitching its fate to the `magic of the market'. My approach instead has been to refer to the shift in heartland technology (from heavy machinery to computer), the international socialisation of production, and the complex layers of interdependence as evidence of systemic renewal rather than change. I emphasise that the constants in the world system -- core periphery relations, hegemonic succession, and interstate rivalry -- have not lost their vitality. From this point of view, I argue that it is important once again to `bring the state back in' when speaking of economic recovery, and national ascent.

Chapter Five theoretically and empirically tests whether or not N/AFTA presents a structural development opportunity for countries in the hemisphere. The findings reveal that the evolving process is not being solely determined by the U.S., nor have the trading patterns thus far declare a clear winner. Many `recolonisation' advocates refer to N AFTA as yet another internationally binding mechanism that will render upward status mobility of the Caribbean region impossible. This chapter makes the point that the hemispheric trading arrangements thus far have not redounded to the singular benefit of the U.S. The lesson here is that one should be prepared to investigate the particulars before presuming them known in advance.

Chapter Six discusses what ought to be the political economy of regionalisation. It also looks at the growth prospects for the Caribbean within AFTA. The central argument is that a regional plan of development should underpin Caribbean negotiations throughout the AFTA process. But for the region to achieve the coherence and guidance required I return to the question of Caribbean integration and the form it should take. Accordingly, this chapter makes the case for a single regional(ised) developmental state and a regional industrial strategy. It is pointed out as well that political-economic union will act to crack up the dominance of merchant capital and the politics of petty nationalism. Later in this chapter, I examine the region's offshore services sector (tourism, and financial) pointing to its history and the interstitial place of the established tax havens (i.e. Barbados, Bahamas, Antigua) in the world economy. While the point is made that the growth of the services sector has staved off economic collapse in the various countries, it is stressed that increased global competition in the tourism industry and the moves towards international regulatory convergence represent a groundswell of centrifugal forces that demands a regionalised response if the tax havens are to reinvent their future.

A postscript follows that seeks to recapitulate the central arguments made in this thesis. I conclude by pointing out that AFTA is not an *a priori* given, and in this light negotiation is going to be crucial to the region's fortunes. Indeed, the Caribbean will be in a sufficiently better position to negotiate with Parties within AFTA, international financial institutions (IFIs) and transnational corporations (TNCs), if there is in place a (federal) political-economic union with a harmonised industrial development strategy buoyed by clear levers of state guidance. At the very least, declining sovereignty can be rescued if state power is recouped through political-economic unification. If the Caribbean pursues bilateral-accession into AFTA at a time when each state is hobbled by IFI requirements and other arrangements, and incapacitated by a lack of bargaining power, it would constitute a default on sovereignty. A hardening of asymmetries between a dominant core and a balkanised Caribbean will likely occur in the AFTA years and beyond. At this historical moment, the region has to be cautious against increasing asymmetries.

CHAPTER ONE

DEVELOPMENT THEORY AND THE QUESTION OF NATIONAL ASCENT

The Commonwealth Caribbean countries, born of decolonisation in the 1960s and 1970s, are part of the modern capitalist periphery. Like their counterparts elsewhere in the Third World, they each had far-reaching ambitions for economic growth and development. To achieve growth, they relied upon international capital to sustain processes of capitalist development set in motion under colonialism. An open door to foreign capital, continued production of export crops, generous concessions to investors, support for local wealthy private sector interests, and close links to Britain and North America -- these were the cornerstones of the postcolonial order. By the early 1980s, the region was to increasingly depend on tourism and/or offshore banking to cushion the shocks of declining foreign investment and lines of credit. As balance-of-payments difficulties worsened (circa 1984), state managers embraced structural adjustment measures in order to secure multilateral loans, reduce current account deficits, and stimulate the sale of exports. But the `leap of faith' to free market orthodoxy has not rescued the region from the stranglehold of high debts and declining foreign reserves. In extreme cases (e.g. Jamaica, Trinidad and Tobago, and Guyana), the crisis deepened and led to several devaluations and cuts in living standards. The onset of hemispheric changes in the wake of the 1989 Canada-U.S. Free Trade Agreement (CUSFTA), the 1993 North America Free Trade Agreement (NAFTA), and the proposed 2005 Americas Free Trade Area (AFTA) have encouraged a rethinking of the Caribbean's course of development and its future.[1]

The **principal challenge** of the Caribbean as it enters the next century is to deepen the capital accumulation process (and industrialise). To achieve this, it has to compete for larger shares of wealth through the sale of exports and services. But it is easier to state this objective than achieve it. Virtually all Third World countries are under global systemic pressures to liberalise, privatise, marketise, and internationalise their economies. However, even if all do so, only a few can succeed at any one time. The fundamental question at the heart of the region's debates seems to be: How can we manipulate to our best advantage, the present global socio-political processes that affect our circumstance? At present, state-centric and external-determination analysts mostly occupy centre-stage. Nevertheless, they fail to adequately problematise the region's development dilemma or prescribe a viable road to recovery.

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This chapter sets out a framework for demonstrating that the region needs to adjust **politically** to emerging realities. I argue that it is possible to achieve ascent in the international political economy, but that this depends on a favourable constellation of geopolitical and domestic forces, and the state `seizing the chance'. The specific conjuncture of forces of our time may, at first glance, appear to marshal against any other success stories beyond the East Asian NICs. `Disciplinary neo-liberalism' and technological restructuring are held to be structural combatants weakening transformation fortunes and state manoeuvrability in the Third World. Sandbrook (1985), for example, sees a bleak future for peripheral countries, one which will trap them in `downward spirals' of decay marked by debt-crises, natural calamities, and social upheavals. However, I would argue that such a fate is not predestined for all countries across the Third World. Countries like those in the Caribbean and wider Americas, are offered a window of opportunity in light of the reconfiguration process transpiring in the hemisphere -- itself stimulated by the U.S. response to its declining hegemony. The question is, how do these countries turn the opportunity of closer hemispheric linkages, to their advantage? Before one can address these and other questions, a case must be made for the conceptual elevation of the **conjunctural** and the **geopolitical** in development theory.

There is a need for a more nuanced understanding of why capitalism fails or succeeds across different countries. Below, I discuss the limits of endogenous theories of ascent, noting that successful development episodes are/were **not solely** the result of `home-concocted' reforms and adjustments. Global, as well as domestic factors, combined at particular historical moments to produce successful outcomes. This means that `models' drawn from successful `late' developers cannot be `transferred', for historical, geopolitical, and domestic forces are never arrayed in exactly the same way across time and space. I also point to the dangers of taking an `outside-in' approach to explain development and underdevelopment. The idea that states born of capitalist imperialism would sustain the uneven process of capitalist exploitation, is in need of refinement. Recent evidence suggests that while some postcolonial states do serve capital very well, others act to the contrary, and do not follow the structural imperative of creating conditions required for the expansion of capital. There is a need therefore, for an approach that integrates both global and domestic levels of analysis in order to explain development outcomes and possibilities. And because substantial variation exists across different cases, I suggest that analytic primacy should be placed on the conjunctural (i.e. un/favourable historical moments) and the geopolitical (i.e. patterns of interstate relations that, more or less independently of the world economy, act back on the power, behaviour, and structuring of the states within).

There are principally two competing positions on the question of growth and development in the field of development studies.[2] The neo-classical school stresses that development comes about once domestic elites in state and industry pursue the `correct' application of `growth-generating policies'. Structuralists, on the other hand, deny that global capitalism provides any ready answer for countries in the periphery. Both perspectives consequently treat the unflattering performance of most Third World countries over the last fifty years as either evidence of poor policy-application, or proof of the post-1500 law of `development of underdevelopment'. The polar extremes of this debate do not inspire peripheral countries to pursue a `third way', i.e. a developmentalist path based on a resolve to exercise state power in more dynamic ways. Neo-liberals tend to approach the world economy as so much neutral space for those sufficiently privatised and liberalised to succeed within. A dispiriting political optic, on the other hand, is at the heart of structuralism, where the law of uneven and restricted development is presented in a fixed way to describe today's world configurations of power. Put another way, the Western core is presented as a fixture of history, the Third World periphery likewise. The last 500 years are used to demonstrate that this order is likely to remain for as long as capitalism remains.

The epistemological assumptions that underpin various perspectives on growth and development are at times unrealistic and faulty. To substantiate this observation, I critically examine particular pieces of work that are representative of dominant theoretical positions in the field of development studies. To be sure, I do so in order to present my alternative `neostructuralist' perspective of development. This approach takes up structuralist economics but shies away from focusing on the **distinctiveness** of capitalism to explain why development remains accessible only for a few at any one time. The core assumptions underlying my framework are one: capital accumulation processes extend backwards for many millennia;[3] two: development presupposes an alignment of catalytic forces, geopolitical, regional and domestic;[4] three: the world system is not and has never been merely in stasis or characterised solely by subordination and peripheralisation; and four: ascent depends upon a favourable conjuncture and seizure of structural opportunities. These assumptions represent efforts to preserve the strengths of the competing theories, while steering clear of their respective pitfalls. Below, I outline the elements that constitute my own distinctive neostructuralist framework of analysis.

Development Studies and Political Economy

Political economy and development studies tend to converge on the question of upward mobility. Theorists basically engage in three debates: one about policy and wealth generation; another about the ideal relationship between the state and economy; and a third about the way political-economic systems, conceived as social systems, ought to and actually do operate. The overall working conception of the social world falls between a state-centric description and an `external-determination' conception. The reasons why countries develop or fail to do so are modelled as being either mostly internal or external, depending on the perspective taken. In either case, there is a fairly strict dichotomy between `internal' and `external' factors. This dichotomy is part of the problem.

The overarching substantive focus of much of social science has been `modernity' itself. Modernisation theorists privilege endogenous factors to explain growth and (mal)development. Most of the scholars, particularly those that employ a (neo)classical political economy framework, seek to provide policy prescriptions that they believe are intrinsically beneficial to the state, bureaucracy, and wider economy. The field has continued to expand because of the search for an elixir, i.e. that select set of measures that will redound to the success of any country in question if applied properly.

The roots of the modernisation perspective can be found in evolutionism, diffusionism, structural functionism, and systems theory [Weber, 1930; Parsons, 1951; Durkheim, 1964; Almond and Powell, 1965]. However, there is no single modernisation theory. This is simply a shorthand used by various scholars to describe the variety of non-Marxist perspectives on development that emerged after 1945, and particularly in the 1960s. Evolutionism, diffusionism and other pre-war ideas were pressed into service by theorists to suggest ways in which the new or `emerging' nations (i.e. the Third World) could achieve the right `fit' between industrialisation and modernity.

Modernisation Theory, Modernity, and Development

Exactly what are the criteria for development success? Many early modernisation theorists deployed Charles Darwin's (1913) biological evolutionary typology to provide answers to this question. Emile Durkheim, for example, used this typology to present his view of global uneven development. He also drew on Max Weber's findings to analyse pre-industrial Europe. Durkheim argues that pre-industrial European society was marked by a `mechanical solidarity' and held together by a `collective conscience'. This collective conscience was based primarily on religious beliefs, myths, and sentiments, and formed the dominant behavioural and moral fabric of the society. Western industrial society, notes Durkheim, represented the submergence of this collectivity in favour of an increased heterogeneity, individualism, and interdependence. In effect, Durkheim is arguing that societies evolve from lower to higher stages, from simple to more complex ways of organisation. Western industrial society with its highly developed division of labour, is presented as ultimately superior to pre-industrial society only when the problems of social integration and value consensus are dealt with. The closer a Third World country was in type to Western industrial society, the higher up the evolutionary scale it belonged. This social evolutionism exhibited a profound belief in the naturalness and inevitability of societal changes.

Structural functionalists, conflict theorists, and diffusionists also depict social change as occurring in sealed compartments. Once a country had the correct political institutions, social agencies, and technological infrastructure it could traverse the stages to economic development. Malinowski (1947) and Parsons (1951) argue that there is a need for certain structures serving specific functions to be in place in order for economic success to be realised.[5] Parsons thus goes on to identify pattern-variables based on a comparison between the West and select Third World states. A high premium is placed on the perceived catalytic role of the family, the school, social stratification and other phenomena. The overwhelming impression is that once these are adequately featured in a particular country then societal equilibrium occurs thus bringing to an end seething class/group tensions. The social peace will provide foreign and local investors with the stability they need to start business operations. Economic development subsequently occurs.

Levy (1966, p.35) on the other hand, sees modernisation as a continuum according to the degree to which inanimate power and tools are developed. Successful development comes about once there is increasing human control of the physical environment. As he further puts it, 'relatively modernised' countries differed from 'relatively non-modernised' ones because they were high on specialisation, universalism, centralisation, rationality and functional specificity, possessed bureaucratic organisation, a highly generalised medium of exchange, and developed markets. A point of interest here is Levy's subtle usage of the terms 'relative' and 'non-relative'. He seems to imply that there are many 'levels' of development and underdevelopment. Hence there is therefore no presentation of an analysis that assumes uniformity in the level of development in the West, and alternately, in the Third World. However, a rather tired evolutionary framework lies at the heart of his analysis as well, for he too presents a unilinear notion of development along a Westernised route.

Malinowski focuses on the need for adequate governance structures, but he did not develop his argument beyond pointing out that political institutions were necessary for social control. Almond and Powell's (1965) comparative study of political systems likewise serves to inform Third World countries of a perceived 'gap' between their democratic institutions and those of the West. However, Smelser (in Burns 1969, pp.43-68) and Moore (1966) introduce the idea of state-led economic development when looking at parts of the Third World. Building on the view held by conflict theorists that domination -- and not consensus -- characterised state-societal relations in colonial society,[6] Smelser (1969, p.60-61) argues that a pre-industrial take-off is only possible under `strong, centralised governments'. Moore employs this theme and dismisses the idea that liberal democratic political structures are compulsory prerequisites for economic growth. As he puts it: `We can have non-democratic and anti-democratic modernisation' [p.159].

India's development dilemma is interpreted by Moore to be the fault of state managers. He contrasts the ability of political elites in France and England to extract economic surplus from the underclasses against the inability of the various Indian governments to effect the same [p.63-64]. This, he notes, is the root cause of India's `backwardness' [p.355]. What he recommends is the enforcement of the political will over the interests of the peasantry and working majority: `At bottom, all forms of industrialisation so far have been revolutions from above, the work of a ruthless minority' [p.508]. Although this may hardly fit the profile of a policy requirement, Moore and later, Smith (1974) made strong arguments in favour of state guidance in industrial planning.

Neoclassical Political Economy

Some neoclassical political economists seek to provide prescriptive, policy-oriented measures suitable for economic growth. The approach is rooted in the classical liberal framework of Adam Smith (1910) and others who privilege the `invisible hand' of the market in the world economy. A country develops by following particular criteria aimed at taming `exogenous shocks' and removing `internal obstacles' that may otherwise interrupt its logical unfolding development path.

Model-making symbolises their faith in the intrinsic merits of macroeconomic policy. Mankiw (in Brainard and Perry, 1995, pp.275-310) in a recent defense of neo-classicism's explanatory and prescriptive power, argues that the `purpose of economic theory is to take a complicated world, abstract from many details, and express the key economic relationships in a way that enhances understanding.' He refers to the merits and demerits of model-making within neoclassical growth theories[7] taking up issues like savings rates, population growth, household behaviour, and technology. A key argument within neoclassicism is that once a country has a sufficient savings profile, it will record growth for a time until the `economy approaches a steady state in which growth is independent of the saving rate' [ibid.: p.297]. Mankiw contends that endogenous growth models can cover for most empirical weaknesses within classical theory once it focuses more rigorously on knowledge as a key factor for economic advancement. As he puts it, `endogenous growth...relies on knowledge rather than human capital as the source of perpetual growth.'[8] While I disagree with the notion that a country can realise **perpetual** growth, I accept Mankiw's point that the acquisition of information and knowledge are crucial to a country's economic success. There really is little disputing that all core states are marked by their advance in the knowledge sphere relative to their lesser partners in the world system.

The major weakness in neoclassical theory, however, is that it relies too heavily on economistic schemata to describe world reality. Wo/man is presented as *hòmo-economicus*, and the society is treated as though it is embedded in the economy rather than the other way around. Lewis (1950) and Rosenstein-Rodan *et al* (1972), for example, stress capital-intensive industrialisation, heavy infrastructural investments, and the transformation of traditional values as the appropriate formula for achieving self-sustaining economic growth, the benefits of which will `trickle down' to the masses. Political questions about who gets what, when, and how; and who champions industrial transformation, are sidelined. This is unfortunate, for both `market' and `rational choice' objectives are always embedded in the tensions between central government and provincial authorities; between the state and bureaucratic institutions; and/or between the political class and bourgeois and other groups. Neoclassical models in the name of scientism, risk the elimination of too much detail, and there are dangers associated with this exercise. Excessive efforts at predicting economic outcomes can lead to a reification of the market. Markets are **not** natural phenomena; they have to be politically constructed and politically maintained. It is precisely this point that is underemphasised by many (neo)classical theorists.

De Soto (1989) and Sachs (in Koves and Marer, 1991) for example, discount the central role of the state in creating markets. Markets seem to exist in an administrative, social, and institutional vacuum. But state and market building are mutually dependent and potentially conflictual processes, shaped by historically constituted domestic and international factors. Explicit political struggles and political choices underlie the legal and regulatory institutions that define the way that markets work. These very institutions embody the political as well as the economic interests of dominant coalitions and reflect the outcome of wrenching political conflicts. In short, markets are conscious constructs in the same vein that statist or command economies involves deliberate arrangements. As Van de Walle (1989) suggests, the market embodies no telos and has no self-contained blueprint on how countries with different historical trajectories should proceed today with the transition from etatisme to market economies. The administrative burdens of creating market economies after long interludes of etatisme are politically disruptive in all countries whether they involve transitions from socialist redistributive regimes, state capitalism, Keynesian-welfarism, or distributive populist systems. The speed and thoroughness advocated by neoliberal reformers[9] reveals a lack of understanding of the highly political nature of economic organisation where efforts to construct market economies can conflict with the goal of state building. Nevertheless, neoclassical approaches ignore the politics of economic organisation and instead upholds price liberalisation, `speed' and `thouroughness' as the exclusive determinants of successful reform. The view is that economic recovery and renewal is automatic once markets are not prevented from performing their effortless miracles in efficient allocation. This echoes early modernisation and trickle-down theories.

Take for instance Walter Rostow's (1964) five-stage schema of modernisation which has a ring of historical inevitability.[10] His theory, when applied to developing countries, assumes that these are at the beginning or early stages of the growth trajectory. They begin either as an undisturbed `traditional society' and/or a `pre-capitalist' society. The path that they have to follow to development is that followed by current developed countries in the past. In this, Rostow fails to recognise that history does not repeat itself in exactly the same way for all countries. No country could ever effect a perfect xeroxed duplication of another country's development strategy. This is because geo-political, domestic, and international forces combine differently across time and space.

The strength in Rostow's work, however, lies in its subtlety. He did not assume that the future of all countries in the modern periphery was forever likely to remain at the lower end of the world system hierarchy. His error was that he allowed his theorem to present the possibility of unilinear development, itself largely determined by endogenous variables within a national social formation. We are therefore presented with the possibility of capitalism-in-one-country: self-reliant, autonomous, and self-sustaining. Hobsbawn (1979, p.307) in a critique of Rostow's work and other classical theoretical approaches, puts it this way:

> What remains is a dream world in which economic growth proceeds in all units in the same linear manner, though with an earlier or later start and at different speeds, each economy's position on the Rostovian cross-country track through the prescribed (and largely tautologous) "stages of growth" being clearly marked and graded.

A Caribbean variant of the classical approach attracted considerable attention in the early post-war period. Although Lewis (1950) shares the idea of `stages' of development, his framework was somewhat dissimilar to other classical liberals. He explicitly argued that in order for policy prescriptive measures to work, **politics** had to be brought back into development theory. Lewis argued that state direction was necessary in the Commonwealth Caribbean (circa 1950) in order for the region to overcome the negative features of its socio-historical experience.[11] He recommended that the state should seek to guarantee above all, an `investment climate' with adequate infrastructure, tax incentives, and liberal foreign exchange instruments. Given the limited industrial/technological development and the weakness of the bourgeoisie in the region, Lewis argued, it was important to build a pattern of industrialisation that could bring out the benefits of cheap labour in order to attract foreign industrial capitalists. Private local initiative could then be stimulated at a later stage.

In this it is clear that Lewis did not share the `pristine' classical political economy view, i.e. of a full blown capitalism consisting of free markets, equal competition, and caretaker states interfering little in the capital accumulation process. On the contrary, he internalised the recognition that the state needs to play an active role if it is to bring about desired economic consequences. He also pointed to the impact of colonialism, and to the absence of a domestic industrial class as key elements that make it difficult to achieve the goal of rapid industrialisation. Additionally, what is worth noting is his point on how the nuances and dictates of a colonial power could impact negatively on its satellite states. In exposing the banality of Britain's post-war recommendation of *laissez faire* economic policies for the Caribbean region, he states:

These views were never accepted outside England by persons responsible for the government of countries that were industrialising. Neither were they accepted by England herself in the long centuries from 1400 to 1800 when she was laying the foundations of her industrial greatness on the basis of vigourous fostering of new incentives behind monopolistic grants, patents, subsidies, and protective barriers. They have never been accepted by the rulers of any nation at the time when it was in its early throes of industrialisation, whether by England, or the United States, or Germany, or

Japan, or Russia, or any other country. It is only when England had become the leading manufacturing country in the world that she embraced *laissez faire* views, and sought, unsuccessfully to sell them to other nations. Independent nations, including the self-governing dominions, refused to buy them, but India and the rest of the dependent Empire were allowed no option. It has been the misfortune of the West Indies to be caught in the trap of these ideas [p.34-35].

Basically what was needed, argued Lewis, was the creation of conditions in the region under a federal Caribbean government to attract foreign capital to start up industries. The government meanwhile was to start businesses on its own initiative, primarily industries producing for the domestic market. Low wages, the provision of suitable factories or `trading estates', adequate infrastructure, subsidies, and limited tax exemptions were to act as alluring factors for foreign capital. His optimism was however limitless: `Once an industrial centre is established and begins to grow, it will go on growing' [p.36]. This `snowball' view is also captured when he states that `if the new arrival [i.e. a multinational] writes home to say all is well, it will not be long before others come after him' [p.53]. In this sense, Lewis' recommendations did not stray far from the image of order presented by classical political economy. He depicts a stable, static world economy with abundant foreign capital on offer once `correct' measures are in place.

Neoliberalists point to the `miracle' growth of the East Asian NICs as proof that the possibility of traversing the stages to modernity is real. Balassa (1989, p.27) in particular argues that South Korea and Taiwan are successful latecomers because of their dependence on market-led growth strategies. She stresses the importance of their export-oriented policies, and adds that their economic success was the outcome of adequate resource allocation, improvements in technology, and an increase in domestic savings and foreign direct investment. This dovetails with Keesing's (1979) earlier view that the Third World should seek to get its prices right in relation to international opportunity costs if they are to boost exports. While these ideas partly explain some of the dynamics involved with East Asia's success, these scholars miss the point that NICs had highly centralised authoritarian state structures in place during most of their *rapid* industrialisation years. Brautigam (1994) for example, attributes Taiwan's ascent to the proper application of macro-economic policies and its market-driven impulse. Africa stands to benefit, she argues, if it could make a compromise with market relations and private capital. While this latter recommendation may be a reflection of the reality facing developing countries, there is still a need to properly outline the **pace** of market reform for **each** country. Reducing the entrepreneurial or interventionist role of the state and applying political, institutional and market reforms too hastily could lead to socio-political chaos. As Menshikov (1990) and Halliday (1992) noted, the application of such a `shock therapy' resulted in the political chaos and consequent dramatic economic collapse of the Soviet economy and parts of the former Second World.

This raises another issue. Since neoliberal development strategies are based on market-led growth, scholars using such an approach need to develop a better understanding of the different ways that markets work in peripheral countries. It is too often assumed that there is a basic uniformity in Third World markets based on open competition and economically rational behaviour by entrepreneurs. These assumptions about markets and the private sector have little historical evidence to support them. In the case of the Commonwealth Caribbean, for example, it is wrong to think that Western-style product markets, credit, and labour organisation exist naturally. This is because these have been historically rare. In addition, it is flawed to assume that there is a capitalist class (i.e. industrial bourgeoisie) in the region that will respond `logically' and predictably to market incentives with *investments in the tradable sector and other* accumulation activities. As the case of the Caribbean reveals, investment decisions by the domestic bourgeoisie are based on criteria that diverge from neoclassical assumptions of profit maximisation. It is based on considerations arising directly out of the historical constitution of sociocultural and political structures. In other words, domestic social relations, structures, and institutions are taken into account when investment decisions are made. The decision of whether to invest in agro-processing operations, or persist with traditional agricultural exports, for example, is one that will go beyond issues of international price falls or loss of markets. If domestic labour is unionised and politicised, then the decision is likely to be the abandonment of agro-export production for real estate and other commercial -- not industrial -- endeavours. In this way the domestic bourgeoisie reproduces itself and avoids the socio-political costs of a 'new' deal with the state on the price and 'discipline' of labour. This example demonstrates that development, whether market-led or not, is not a function of abstract economic mechanisms operating in a social vacuum, nor is export-orientation a predictable, rational option for **all** Third World bourgeoisies. As Dietz and James (1990, p.9) confirm, '[neo-classical]' economic orthodoxy pays far too little attention to how powerful social and political forces can encapsulate and steer market forces'.

The modernisation and neo-classical approach to development simplistically assumes that ascent is a scientific projection of a straight line going up. Global capitalism is presented as providing so much neutral space within, for those sufficiently reformed to develop. There are no real attempts to address the feature of interstate rivalry and competition for surplus. It is only when the debates within political economy and development studies venture into a discourse on the ideal relationship between the state and economy that we are presented with the idea of capital accumulation as a political-economic project. We learn that ascent is more than just a matter of pursuing one's comparative advantage in international trade and of 'getting the prices right'.

<u>The Statist Perspective</u>

Some proponents of the modernisation perspective, realists, state autonomy theorists, and institutional economists, seek to discuss the general relationship between 'governance' and economy. The overwhelming view is that governments determine how well, or how poorly, markets function. Therefore it is incumbent upon development scholars to examine the role of the state in capital accumulation strategies. The deployment of these various disciplines to the field of development studies in part reflects a dissatisfaction with neo/classical economic theory. As North (1990) points out, economic performance is not easily explained by the logic of economic theory alone. Governments are not neutral, rationalist actors. Indeed, as many economic realists argue, their rationality is more frequently political than economic.[12] As the overall arguments go, countries develop, or fail to do so, based on how the state, in conjunction with the bourgeoisie, determines the preconditions for a thriving domestic economy.

As indicated earlier, Smelser (1969) and Moore (1966) make this general point when they emphasise the need for a strong state to effect a developmentalist `catch-up'. But apart from the role of the state, some other modernisation scholars like Rostow (1964) and Eisenstadt (in Eisenstadt, 1970, pp.3-33), stress that without an aggressive entrepreneurial sub-stratum, no real economic transformation can occur. In this light, Rostow argues that in post-colonial societies the new political class ought to centralise political power, and thereafter mobilise capital by encouraging new ideas. This was necessary, he points out, in order that the `forces of modernisation' may overcome the `forces of tradition'. This insight is particularly useful given the virtual absence of an industrial class in the British Caribbean. Eisenstadt (1970, p.19) agrees with Rostow, stating that the `drive to maturity' demands `special entrepreneurs or an elite able to offer solutions to the new range of problems' associated with capital accumulation.

While these scholars discussed endogenous possibilities for capitalist growth in a country, state autonomy theorists have been engaged in a parallel discussion on the variability of state power between core and peripheral countries. The central issue is the degree of `manoeuvrability' of the state under capitalism. What is rejected is the neo/classical notion that the path away from the periphery demands `caretaker' states.

Block (1980) stresses the need for a 'partnership' between state power and class power to properly effect a development strategy. This idea dovetails with Miliband's (1969) view that the state in all strategies of capital accumulation, acts on **behalf** of the dominant class and not at its **behest**.

Alavi (1972) and Skocpol (1985) likewise share the view that it was not accurate to employ a strong state/weak state formulation when describing core and peripheral states. Alavi stresses that since states in core and peripheral formations control the means of violence, it can use 'force' to sustain its domination, and so one should speak of the 'potential autonomy' or internal strength of all states. As Waring (1989) concurs, there is little disputing that some Third World states are/were strong *vis-à-vis* internal opposition forces or 'civil society'.[13]

The question of **internal** state power, however, remains contentious. Indeed, theoretical and empirical definitions of 'power' in international relations research have remained problematic despite the efforts of Holsti (1983) and others. In most cases, the literature avoids a theoretical explanation on the subject, and speak of state 'A' or 'B's' **capacity** to implement policies favourable to capital accumulation and internal social well-being. 'Power' here is the extent to which state managers can mobilise resources with the compliance of governmental agencies and the consensual participation of social classes and fractions. Legitimacy, therefore, becomes an important component of state strength. Thus, Rubinson (1981) emphasises that a **strong state** is one supported by an alliance of capitalists, themselves united and in themselves the source of important resources. Smelser consequently opines that the requirements of ascent demand highly centralised or authoritarian states.

Thomas (1984), Boone (1992), and Stone (in Wedderburn, 1991, pp.87-100) caution that it does not necessarily follow that the presence of a highly centralised and 'autonomous' state will guarantee upward mobility. They argue that the evidence reveals that in many Third World countries, the state has tended to act like a predatory accumulator, separate and apart from the capitalist classes. Clapham (1985) sheds light on this problem by usefully describing these states as `neo-patrimonial'. He draws on a Weberian typology in order to describe different types of state authority. Authority in the modern core state is held to be of a legal-rational description. Bureaucrats or state officials are expected to be impartial while acting in the public sphere, but are also free to pursue their interest in the private sphere. He refers to charismatic authority as the second type of authority. This is usually based upon some personal characteristic of a rising leader. He argues, however, that once such a leader assumes office, the society tends to institutionalise the new authority structure. Charismatic authority will ultimately become legal-rational authority, he notes. Clapham focuses especially on the third variety -- `patrimonialism', to describe state authority forms in the Third World. Here, authority is based on tradition and may reside in a person, an elder, or a chief, rather than an office. Anyone lower down the chain has authority because it has been given by the ruler. Third World states are not simply patrimonial, Clapham argues, but **neo-patrimonial**. He explains that this is:

a form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines. Officials hold positions in bureaucratic organisations with powers which are formally defined, but exercise those powers, so far as they can, as a form not of public service but of private property [p.48].

In short, neo-patrimonialism is used to describe features of corruption and nepotism in post-colonial states. Officials regard themseves as owning their positions, see the state as a source of wealth, and will therefore seek to protect their positions within the state apparatuses. This resonates with Alavi's (in Goulbourne, 1979) point of the rich resource base that the post-colonial state apparatus presented to the new political class. He explains that state actors could realise their particularistic interests because the state `is..."over-developed" in relation to the "structure" of the colony, for its basis lies in the metropolitan structure itself, from which it is later separated at the time of independence' [ibid.: p.40-41].

Boone (1992) provides an example of this when she noted that it was the `self-interest' of Senegalese state managers that frustrated the modernisation drive in the immediate post-colonial years. She argues that `they maintained market structures created by colonial merchant capital to extract surpluses from the peasantry, thereby generating an economic base for themselves' [p.11]. As a result, the state elite, `reproduced economic structures that proved vulnerable to the `exogenous shocks' in the 1970s and 1980s' [p.9]. This bears some resemblance to the Commonwealth Caribbean experience.

At critical junctures throughout the last thirty years, Caribbean state managers shied away from taking measures aimed at deepening the process of capital accumulation, because populist development strategies ensured their own political survival. State power was used by the petit-bourgeois political class to dispense favours, provide jobs and welfare, and to embark on a low-tech industrial strategy; while the untroubled wealthy (traditional) elite moved steadfastly to expand the non-productive sphere of the individual economies. Politics consequently became one aimed at providing jobs and welfare, while economics grew to reflect the permeating culture of merchant capitalism. Throughout, social reproduction remained the utmost concern of these two respective classes.

Robert Bates (1981) uses a rational choice approach that makes it possible to see the connections between the political imperatives of rule and the kind of state weakening described by society-centred analysts like Hyden (1980) and Migdal (1988). He notes that Third World rulers tend to use the state in deliberate ways to promote primarily their own and other powerful privileged interests. They rely on patron-client relations or policies that produce `divisible gains' rather than economically optimal outcomes, and the particularistic distribution of state resources to cement alliances and build political support. These strategies of rule tend to leave the state more permeable and vulnerable to capture by powerful social elements, he continues. Some of Bates' observations find an analog in the British Caribbean. By relying heavily on incomes from high duties on import items and on revenues from tourism and the wider offshore services sector, Caribbean state managers were to find themselves unwittingly perpetuating the hegemony of the mercantile elite over other social groups/classes. However, the Caribbean situation begs a question left largely unanswered by Bates' findings. Why would regimes opt for and then stick to strategies for remaining in power when these very strategies block or erode their capacity to rule?

An analysis of the political process is needed to square the tradition of work on why capitalism **fails** in some Third World countries. In the Caribbean case, the decisive process is **regime-consolidation**. Regime consolidation involves continuous efforts to use state power to forge a ruling coalition and sustain it in the face of challenge. As Boone puts it, it is a process of using state apparatuses for gathering, organising and reproducing power. Focusing on regime-consolidation processes allows one to move beyond the state-versus-society abstraction that is at the heart of the society-centred approach, towards one that sees the state as **embedded** in the society. The strong state/weak society hypothesis, when applied to the Caribbean scenario, needs to take account of how regime consolidation processes worked against the backdrop of the colour question and the limited class *development in the region* (circa 1960). The use of an integrated state-society approach would highlight the following: The new political class in the Caribbean was/is made up of members of the small black/brown petit-bourgeois professional class. As a ruling class they represent a composite faction. They embrace competing powerful elements in society forged under colonialism and base their claim to rule on their ability to mobilise the rural and urban majority, religious authorities, Asian minorities, the pre-colonial aristocracy (i.e. the few remaining plantation owners), and the wealthy planter-merchant elite. The need to coalesce these different social strata within the matrices of the state gave rise to a brand of political advocacy and practice that was populist, ideologically pragmatic, and messianic. Small country-size and the Westminster two-party system magnified these requirements resulting in a culture of personalist politics, and extensive patron-client relations.

The notion of power consolidation highlights the insecurities and uncertainties of postcolonial rule in some Third World countries, and why capitalist development (i.e. from craft- to light- to heavy-goods industrial development) has not occurred. Too many scholars have tended to view regime consolidation in parts of Africa and the Caribbean as one that was overdetermined by circumstances attending the peaceful transfer of power to former colonies. The processes that worked to consolidate state power in the hands of postcolonial regimes are seen as structured by forces outside the political sphere. In Chapter Two, I demonstrate how the process of consolidation -- of gathering, institutionalising and reproducing political power -- in fact shaped class and economic structures. Indeed, regime consolidation was best facilitated by the increasing role governments were expected to play in the economy in the 1960s and 1970s.

Recent neoclassical resurgence stems partly from empirical observations of the way government intervention worked in some Third World countries. As Bates (1989) argues, extensive state intervention in the 1960s and 70s, led to either of the following scenarios. Scenario one: in some cases, while it was used to promote import-substitution industrialisation (ISI), the end-result was the proliferation of inefficient industries. Scenario two: in other cases, extensive state intervention tended to generate 'rent-seeking' on a substantive scale, which detracted the attention of economic agents from productive activities into lobbying for increased protection and government subsidies. Galenson (1992) and Balassa (1989) add that the reason why it worked in the East Asian NICs is because these economies were outward-oriented and driven by market incentives and a strong private sector Political practice did not interfere or encroach on the normal functioning of the market economy Other scholars contest this simplistic view.

An emerging countercritique of the neoclassical interpretation of the rise of the NICs is serving to bring out more ideas on the mechanics of ascent. The view is that economic success in parts of Asia is attributable to both the `invisible hand' of markets **and** good state management. One can broadly classify this countercritique as `institutionalist' since it explains the phenomenon of the `late developer' in the following way: Late development should be understood as a process in which states play a strategic role in taming domestic and international forces and harnessing them to national ends [Johnson, 1982; Amsden, 1989; Wade, 1990]. A sort of `governed market' theory was in command, based on high levels of investment in certain industries, and exposure of many industries to international competition in foreign markets, though not in domestic markets [Wade, 1990].

This view of the `developmental state' is located within the neo-Weberian emphasis on states as organic entities.[14] There are also some important points of convergence between this perspective, and the realist school of international relations. The state is reified as the crucial actor in both the domestic and international arenas. The essential image of the world, including its markets, is one of anarchy. As Gilpin (1987) explains, within (neo)realism the nature of economic relations among societies are fundamentally `conflictual'. Nation-states are the basic actors; `politics' dominates `economics'; and the maximisation of national interests constitutes the primary goal of economic activity.

At bottom, developmental state theorists argue that emulation is achievable once a state is capable of generating and maintaining developmental momentum.[15] They place causal primacy on the directive and catalytic role of the state. This stems from the tradition of Friedrich List's (1964) idea of **dirigisme** as a key strategising feature in national development. Gerschenkron (1962) also speaks of the need for `active states' in industrialising strategies. Johnson (1982, p.19) consequently explains that the post-war Japanese state was developmentalist because it was pre-eminent in `setting...substantial social and economic goals'. One: the state's elite bureaucracy was autonomous and shared or influenced the decision-making process. Two: there was a consensus building policy-making process at work.[16] And three: all of the above must be understood **politically**, for its provenance lay in the essentially nationalist objectives of the `late developer' [ibid.: p.25].

Onis (1991, p.111) adds that economic development, defined in terms of growth, productivity, and international competitiveness, constituted the **foremost and single-minded priority** of state action in late developers. He takes the view that the degree of government-business cooperation and consensus on national goals, is a product engineered by state elites themselves, through the creation of a special set of institutions `relying on a significant element of compulsion' [p.116].

Overall, this perspective is different from structuralist development economics (discussed below) which downplays the key role of markets in the industrialisation process. Similarly, it transcends the neoclassical argument (on the other extreme) that treats all successful development episodes as the outcome of free markets and caretaker politics. In a sense, developmental state experts imply that there are some `advantages of backwardness'. Arguably, highly centralised, authoritarian-style governments with a market-driven formula for economic success, can only likely emerge in societies marked by material want, industrial backwardness, and a restless, organisationally weak populace. Haggard (1990, p.262) indeed reminds us that **low** formal participation -- i.e. limits on party representation, interest group formation, and labour organisation -- allowed political space for the governments of the East Asian NICs to move rapidly in devising, adjusting, and implementing growth-oriented policies without significant societal pressures. Each country was consequently marked by `tightly controlled' channels of representation, and economic policy-making processes leaving the state `relatively *insulated* from direct political pressures and compromises'.

The case of the authoritarian but developmental East Asian NICs highlights another important point. International donors today link democratic reform or `governance' to very specific macroeconomic prescriptions. International financial institutions (IFIs) additionally recommend institutional reform and effective bureaucracies in parts of the Third World.[17] In this there is a strong voluntarist or architectonic streak that argues that state capacity can be `built' as part of a policy imperative. But many institutional economists point out that the historical record belies this assumption. The institutions that underpin economic responses -- local enforcement, behavioral norms, organisational forms and interests, and property rights -- all differ from country to country, and changes in these institutions occur very slowly.[18]

These very institutions are crucial to the workings of any strategy of capital accumulation. As Gordon, Weisskopf, and Bowles (1985) note, successful strategies of accumulation include not only `economic' factors like the availability of credit and tax incentives, but also social and political factors like the reliability of a potential labour force, the hospitality and stability of foreign countries, and an efficient domestic support structure capable of carrying out project and programme decisions. The more unstable these economic, social, and political elements of the general climate affecting capital accumulation, the less likely it will be that capitalists accumulate through production.

Incidentally, the contribution of institutional economists exposes a theoretical flaw in the developmental state perspective. There is too little attention paid to culture. When discussing the East Asian NICs, for instance, the literature underemphasises their common Confucian heritage,[19] the influence of Mencius' thought on governance,[20] the workings of the bureaucratic and legal machinery, and the long historical rise of a middle class and an entrepreneurial sub-stratum. In addition, the perspective downplays the role of the U.S., Japan, and geo-politics in the region's transformation and fortune.

This is a weakness, however, that goes to the heart of the state-centric framework. As many structuralists and cycles-theorists indicate, countries do. not develop solely on their own intrinsic merits or by the `correct' application of policies. Positional location in the core/periphery hierarchy also largely determines the level of success possible. If one focuses exclusively on state-societal factors to explain upward mobility this leads to the conclusion that a heavy dose of dirigisme -- aimed at market-driven export-orientation, is the key to success. Once the state remains responsive to export-minded fractions of capital; guides the private sector away from `sunset' industries into new ones;[21] works to ensure the efficiency of the bureaucracy and the legal machinery; and solves social problems at the level of distribution then the economy can produce very positive growth outcomes indeed. Structuralists are dissatisfied with the above approach and its assumptions. I refer to their views below by raising an essential question. Why should the promulgation of a policy or a development strategy necessarily lead to **desired outcomes**? Indeed, there remains the need for a sound theoretical argumentation that explains why among the cases of dirigists, economic success was realised by some countries, and **not others**.

Structuralist Approaches: Dependency and World-Systems

Structuralists and long cycles-theorists challenge the realist conception of states as actors with discrete purposes and policies. They advance the view that the capitalist world economy, rather than states, ought to be privileged when discussing social change. To be sure, some state-centric theorists do step outside the normative discourse on the state and economy, and present their ideas on states in the world economy. Neo-liberals like Bates (1988) and Balassa (1989) present the unifying power of the world market as the dominant image of change. Realists speak of an anarchic world of competing states but reject any working conception of the social world as a totality. As one scholar remarked: `Students of international politics will do well to concentrate on separate theories of internal and external politics until someone figures out a way to unite them.'[22]

To be sure, realism is a `socially valid' form of thought. It faithfully tells us clear discernible things about international relations, i.e. that it is impersonal, necessitous and power political. However, as their critics often point out, the mental image of a world of states invested with self-activating drives is both real and fundamentally misleading. Reality is certainly far more complex. Both (neo)realism and neoclassical theory underestimate this complexity because they halt at the tangled border of appearances and proceed to map the contours of the visible world -- on the basis of the maxim -- `what **is** is the **real**.' The structuralist approach, on the other hand, takes far greater cognisance of international linkages.

Dependency

Dependency theorists, in contrast to realists, argue that a country's development trajectory is shaped by its systemic and systematic links with the world economy.[23] They contend that this world economy is `capitalist' and has been so since the `long sixteenth century'. Third World countries are largely low-accumulation economies because of the way that they have been incorporated into world capitalism. Baran (1973) in particular asserts that the Third World's `logical historical development' was interrupted by Western imperialism and surplus-extraction. The resulting `paucity of their per capita output' is today a direct result of their being `dragged' into the Western capitalist orbit [p.267]. Furtado (1970, p.17) adds that it is necessary to begin with the `structure of the world economy as a totality' within which underdeveloped countries are sub-systems, and so `the theory of underdevelopment turns out to be essentially a theory of dependence'. In short, the *dependentistas* aim to prove the case of `development of underdevelopment'. This analysis finds echoes in the broad structuralist school where scholars employ the combined insights of the dependency tradition to discuss hegemony, core rivalry, core-periphery relations and discernible cycles or patterns in world system history.[24]

Structuralism presents roughly three epistemic insights to counter those assumed by the realist school. They argue: (one) that world socio-political processes are marked by subordination and exploitation, rather than diplomacy and war; (two) the image of order in the world is one of hierachy, rather than anarchy; and (three) that the unit of analysis should be the capitalist world system, rather than individual sovereign nation-states. However, rather than a simple integrated theory of development, there are many contending theses within the structuralist school on development and underdevelopment.

As indicated above, the *dependentistas* argue that the Third World is underdeveloped because it is structurally locked in a dependency-syndrome. Furtado (1970), Frank (1971), and Beckford (1972) for example, contend that core-periphery relations exist between former colonial powers and their satellite states. And that this relationship is characterised by an expropriation/appropriation of the economic surplus of the satellite country. The centre-periphery structures remain intact because of the complicity of the Third World elite, who form part of a global comprador bourgeoisie generally benefiting from the centre's exploitation of their societies. They claim that the dependency is self-evident if one acknowledges that most Third World economies are marked by limited working class purchasing power; transnational corporation (TNC) surplus-extraction activity; and dependence on foreign capital and technology.

In the case of the Caribbean, Demas (1965), Brewster (1973), and Thomas (1974) add that small-country size further handicaps economic development. From this perspective, all that is required is the closer harmonisation of industrial and fiscal policies so that the region overcomes small-scale economies, small populations, and a small resource base. This finds echoes with the *dependentistas'* view of breaking ties with the core in order to escape dependency so that the country in question could function as an independent, autonomous entity. `Delinking', self-reliance and other neo-autarkic strategies have been proffered as solutions to dependency relations.[25]

Before I introduce other perspectives on structuralist understanding of uneven development, a brief word on the theoretical flaws in dependency theory is required. The *dependentistas'* image of the Third World bourgeoisie as stereotypical shadows of their Western counterparts is far too simplistic. It misses **the range of manoeuvre** that Third World elites strive for -- and are sometimes accorded at conjunctural moments -- and it downplays the interstate competition for surplus generated from the sale of export goods and services. The politics of the 1970s alone, e.g. -- the campaign for a New International Economic Order, the conflicts between TNCs and some Third World governments, the consequent nationalisations and expropriation of assets, the movement for cartelisation (OPEC),[26] and South/South solidarity movements -- revealed that Third World elites were not merely puppets of the Western bourgeoisie. However, these movements largely failed to transform global power relations.

Overall, there is a circularity in the dependency argument: dependent countries are those which lack the capacity for autonomous growth and they lack this because their structures are dependent ones. Lall (1975) and Warren (1980) make a similar criticism. Lall argues that for the dependency concept to prove effective, two criteria had to be met. One: it must lay down certain characteristics found in dependent economies that cannot be alternatively found in non-dependent economies, and two: these characteristics must prove to be adverse to the country's march to development.

Warren generally points to the many levels of development in the Third World and cautions against treating it as a homogenous bloc. He adds that some Third World countries' dependence on the West has been beneficial, for it has not been accompanied by mass poverty. O'Brien (1975) convincingly argues that Canada is `an obvious example of a dependent country' but yet it has high per capita incomes, and high levels of education, health, and welfare. He explains that its economy is heavily dependent on U.S. foreign direct investment which controls the domestic industrial structure and determines the technology in use. The distinctiveness placed on `dependency' appears ideological, he argues, for independent weight seems to be placed on `dependence' in the world economy as unacceptable, undesirable and inglorious.

To be sure, there have been some subtle qualifications of the `dependency' concept. Evans (1979) speaks of the mutual dependence of a virtual `triple alliance' comprising the Brazilian state, the bourgeoisie, and international capital. And Friedman (in Friedman, 1982, pp.9-23) stresses that in fact, `development is *dependent* development' [p.19]. These scholars do not challenge the fact of, as much as they stress the need for Third World states to **negotiate** the scope of their dependency. I agree with their position. Trade dependence, trade partner dependence, financial, and technological dependence are evident between and among states, core and peripheral, in the international system. These dependency relationships among and between these states yield differentiated results and betray a complexity underemphasised by early dependency theorists. *Dependentistas* often argue that transfers of surplus lead to the development of one social formation, and underdevelopment for the other. But are TNCs and IFIs solely responsible for the `drainage' or `leakage' of surplus -- or can we too look at the role the state plays in serving its own self-interests, whether by direct plunder and corruption, or by reproducing `backward'(i.e. non-industrial capitalist) orders?

In the Caribbean context, the point of country-size is also somewhat overstated. Singapore is slightly bigger than Barbados, yet small country-size did not handicap its indusrialisation drive in the 1960s and 1970s. Within Europe there are small countries like Norway, Finland, Denmark, and Sweden. In 1870, when Sweden's industrial transformation got underway, the population stood at only about four million. The other countries listed had populations under two million. New Zealand in 1890 had a population of a mere seven hundred thousand. Nor was the natural resource endowment in the Nordic countries particularly impressive around this time. Jorberg (in Cipolla, 1973, pp.378-383) points out that long severe winters, and poor communications constrained agricultural development and land use patterns. In addition, he notes that although there was a great amount of wood in Sweden, Norway and Finland, there was no coal. Yet these factors did not block their eventual path away from the periphery. Today, based on conventional measurements, these countries are considered as part of the developed core.

On the basis of this evidence, therefore, small-county size is not necessarily a handicap to upward mobility. What seems to matter more, however, is the conjunctural circumstances and the response of the country(ies) in question. As Jorberg points out, the rise of the Nordic countries occurred at a time when demand for these countries' exports (wood, meat, paper, dairy products, etc.) was stimulated by rising incomes and economic expansion in the larger European economies (1890-1914). As primary producers in this period, they benefited from significantly favourable terms of trade. (This is in my view the key to the whole problem, i.e. improving one's terms of trade.) Jorberg and other scholars point to the internal development of commodity relations in agriculture and in petty commodity production in these countries during this time as being both progressive and fortuitous.[27] What they also note is that export-earnings and foreign investment were used to improve infrastructure. Henderson (1972) speaks of the periodic balance-of-payments difficulties that affected these countries, and notes that the move towards a machine economy, the availability of lending capital, and for New Zealand, the benefits of a `gold rush' enabled them to achieve sustainability. In essence, these scholars suggest that once the conditions are ripe (internationally and domestically) for social change, the onus is on the state (in an alliance with bourgeois fractions) to seize the historical moment. I return to this idea later.

Merchant Capital

Notwithstanding the flaws in dependency theory, the work of Baran (1973), Frank (1971), and some `articulationists' raises some interesting insights on the character of the bourgeoisie in select Third World countries. As Arthur Lewis and others have established, the Commonwealth Caribbean remains conspicuous by the virtual absence of industry. This can be explained by the conscious `opt-out' strategy by the wealthy elite in the region. Import-trading and other commercial activities predominate in the domestic sphere. Baran and Frank provide a useful typology of the `lumpenbourgeoisie' -- i.e. merchants, money-lenders, real estate agents, and the traditional elite -- describing them as parasitic and non-productive. Kay (1975) and Taylor (1979) suggest that this bourgeois-type has been shaped by the colonial experience. They argue that 18th century European merchant capital did not have a beneficial impact on peripheral countries. As they see it, European merchant capital tended to underdevelop the periphery by perpetuating `pre-capitalist' forms of production; by guaranteeing the continued political-economic survival of the traditional elite; and by extracting surplus product.

Reading Baran, one can argue that if powerful social groups within a ruling coalition are not `bearers of capitalist interests' this will present crucial obstacles to industrial transformation. Baran for example notes that since most decolonising countries were `precapitalist', traditional landed elites (i.e. `parasitic feudal overlords') and business interests (i.e. `merchants') were spirited to foster an alliance that rested on political, social and institutional structures `set up to guard and abet ... existing property rights and privileges' [p.95]. These arrangements, if successful, had/have the potential for blocking the rise of an influential manufacturing class which would split the ruling coalition and jeopardise the existing structure of domination. This is similar to the postcolonial Caribbean situation where the ruling coalition came to be dominated by groups with no real stake in advancing industrial expansion and transformation of the region -- i.e. merchants, landed interests, petit-bourgeois professionals, and an influential Anglican/Catholic lobby.

Beckles (1989) draws on Kay's (1975) analysis of the unproductive nature of merchant capitalism, but focuses squarely on domestic factors to explain the Caribbean economic malaise. Referring to Barbados especially, he argues that its economic retardation is the outcome of the dominance of a merchant capitalist class, largely phenotypically white, who either own, control, or sit on all major corporate boards in the country and influence policy. He therefore calls for `economic democracy', meaning democratic, non-racial access to resource ownership in the `economic landscape'. On this point, I would argue that the route to (black) economic enfranchisement does not rest in broadening the base of merchant capital, but through the intensification of modern industrial production. Watson (in Watson, 1994) makes a similar point when he stressed the need for capitalist intensification in the region.[28] His contribution is especially useful for beyond noting the dominance of trade over production in the Caribbean, he pointed out that its permeating culture has had a disspiriting effect on local/regional entrepreneurship. Because fledgling manufacturers are forced to satisfy local consumer tastes conditioned by strong overseas competitors, entrepreneurs in each small Caribbean country, tend to shy away from industrialising activity and seek ventures in the commercial sphere.

Nevertheless, there are some related issues that both Watson and Beckles failed to adequately address. While Beckles exposes and critiques the white elite's practice of nepotism and racial exclusion within their business operations, he does not provide a sufficient account for merchant capital's dominance in the region. Watson, on the other hand, while doubting that merchant capitalism can absorb the black and East Indian middle strata, still does not explain why the post-colonial order in the first place allowed -- nay -- **obliged** the traditional elite to build up its wealth and strengthen its place in society. In light of these ommisions, part of this thesis asks: (one) is the dominance of merchant capital **cause** or **consequence** of the region's peripheral place in the world system; (two) how has it been reproduced; and (three) where is its place within the ruling coalition of these postcolonial states.

Chapter Two points out that the dominance of merchant capital is **both** cause and consequence of the region's subordinate place in the international division of labour. British colonial rule left four legacies that would prove critical in shaping the post-colonial political economy. One: domestic white elite control of sugar production, two: the primacy of import-trading networks rather than production itself as a locus of capital accumulation, three: an overall weak indigenous business class; and four: a small weak middle class. Decolonisation and the weakness of local capital cleared the way for the political ascendancy of social strata that were neither the bearers nor the representatives of indigenous capitalist interests. The new ruling classes across the region soon found themselves structurally dependent upon the continuing vitality and functioning of forms of capital established locally, and upon preferential access to foreign markets and easy lines of international credit. As it turned out, merchant capitalists turned their attention to real estate activity, the offshore services sector (i.e. tourism, offshore banking), and import-trading. They went on to control the commercial circuits that integrated the economy. This confirms Marx's observation that merchant capital tends to remain confined to 'the sphere of circulation'.[29] The more regimes came to depend on tourism and offshore finance operations to sustain economic growth, the more merchant capital dominated the pace and rhythm of economic development. But at critical moments over the last thirty-five years, Caribbean regimes shied away from deploying windfall benefits and surpluses into the nascent manufacturing sector or encouraging the domestic bourgeoisie to move towards production. This is because state power was/is grounded in the very conditions that stultify capitalist transformation in these societies. Caribbean state managers represent an insecure social group (petit-bourgeois) with no history of business or enterprise; they fear the politically destabilising consequences of 'turning their backs' on the wealthy (mercantile) elite; they despair over disturbing race relations; and they cannot contemplate broad-guaged, long-term development strategies because satisfying the populace and regime consolidation depends on expanding the reservoir of patronage resources.

World-Systems Theory

World-systems scholars rigourously apply an external-determination analysis to explain global uneven development. This approach represents an extension of the dependency tradition Wallerstein (1974) and Amin (1977) explain that the capitalist world-system has covered the globe because of its expansive and exploitative impulses and that its historic force operates through an axialogical division of labour between its constituent parts. It is this global division of labour which facilitates the amassing of profits to encourage more production for even larger markets and more production *ad infinitum*. In this way the system is neither contained nor confined and is marked by the 'ceaseless accumulation of capital'.

Following therefrom, they note that development under global capitalism is unequal and uneven. Core rivalry and core-periphery relations are largely responsible for this. As dependency scholars had earlier pointed out, the centre or core areas are delegated the production of highly valued goods, while peripheral social formations are relegated to the status of producers of primarily low-ranking goods. Thus the core develops and the periphery remains largely underdeveloped.

Friedman (1982), Chase-Dunn (1989), and others reaffirm the point of the unevenness of world development by incorporating the findings of cycles-theorists. They, unlike neoclassical scholars, observe that the capitalist world-system goes through cycles of contraction and expansion, and is not therefore locked in a linear mode of progression. As such, extensive examination of trade-cycles,[30] cycles of core-hegemony,[31] of formal colonial rule,[32] of war,[33] and world economy fluctuations[34] remain important if power elites are to understand the shifting dynamics of their local, regional, and global circumstance. Despite this marshalling of evidence confirming movement in the political economy of the world system, structuralists remain nevertheless pessimistic about ascent from the periphery. Thus successful development episodes tend to be 'read off' as proof of the law of development for the few. Amin (1990) for example, asserts that apart from some East Asian exceptions, 'compradorisation' or 'dependent industrialisation' are in store for other aspirant countries. For Wallerstein (1991), the pursuit of national development is 'illusory', since it 'will never be achieved, even in a partial way, by most countries'.

These conclusions are reached because these scholars view the entire globe as a single unidimensional framework of activities. This organising concept has been criticised by various scholars as being too all-encompassing. Gills and Palan (in Palan and Gills, 1994, pp.1-13) for example, argue that the separate factors identified by Strange (1988) (i.e. security, finance, production, and knowledge) need to be understood at one and the same time, and within a given historical context. Lubeck (in Lubeck, 1987, pp.3-26) similarly laments the tendency among world-systems scholars to overly stress global factors when speaking of the causes of development or underdevelopment. He cautions that however unequal the relationship between core and peripheral states, that that relationship is not unidirectional in terms of leverage and benefits, 'but rather part of an interdependent totality whose micro-level processes and linkages to macro-level concepts such as the state and world economy must be specified and analyzed empirically' [p.11].

I share many of these ideas and agree that there are dangers in strictly deploying a totalising framework to explain social change or stagnancy. For example, Herb Addo (1986) points to surplus extraction and unequal exchange dynamics to explain the Caribbean's peripheral place in the hierarchical spatial division of labour. Amin, Arrighi, Frank, and Wallerstein (1982) refer to the cyclical ordering of capital accumulation in order to demonstrate that the region's peripheral status is tied to its heavy reliance on 'sunset industries' (i.e. sugar, bananas, minerals). McAffee (1991) speaks of a post-war drainage of surplus from the region, noting the profits that make their way into the hands of the international bourgeoisie (i.e. international financial institutions, transnational companies); the declining levels of aid and investment since 1980; and the large percentage of income from tourism and offshore services that goes toward international debt-servicing (30-38%). However, these globalist accounts omit many details at the domestic level. Gourevich (1978) and Moseley (in Palan and Gills, 1994, pp.125-143) make a similar criticism. Since the world-systems perspective virtually interprets all phenomena as reinforcing global capitalism 'in the end', this conceals the ways in which 'unproductive', or, presumably 'old' models of capital accumulation are reproduced in different locales. It does not explain, for example, why merchant capital remains ascendant in the Caribbean despite each country's linkages with foreign multinationals, foreign banks, the regional hegemon (i.e. the U.S.), and foreign investors.

Generally, the *raison d'etre* of state activities remain ambiguous within world-systems theory. For example, Wallerstein (1979) and Chase-Dunn (1989) view the interstate system as the result of, and expression of, capitalist development. Its operations are dominated by 'capitalists', they argue. In addition, Wallerstein (1974) sees state-activism only concentrated in countries of the semi-periphery because their different degrees of 'productive efficiency...led to different class structures which led to different politics' [p.157]. But 'state strength' ought not to be reduced to market position because as Moseley (1994, p.140) notes, 'virtually all countries seem continuously and obsessively engaged in adjustments to at least maintain their competitive position...' However, some Third World cases reveal that Wallerstein's point of the **capitalist expression** of the **interstate system**, and Moseley's view of their **obsession** with **capitalist improvement**, are both too sweeping. In the Caribbean, no industrial-capitalist class nor wealthy bourgeoisie has taken political control at the level of the states.[35] Moreover, state power in the Caribbean, as well as in parts of Africa, as Hyden (1980) and Migdal (1988) allude, has not been a reliable instrument for sustaining or encouraging economic growth and capital accumulation. In the British Caribbean especially, it even appears that postcolonial regimes have forged and exercise state power in ways that circumscribe possibilities for the growth and expansion of capital. How, then, does this square with world-systems theory? How do we account for the exercise of state power in **non-productive ways** in a world economy supposedly driven by interstate competiton? The answer to these questions rests with placing analytic primacy **equally** on global and domestic political processes. Understanding why regimes act to reproduce merchant capital necessitates an analysis of the political economic processes that led to the type of state forms in the decolonising Caribbean. These very processes compromised possibilities for capitalist industrial transformation. 'Unformed social classes' acceded state power in the 1960s and 1970s, and their power became rooted in the control over the state itself, rather than in direct control over property or production. Any social or economic innovations had to be done in their own interests. Because they had no alternative material base, the new political class was to use the state instead as a resource for consolidating their own power.

Apart from de-privileging internal political factors, world-systems theory tends to ignore the range of influence and policies -- both positive and negative -- that core powers exercise in their relations with peripheral countries. All is not zero-sum exploitation, neglect, and one-way distributional benefit. Haggard (1990, p.35) notes for example, that while colonial Korea and Taiwan were 'agricultural appendages' to Japan, Japan invested heavily in their agricultural modernisation. He states that the Japanese colonial bureaucracy oversaw Korea's growth as a rice producer in a regional division of labour, by investing in infrastructure and fixing property rights. Light manufacturing proliferated in both colonies by the 1920s, and after Japan's attack on China in 1937, Korea was to become a supply and production base for Japan's expansion into Manchuria. Japanese investments in Taiwanese agriculture allowed the colony to run a trade surplus to the extent that by 1930, 'Taiwan was a net creditor to Japan' [p.195]. And by 1939, he notes, the industrial structure of both Korea and Taiwan was diversified to include war-related heavy manufactures.

British colonial designs *vis-à-vis* the Caribbean provides a contrast. Like Japan in Northeast Asia, Britain also exploited the agricultural potential of its Caribbean colonies, but steps were not taken to broaden their industrial bases. The region was to suffer from dis-investment when British capitalists turned their attention to the 'East' in the mid-19th century. By the end of the Second World War, the tasks of reconstruction were held to be very daunting. No market economy in the various islands had been established, there was little infrastructure beyond plantation sectors, and tensions in the social structure were seen as politically dangerous -- i.e. a mass of restless agricultural labourers at one pole of society, and a strong planter-mercantile elite at the other. Here the difference in colonial policies brings geopolitics into sharp focus. Japan invested in the colonial industrial development of Korea and Taiwan primarily to feed a growing and restless urban workforce, but by the mid-1930s, it mobilised both these economies for its drive to the south (i.e. in China, Manchuria). This was a regional stimulus that redounded to the benefit of both Korea and Taiwan in the years before their 'take-off'. And this 'take-off' was to occur against the backdrop of the geopolitics of the postwar years (i.e. Japanese defeat and U.S. occupation, the Cold War, and the Korean War).

Upward Mobility

Within realism, structuralism and neoclassicism, there is little theorisation on what constitutes an `upwardly mobile' country/region. Recall that what has been debated is whether or not state activism, market forces, or global factors are critical determinants of social change. Terms like `developing', `rising' and `advancing' have been applied to describe a host of countries from the East Asian NICs, to others in Southeast Asia, the Pacific, the Americas, and South Africa. Roughly speaking, these are seen as neither core, nor peripheral in status.

Mancur Olson (1982) uses indicators like GNP per capita, and (social) group dynamics to measure the decline or rise of a country. He argues that a graduating country is marked by its internal capacity to adopt new technologies and to reallocate resources in response to changing conditions [p.61-65]. He adds that increases in unemployment and inflation over time, and erosion of state-bureaucratic autonomy, represent evidence of decline. This leads him to point to Britain's falling employment levels and manufacturing incomes as evidence of decline. Gamble (1981) and other scholars[36] introduce other factors to explain Britain's relative decline. These include the following:

1) the absence of a large pool of cheap labour just before and after the war;

2) the simultaneous rise of industrialising nations in the second half of the 19th century and the policy of protecting domestic markets from British (and other foreign) goods;

3) the gradual obsolescence of British plant and equipment and production processes, relative to those of later-industrialising nations;

4) the massive losses of human resources in the two World Wars;

5) the loss, after World War II, of colonies in Africa, Southeast Asia, and the Caribbean with their cheap sources of raw materials, cheap labour, and captive markets; and

6) the refusal to join the European Economic Community at its founding -- in spite of the large prospective market it offered -- in order to preserve a perceived special place for Britain *vis-à-vis* the rest of Europe.

But for Olson, the essential factor involves the organisational structure and behaviour of groups, those which he describes as 'distributional coalitions'. He explains that '...with age British society has acquired so many strong organisations and collusions that it suffers from an institutional sclerosis that slows its adaptation to changing circumstances and technologies'[p.78]. Hong Kong, Singapore, South Korea, and Taiwan are thus 'rising', he argues, because they have recent histories that have been inimical to the development of distributional coalitions, they employ 'liberal' trade policies, they have 'acceptable' unemployment levels, and they have autonomous industrial capacities [p.150]. Olson continued to draw a causal link between the elimination of interest organisations and rapid economic growth by paying special attention to West Germany among other countries (e.g. Japan, Sweden, the U.S.) after 1945.

Olson pays almost exclusive attention to the group hypothesis, and thus fails to look at the mix of other factors to explain Germany's postwar economic success. Indeed, the relevant literature suggests that more than half of the possible sources of growth had more to do with aspects of the international political economy and Germany's subsequent policy responses than with the nature of domestic group life in postwar Germany.[37] The effect of geopolitics on the Communist party, the 1948 devaluation, the inflow of refugees from the east, the creation of the IMF, GATT, and a liberal trading system, the massive injections of Western aid, the systematic undervaluation of German currency, and the availability of cheap raw materials -- these were all advantageous factors that involve some aspect of the international political economy in the immediate postwar conjuncture. The argument that West Germany achieved high economic growth because its distributional coalitions had been emasculated or abolished by a prior totalitarian government (i.e. by the Nazi party), therefore seems implausible. As Sally (1995) puts it, the post-war success achieved by (western) Germany was not the direct result of any 'home-concocted brew'. It was instead, the result of a unique interplay of forces: i.e. the creation after World War II of a new international political, economic, and military system, the impact of the international system on domestic politics, and the policy responses through which the Bonn republic sought to alter and improve Germany's position within the system. Indeed, the variation between Germany and Britain in growth rates seems to reflect the impact of external, international factors rather than such internal, domestic characteristics as the structure and behaviour of distributional characteristics.

Apart from group dynamics, Balassa (1989) and other neoclassical theorists use other endogenous variables to measure ascent. Capital-intensive production, local ownership, import substitution, tariff barriers, *inter alia*, remain important, often in combination with more open/dependent strategies. Mankiw (1995) prefers to use criteria like sustained GNP growth rates, patents, steady rates of foreign investment, and natural resource endowments to measure what he refers to as the 'transformational process'. Ascent is thus seen to be a result of a home-concocted brew. Frank (1978) and Wallerstein (1979), instead link their intermediate category i.e. the 'partially-developed' or 'semi-peripheral', with a broader understanding of the world system. As they see it, the semiperiphery acts as a buffer, separating the core and the periphery which produces high-wage and low-wage products. It is exploited by the core but in turn exploits the periphery. It is the arena in which industrial-capitalists, especially TNCs, confront one another openly and face strong state action and sanction. Their lists of countries both differ. Frank places Australia, Canada, and New Zealand in the developed category, whereas Wallerstein sees these as countries at the semi-periphery. While this demonstrates that their 'semi-periphery' category is a conceptually fuzzy one, we get a fluid and not a static understanding of ranking. Frank's treatment of the term suggests that he has internalised the view that at the upper levels of economic development, rankings may fluctuate. Similarly, Wallerstein's semiperiphery is a zone of considerable mobility. Unlike Olson and others who focus solely on endogenous criteria, Frank and Wallerstein's cases of upward mobility are the outcome of `aggressive state capitalism' (i.e. `seizing the chance, development by invitation, or self-reliance').[38] Chase-Dunn (1989) thus states that rising countries are those who, under certain international conditions were able to build-up their productive, financial and military capacity. Moseley (1994) adds that at base, autonomous industrial processes, and exports of capital and products are useful measurements of upward mobility. She succinctly remarks: `States may well attempt to improve their global standing, but this is conditioned by their productive capacity relative to world market demand' [p.127].

In sum, `upward mobility' could be taken to mean the propensity or capacity of a `national economy' to ascend or improve its position in the international hierarchy. I use Carter's (1995) definition of a weak, peripheral state/region, to describe the Caribbean: one `lacking its own significant formal economy and relying on the export of cash crops or raw materials..' Scholars like Warren (1973) and Sen (1984) point to industrial capacity, and achieving `competitive thresholds', as the barest essentials of graduation. Warren contends that the process of ascent should be marked by capitalist intensification or development of the productive sectors, leading ultimately to an economy of `high abundance'. Sen speaks in terms of `latecomer countries' and notes that they `will...need to establish a level of capacity.. when they industrialise, that allows them to reach the competitive threshold already prevalent in the firstcomer countries, with the attendant need for external markets as well' [ibid.: p.8].

The `latecomer' examples to which many scholars refer, does leave room for one to plausibly argue that countries can only shift their ranking against the backdrop of a favourable historical conjuncture. While I elaborate on this in the next section, it is worth restating an insight from the statist approach: that the different historical trajectories and combinations of class power across different countries, have a varying impact on how countries establish national innovation structures, build-up industries, and increase market shares in high-valued exports. This insight can be married to a central point stressed by structuralists: that on a global structural scale, there *is a limit* to how many high-export producer countries there can be. The cycles of contraction and expansion alluded to by Kondratieff, Kitchin, Schumpeter, and others, do confirm that structural difficulties arise as long as production levels in high-valued goods outstrip world consumer demand. The implication is that all countries cannot succeed **at the same time**. But the latecomer examples do suggest that at specific historical moments, factors may meet and combine to produce specific outcomes. An aspirant country may come to benefit from a unique conjuncture where it is offered access to global sources of finance and technology. If it adjusts itself politically to such a changing reality, it can turn such an opportunity to its advantage. Neoclassicism, statism, and structuralism define a role for politics in the development process, although one suggests a facilitating role; the other, a dirigiste role; and the third sees an aggressive role for the state as only possible at rare opportune moments. But if state management **does** matter in developmentalist catch-ups, and success is possible once 'conditions are ripe' (as *per* Harris, 1983, p.14), then I suggest that we elevate the concept of the **historical conjuncture**. One can therefore look at how domestic and international factors are arrayed within particular conjunctures in order to understand why a country has achieved ascent, is experiencing decline, or is facing an opportunity for recovery and growth. In short, we need to shift analysis back a step to look at historical and local specifities, and then towards grand systemic determinants that 'statists' avoid. This is what Palan and Gills (1994) mean when they state that there is a need to look at the 'myriad of transformative processes occurring at many levels'. South Korea and Taiwan's 'miracle' growth is thus explained by Gills to be the outcome of a unique conjuncture -- one in which the combined hegemonic influences of Japan and the U.S. and the facilitation of a regional process of industrialisation were principal processes conditioning their structure of opportunities.[39]

Conclusions: Theorising Ascent in the World System

There is limited commensurability between the neoclassical and structuralist perspectives. Neoclassicism argues that upward mobility is possible under global capitalism. Structuralism stresses that there are only limited but nevetheless existing possibilities of ascent. Statists combine some of the ideas from both these camps and argue that state- and institutional capacity are crucial to development success. Overall, these perspectives list endogenous factors, access to global sources of capital and technology, and state-guidance as the ingredients for economic success. However, the frameworks individually suffer from focusing too intently on either domestic, or international factors, to explain development or underdevelopment. Put another way, we are left with the **dichotomisation** of state and world levels of analysis. There is a need therefore for an analytical shift away from either state-nations or strictly world-scale processes, to one that looks at the governing processes of state and societal transformation. In addition, we need to focus on conjunctures, historical moments, or epochal locations.

Recently, some scholars within the IPE discipline have sought to re-examine the interaction of the transnational market economy with the world of competing states. The new insights provided represent a global political economy perspective that is largely either eclectic [Strange, 1988], or neostructuralist [Gills and Palan, 1994]. My framework 'follows' these approaches in specific respects, especially as it relates to understanding the Caribbean regional IPE. The working assumption is that cycles-theory and structuralism do show how the world system acts as a positive, or negative, but rarely neutral, structural constraint on national development. As Gills and Palan (1994) note, social change occurs at many levels: at the global, regional and local levels. Rather than privileging a single state, a single society, or a single mode of production, they resolve to privilege a larger geographical zone or area where discussion can integrate accumulation, exchange, and hegemonic influences or rivalries affecting that particular zone in the world system. This approach refines the evolutionary modernisation paradigm that focuses on state-by-state dynamics. One can therefore point to the coherence of the British Caribbean region even though it is divided up into individual national sovereignties as a distinctive regional political economy, embedded structurally in the global political economy.

Importantly there have been some attempts to redefine and rediscover the 'world system' beyond Wallersteinian starting-points. Abu-Lughod (1989) and Frank and Gills (1993) cast doubt on the conventional 500-year time frame. These viewpoints resonate with Weber's (1930) and Diop's (1990) observation that capital accumulation processes were prevalent long before the rise of the 'West'. Frank and Gills argue for a longer periodisation of world history, recognising that features allegedly peculiar to modern capitalism extend backwards for many millennia. Hence they speak of a (non-hyphenated) world system and not a post-Columbus 'world-system'. This research has rich implications for development theory for it begins to clarify a number of things.[40] One: that ascent and decline, core-periphery relations, and hegemonic rivalry have been constants throughout world system history. Two: that the political economy of the world system is marked by **continual movement**. And three: that history is not therefore likely to end on Western values only. Contrary to the view underlying structuralism, centre-periphery relations are not immutable, and core-periphery assymetries are not fixed -- indefinitely.

The conventional obsession with linking the story of capitalism and subsequent interstate relations with the unique rise of the 'West' sits uneasily with some scholars. Diop (1990) explains that Pharaonic Egypt was a high-accumulation state because it had a centre-periphery relationship with vassal states in parts of Africa, Asia and the

Mediterranean. Gills and Frank point to cycles of expansion and contraction in world system history that predate the conventional starting point, 1700 AD, extending backwards to 1700 BC at least.[41] Frank further suggests that traditional modes of discourse such as those associated with stages-theory ought to highlight that at the very least, all modes-of-production were geared towards generating wealth, profit and surplus.[42] These studies make it plausible to speak of a transhistorical continuity of behaviour of states/regions given the timeless compulsions of hierarchy, subordination and domination, and the manoeuvrability of capital. Put simply, we need to reconsider the idea expressed by Ekholm and Friedman (1993) that `[c]ivilization [history] is...coterminous with the existence of a center/periphery relation'.[43] This is a necessary insight since contemporary social science has become in the main, ahistorical. Gellner (1988) alludes to this when he states that `[t]he great paradox of our age...[is] that although it is undergoing social and intellectual change of totally unprecedented speed and depth, its thought has become, in the main, unhistorical or antihistorical' [p.12].

This explains why I am not inclined to focus on the **distinctiveness** of capitalism to explain Caribbean economic difficulties and the road to recovery. The 500-year capitalist thesis reproduces once again the centrality of the civilisation/barbarism narrative, a linear narrative of progression in which Western civilisation remains the central point of reference, in a march of time neatly arranged from the `pre' to the `capitalist'. Where I do employ the term `capitalism', I do so more contingently and differentially, paying close attention to how the outcome of capital accumulation strategies is determined by institutional, historical, sociocultural, politico-ideological, geopolitical factors -- and un/favourable conjuctural circumstance(s).

When looking at ascent, neostructuralists advise that one should ask how global processes interact with other processes of state/societal transformation occurring at many levels of the world system -- how state/society transformation at level `A' has been affected and is affecting the transformative processes themselves at level `B', and `C', and so on [Gills and Palan, 1994]. Here, the state is not seen in the traditional Marxist sense as passive subject to global structural forces. It is disaggregated into its constituent parts (i.e. classes, social groups, political actors), and then reinterpreted as the complex interaction that shapes, and is reshaped by transformative processes at specific historical conjunctures. It is a matter of de-fetishising the state without marginalising its importance. This is precisely what Cerny (1990) implies when he speaks of the `interpenetration of state structuration'.

Unlike some neo-Schumpeterian and orthodox structuralists, I do not see the ordering principles of rise and fall as techno-rationally or power-politically determined. I agree with Wade's (1990) idea that it is still important to treat the state as `historical animator' in developmentalist catch-up situations.[44] But this discussion must speak to the governing processes of social change, global, regional, and domestic. As Gills (in Palan and Gills, 1994, p.221) poignantly notes, `it is the "opportunity-structure" of the global political economy that is the central determinant of development possibilities'. My neostructuralist approach therefore draws electically on these and other insights from neoclassical, neorealist, and structuralist approaches in order to speak to Caribbean national development trajectories and their feedback relationship with global structures. However, one must avoid the temptation to simply integrate frames of reference that reassembles misshapen fragments from each dominant approach. Eclecticism must not become a Frankenstein's monster. Nevertheless, eclecticism, here, is a plausible mission since there exists some limited commensurability between the perspectives. This point resonates with recent views expressed by some authors about the possibility and desirability of compromises between these paradigms.[45] At rock bottom, the dominant perspectives agree that once a state/region directs itself to exploiting an available structural opportunity, it is likely to experience some ascent in the international hierarchy.

Among the questions generated by my neostructuralist approach are: (one) in exploring the interaction of the world economy with the Commonwealth Caribbean, what have been the role of regional hegemons (i.e. Britain and the U.S.) in the Caribbean? Two: what have been the inhibiting global/domestic factors blocking Caribbean industrial transformation? Three: what are the implications for the region in light of current U.S. attempts to restore its perceived declining hegemony? Four: what kind of (Caribbean) political-economic coordination is required to meet the challenge of an Americas' Free Trade Area (AFTA) and the logic of restructuring global capitalism? The answers to the above questions require empirical, micro-level, as well as meso-level investigation.

Such a theoretical approach begins to acknowledge a few points about the `mechanics' of ascent. Firstly, an understanding of the character of a state/region's `international political economy (IPE) complex', and how it articulates with the country in question, with its class groupings, and with the state elite, is the key to explaining the causes for its development or underdevelopment. Secondly, a more nuanced understanding of upward mobility requires that we test history for its `conjunctural sensitivities'. Certainly a reading of the literature reveals that epochal location, and conjunctures, play a crucial part in determining the range of choice for any aspirant state. If one is prepared to test world system history for its conjunctural sensitivities, then one should recognise that over the last 500 years, the Nordic countries, the USA, Canada, New Zealand, Saudi Arabia, South Africa, Australia, Japan and the East Asian NICs experienced some ascent in the international hierarchy. The common factor in these cases was that ascent was achieved against the backdrop of a favourable conjuncture and by the state's manipulation of such a historical moment. It is a matter of seizing *fortuna* usually `located in the *conjoncture*'.[46] Logically, two questions arise, what are **structural opportunities** and how do these favourable conjunctures come about?

As earlier indicated, cycles-theorists and some structuralists provide information on world economy fluctuations, geographic shifts, cycles of core-hegemony, of war, trade, and other variables. They note as such that the world as a system is not stagnant and that there remain too many forces outside a single state's control to guarantee success, or especially, permanent success [Friedman, 1982]. But it is from within these cycles/processes that a **transformative dialectic** may present itself to a few countries at a time. This translates into a (unique) structural opportunity to expand and deepen the political-economic base. The key has been to manipulate favourable opportunities that may arise at such conjuncturally sensitive moments. Such opportunities may include, commodity price hikes; discovery of new markets; the discovery of new industries and/or new technologies; substantial injections of foreign aid, investment, technology and/or expertise; special market access (or free trade areas); home-based resource advantage(s); and such others that may arise from within the designs of a core state's hegemonic strategy. A sufficient combination of the above can act as a stimulus to `graduation' in the international system.

In a recent discussion with Immanuel Wallerstein,[47] he suggested that seizing *fortuna* seems only possible at particular junctures in the Kondratieff i.e. the B-phase (contraction years), where there usually occurs a capitalist reorganisation of production, geographies, and technologies. I agree and add that the cycle of hegemony (which, as Bousquet (1980) points out, reaches its transitional phase by the end of the B-phase)[48] holds the key to understanding how opportunities arise for peripheral countries to change their international ranking. Arguably, a country's path away from the periphery is usually tied to the systemic and systematic forces impacting upon the hegemonic power. It is in fact normal that ascent from a peripheral position be tied to the interests of a core power. For example, an explanation of the rise of New England and other North American colonies cannot be separate from Britain's attempt to achieve world (system) hegemony *via* the triangular trade.[49] The story of the rise of the Nordic countries cannot be separated from one that refers to Britain and Germany's economic boom in the 19th century. And an explanation of East Asia's rise cannot be divorced from the project of Japan's core status in the 20th century and from U.S. attempts to win the Cold War.

The logic is similar even for countries that experienced some graduation, and then with a shift in conjunctural fortunes, later suffered decline. For example, Cuba's pre-1985 advances in manufacturing, biotechnology, R&D, and medicine cannot be explained without reference to the concessionary terms of trade and other links with the Soviet Union and the USSR-led Council for Mutual Economic Assistance (Comecon). The collapse of socialism in Eastern Europe and the Soviet Union has meant a fracturing of these links and a sharp downturn in the Cuban economy. North Korea provides another example. Its impressive early industrialisation (1956-1962) and its intensive industrial growth in the period 1971 to 1976, took place against the backdrop of the competitive situation estabilished by national division in the Korean peninsula. The Cold War geopolitical situation in Northeast Asia was dominated by regional and global hegemonic powers i.e. the Soviet Union, the U.S., Japan, and China. Northern defeat in the Korean War was followed by the emergence of a self-reliant 'socialism' in North Korea, and a state-led, but U.S. and Japanese-backed, capitalist-industrialisation. Competition between the two Koreas was soon played out on many fronts: i.e. in foreign policy, in economic performance, in ideology, and in technological advances. The global conjunctural situation (1969-1976) became favourable to both North, and South Korea. As South Korea continued to access global sources of finance and technology, its northern rival began to benefit from links with Comecon, support from the Non-aligned Movement, widespread international recognition,[50] and new limited economic ties with Japan and West Europe. However, North Korea was to soon experience a shift in conjunctural fortunes. Prices on the world market for North Korean exports fell sharply in the wake of the 1973-75 world economic recession -- a recession that also had a deteriorating impact on the terms of trade of its less advanced trading partners. Indeed, Gills (1995) marks the decline of successful socialist economies like East Germany and North Korea around this time, noting: `It was an historical irony that just as the socialist economies accelerated reintegration into the world capitalist economy [i.e. early 1970s], it went into crisis.'[51] South Korea did not suffer the structural crises that befell its northern rival, in part because its future was tied to the regional hegemonic interests of Japan, and the U.S.

It is plausible to argue that the Caribbean's future is tied to the interests of the United States -- relative to the latter's need for deeper hemispheric linkages in order to resuscitate declining world (economic) hegemony. The world economic slowdown, the challenge of technological restructuring, and the huge trade deficit in the U.S. have forced Washington to project its goal of recovery onto the tame space of the Americas. While a later chapter in this thesis outlines why I interpret this to be a structural opportunity on offer to the hemisphere, Frank (1983) makes an interesting observation that supports my point of the conjuncturally sensitive moment facing the Caribbean. He argues that `it is in the periods of [world] economic crises that the unequal structure of the world economy undergoes its most rapid transformation' [p.16]. He contends that it is especially during these global structural crises that `the "rise" from the periphery and...the "decline" at the center' takes place and leads to the `development of intermediate, semiperipheral economies and powers' [p.3].

Currently, there are multiple levels of change occurring at the global and hemispheric level and a positive role for the state in the Caribbean is going to be required. An analysis of the Caribbean `international political economy complex' is presented in the next Chapter. This paves the way for investigating whether the region can, on its current course, turn an advantageous historical moment to its own advantage.

Chapter One Endnotes

[1] The proposed European Union (1992) was also a source of concern for Caribbean state managers. They feared that a 'fortress Europe' will mean the likely loss of preferential markets for their agricutural products.

[2] As explained later, I take development here to mean the transformation away from a low-accumulation based economy (i.e. based on raw material and cash crop exports) to a high-accumulation one (i.e. predominantly based on cutting-edge industrial exports and processes).

[3] Max Weber (1930) refers to capital accumulation processes as existing in and across 'ancient civilizations'. As he puts it:

Now in this sense capitalism and capitalistic enterprises, even with a considerable rationalization of capitalistic calculation, have existed in all civilized countries of the earth, so far as economic documents permit us to judge. In China, India, Babylon, Egypt, Mediterranean antiquity, and the Middle Ages, as well as in modern times. These were not mere isolated ventures, but economic enterprises which were entirely dependent on the continual renewal of capitalistic undertakings, and even continuous operations.

See M. Weber, The Protestant Ethic and the Spirit of Capitalism, 1930, p.19.

[4] For more on this, see R. P. Palan and B. K. Gills (eds.), Transcending the State-Global Divide: A Neostructuralist Agenda in International Relations, 1994.

[5] For further discussion of Malinowski's work, see T. Parsons, 'Malinowski and the Theory of Social Systems', in R. Firth (ed.), Man and Culture: An Evolution of the Work of Bronislaw Malinowski, 1957: pp.53-70.

[6] For a reading on conflict theory, see M. J. Levy, The Structure of Society, 1952; and M.G. Smith, The Plural Society in the British West Indies, 1965.

[7] For an example of the use of endogenous models to explain growth, see R. E. Lewis (Jr.), 'On the Mechanics of Economic Development', Journal of Monetary Economics, Vol. 22, No. 1, 1988, pp.3-42. See also, P. N. Rosentein-Rodan, J. N. Bhagwati and R. S. Eckaus (eds.), Development and Planning: Essays in Honour of P. N. Rosenstein-Rodan, 1972.

[8] Mankiw admits a crude description but he achieves a sharpness when he refers to knowledge as the quality of a society's textbooks; human capital, as the amount of time that has been spent reading them. See N. G. Mankiw, 'The Growth of Nations', in W. C. Brainard and G. L. Perry (eds.), Brookings Papers on Economic Activity: 25th Anniversary Issue, 1995, p.297.

[9] Sachs (1991) tells us that the stabilisation program he designed for Poland presupposed the creation of a new legal system and a secure system of property rights all of which he expected to be completed in **one year**. See J. Sachs, 'Poland and Eastern Europe: What Is to Be Done?' in A. Koves and P. Marer (eds.), Foreign Economic Liberalisation: Transformations in Socialist and Market Economies, 1991, p.236.

[10] The five successive stages Rostow (1964) speak of are, in ascending order, a traditional society; a pre-take-off stage; take-off stage; drive to maturity; and a high consumption stage. See W. W. Rostow, The Stages of Economic Growth, 1964.

[11] Lewis refers to the legacy of slavery, colonialism, and the limited developmentalist vision of Britain *vis-à-vis* the English-speaking Caribbean territories. See W. A. Lewis, 'The Industrialization of the British West Indies', Caribbean Economic Review, Vol. 2, No. 1, pp.1-61. p.33-68.

[12] For more on the arguments by economic realists, see A. S. Eichner, A Guide to Post-Keynesian Economics, 1979.

[13] See M. Waring, If Women Counted: A New Feminist Economics, 1989. She points to state strength vis-à-vis internal forces after noting that there had been 138 successful coups in the Third World between 1960 and 1985.

[14] The roots of this perspective lie in the work by F. List, The National System of Political Economy, 1964. Some of the recent work also builds on C. Johnson, MITI and the Japanese Miracle, 1982. See for example, G. White, 'Developmental States and Socialist Industrialisation in the Third World', Journal of Development Studies, Vol. 21, No. 1, 1984, pp.97-120; and Z. Onis, 'The Logic of the Developmental State', Comparative Politics, Vol. 24, No. 1, October, 1991, pp.109-121.

[15] Emulation here of course does not mean the perfect xeroxed duplication of another country's path to development, but the clever adoption of some of its features/strategies when the circumstances are ripe for social change.

[16] Johnson (1982) explains that this consensus was realised by the bureaucratic elite in the Ministries of Finance, International Trade and Industry (MITI), Agriculture and Forestry, Construction, Transportation and the Economic Planning Agency. See C. Johnson MITI and the Japanese State op. cit.

[17] Sandbrook notes that 'capacity-building' constitutes a specific program-focus of the World Bank. See R. Sandbrook, The Politics of Africa's Economic Stagnation, 1985, p.153.

[18] For more on the insitutional approach see, P. Bardhan, 'The New Institutional Economics and Development Theory: A Brief Critical Assessment', World Development, Vol. 17, No. 9, September, 1989.

[19] Theories of governance in Asia can be traced to Confucious' thought on the 'rectification of names', that is, the role of moral institutions underlying social order. He argues that a well-ordered society depended on the fulfilment of duties and responsibilities inherent in social roles: ruler, minister, father, and son, for example. Society prospers once all fulfil their roles. Echoes of his philosophy can be found in structural functionalism and Weberian thought. For a brief note on this see, G. Ranis, 'The Role of Institutions in Transition Growth: The East Asian Newly Industrializing Countries', World Development, 17, No. 9, 1989, pp.1443-1453.

[20] Mencius, a Chinese philosopher, deployed Confucius' ideas to the question of governance. Governments based on *wang* (i.e. morality and not force) must take the lead in building the economic base for its people. Once rulers are failing to deliver, then the people have the right to overthrow the government, since theirs is one of mis-rule. Political authoritarianism has subsequently become a predominant characteristic of governance in these territories. See G. Ranis, ibid.

[21] I borrow the term, 'sunset sectors', from B. Cumings, 'The Origins and Development of the Northeast Asian Political Economy', in F. C. Deyo (ed.), The Political Economy of the New Asian Industrialism, 1987, pp.44-83.

[22] See K. Waltz, 'Reflections on *Theory of International Politics*: A Response to My Critics', in R. Keohane (ed.), Neorealism and Its Critics, 1986, p.340.

23 For more on the dependency school see for example, L. Best and K. Levitt, 'Outlines of a Model of Pure Plantation Economy', Social and Economic Studies, Vol. 17, No. 3, September, 1968, pp.283-326; P. Baran, Politics and Economy of Growth, 1973; and A. G. Frank, Capitalism and Underdevelopment in Latin America, 1971.

24 See for example, I. Wallerstein, The Modern World-System, 1974; S. Amin, Imperialism and Unequal Development, 1977; T. K. Hopkins and I. Wallerstein (eds.), Processes of the World System: Volume 3, 1980; and C. Chase-Dunn, Global Formation: Structures of the World-Economy, 1989.

25 See for example the solutions offered by S. Amin, Delinking, 1990. (delinking); C. Y. Thomas, Dependence and Transformation, 1974. (self-reliance); and R. Pastor and R. Fletcher, 'The Caribbean in the 21st Century', Foreign Affairs, Vol. 70, No. 3, Summer, 1991, pp.99-116. (neo-autarkic strategy)

26 That is, the Oil Export Producing Countries.

27 For detailed accounts of these countries' economic 'take-off', see W. O. Henderson. Britain and Industrial Europe, 1750-1870: Studies in British Influence on the Industrial Revolution in Western Europe, 1972; and P. Flora, State, Economy and Society in Western Europe, 1815-1975 Vol. 1. The Growth of Mass Democracies and Welfare States, 1983.

28 See H. A. Watson, 'Introduction: The Caribbean and the Techno-Paradigm Shift in Global Capitalism', in H. A. Watson (ed.), The Caribbean in the Global Political Economy, 1994, pp.1-8. See also his chapter, 'Global Restructuring and the Prospects for Caribbean Competitiveness: With a Case Study from Jamaica', pp.67-90.

29 For a reading of Karl Marx's views on merchant capital, see G. Kay, Development and Underdevelopment, 1975, pp.86-95.

30 Classical trade-cycle economists like Kitchin referred to a 40-month cycle of trading booms; Juglar on the other hand spoke of an 8-10 year cycle of world economic expansion since 1789. As dicussed by J. A. Schumpeter, The Theory of Economic Development, 1934.

31 Bousquet points to a patterned-relationship between the rise to hegemony and the prosperity years in the K-cycle, and as decline sets in, the return to a situation of a multicentric core structure. See N. Bousquet, 'From Hegemony to Competition: Cycles of the Core', in T. K. Hopkins and I. Wallerstein (eds.) Processes of the World System: Volume 3, 1980, pp.46-83.

32 Bergesen argues that colonialism expanded during hegemonic deconsolidation phases, but when hegemonic status was achieved by a single core state and stability resulted, colonialism contracted. See A. Bergesen, 'Cycles of Formal Colonial Rule', in T. K. Hopkins and I. Wallerstein (eds.), 1980, pp.119-126.

33 Goldstein discusses H. Levy's (983) War in the Modern Great Power System, 1495-1975. See J. Goldstein, Long Cycles, Prosperity and War in the Modern Age, 1988.

34 Ibid. Goldstein discusses and refers to Kondratieff's +/-50 year cycle.

35 Bermuda, a British colony, is a special exception. The old commercial oligarchy have dominated the political scene since self-government was granted in the 1960s. However, not unlike their Caribbean neighbours, the ruling United Bermudian Party used state power to expand the 'sphere of circulation' and has not proved reliable in engendering the rise of an industrial-capitalist class. (See Chapters 2 and 6).

[36] See A. Gamble, Britain in Decline, 1981. For more on Britain's decline, see W.A. Lewis, Growth and Fluctuations 1870-1913, 1978; J. Eatwell, Whatever Happened to Britain: The Economics of Decline, 1982; and B. Elbaum and W. Lazonick (eds.), The Decline of the British Economy, 1986.

[37] See for example, K. Hardach, The Political Economy of Germany in the Twentieth Century, 1980; W. Semmler, 'Economic Aspects of Model Germany: A Comparison with the United States', in A. Markovits (ed.), The Political Economy of West Germany: Modell Deutschland, 1982; and R. Sally, 'The Economics and Politics of the German Miracle', Government and Opposition, Vol. 30, No. 4, Autumn, 1995, pp.541-553.

[38] See I. Wallerstein, The Capitalist World-Economy, 1979, pp.76-83.

[39] See B. K. Gills, 'The International Origins of South Korea's Export Orientation', in R. P. Palan and B. K. Gills (eds.), 1994, pp.203-222.

[40] Incidentally, Colin Leys also believes that a longer periodisation of world system history is important for development theory, although he wrongly attributes Andre Gunder Frank as the only one embarking on such a journey. See C. Leys, 'The Crises in Development Theory', New Political Economy, Vol. 1, No. 1, 1996.

[41] See B. K. Gills and A. G. Frank, 'World System Cycles, Crises, and Hegemonic Shifts, 1700 BC to 1700 AD', in A. G. Frank and B. K. Gills (eds.), The World System: Five Hundred Years or Five Thousand? 1993, pp.143-199.

[42] See A. G. Frank, 'Transitional Ideological Modes: Feudalism, Capitalism, Socialism', in A. G. Frank and B. K. Gills (eds.), 1993, pp.200-217.

[43] See K. Ekholm and J. Friedman, '"Capital" Imperialism and Exploitation in Ancient World Systems', in A. G. Frank and B. K. Gills (eds.), pp.54-80. p.61.

[44] This is explained in his 'governed-market' theory. See R. Wade, Governing the Market, 1990.

[45] See J. Nye, 'Neorealism and Neoliberalism', World Politics, Vol. 40, January, 1988, pp.235-251; and E. M. S. Niou, '"Less Filling, Tastes Great": The Realist-Neoliberal Debate', World Politics, Vol. 46, January, 1994, pp.209-234.

[46] For more on time-space correlates and three temporalities of order i.e. events, structure, and conjuncture, see F. Braudel, Civilisation and Capitalism 15th-18th Century, 1979; and I. Wallerstein, Unthinking Social Science, 1991.

[47] I discussed these ideas at length with Immanuel Wallerstein at a *Global Aspects of Social Science Research Forum* held at the University of Newcastle-upon-Tyne, 23 February 1996.

[48] See N. Bousquet 'From Hegemony to Competition' op. cit.

[49] See G. M. Walton and J. F. Shepherd, The Economic Rise of Early America, 1979.

[50] Forty countries recognised North Korea in the early 1970s alone.

[51] See B. Gills, 'The Crisis of Socialism in North Korea', in B. Gills and S. Qadir (eds.), Regimes in Crisis: The Post-Soviet Era and the Implications for Development, 1995, pp.177-209. p.188.

CHAPTER TWO

THE STATE AND THE CARIBBEAN DEVELOPMENT EXPERIENCE

This chapter examines the character of the Caribbean political economy shaped since its peripheralisation (circa 1623 henceforth). It focuses on the role of the state and the domestic bourgeoisie. This is analysed first within the British, and later the U.S., regional hegemonic structure. Best and Levitt (1968), Beckford (1972), and Addo (1986) similarly used a holistic historical approach to highlight the distinctive features of the British Caribbean sub-region. But they account for the region's political-economic woes by focusing too intently on international factors and the exploitative nature of global capitalism.[1] Other scholars have opted instead to examine the domestic barriers blocking the construction of Caribbean national market economies [St. Cyr, 1980; Worrell, 1982; Downes *et al*, 1990]. Here, debate tends to centre on the character of endogenous production factors, the state of market relations, and the efficacy of regulatory infrastructures.

However, I suggest that the crucial stumbling block in the Caribbean does not simply reside in the presumed inadequacy or incorrectness of endogenous factors such as savings rate, balance of payments, or taxation system. These are certainly important factors but I would contend that they are more symptomatic than causal. The root problem lies with the **long historical absence of developmental states**. This particular feature has been a by-product of the region's general international political economy complex. Shaped by the hegemonic influences of Britain and the U.S., as well as domestic culture, Caribbean social formations have thrown up 'weak' state structures, resulting in skewed developmental agendas, and a deep-seated resistance to deepening industrial production.

The failure to engender the rise of a developmental state is a common feature of Commonwealth Caribbean countries.[2] In the colonial years (1624-1960) the state remained mother-country oriented.[3] After decolonisation, it became patronage-based. At critical historical moments, the state powerholders shied away from deepening the process of capital accumulation in order to safeguard colonial vested interests, and later, the political survival of the new political class. This has resulted in a series of missed opportunities and poor management of surplus.

To be sure, I do not assume that it is sufficient for the state to set substantial social and economic goals and promulgate policy. The desired outcomes are not automatically assured. A number of elements must be in place in order for there to be a successful developmentalist `catch-up'. In the case of the East Asian NICs, there was state-guidance, a bureaucracy capable of carrying out programmatic policy decisions, an effective local enforcement and legal machinery, a productive culture, and a geo-political and international climate that provided a window of opportunity for the responsive states therein [Haggard, 1990; Wade 1990; Gills in Palan and Gills, 1994]. Ascent in the IPE therefore inheres two basic elements, one: a structural opportunity and two: a historically specific kind of social structure. This social structure must be conducive to developmental planning and strategising. At the risk of oversimplification, the elements that make for a catalytic social structure include the following:

i) The state must have the capacity to implement policy measures with the compliance of different social strata.

ii) Traditional aristocracies must represent a compliant or subordinate faction within the newly configuring power elite in aspirant countries. This is because old capitalist classes (i.e. landlords and merchants) tend to respond to a conservative impulse and would clamour for state power to be used `in traditional fashion to protect social privilege rather than foster growth' [Cumings 1987: p. 66].

iii) A fairly high degree of bureaucratic and institutional competence must be in place.

iv) A predominant 'entrepreneurial' culture must exist. This 'entrepreneurial' culture is reflected in the 'mental software' of the society i.e. prevailing attitudes, values, beliefs -- and is the outcome of 'a social system that places high value on the formation of new ventures'.[4] Entrepreneurship is thus expressed by 'an overwhelming zeal to create, to succeed, to build, to make things happen.'[5]

Recall that when I addressed the nature of the world system in Chapter One, I emphasised two things: one, the dimension of movement, and two, the possibility of ascent for a few states/regions at a time. Here I would add a third -- the need for rational comprehension of this movement. This relates to what others refer to as the 'nationalist objectives of the late developer' or 'foresight'; i.e. that conscious attempt to 'catch up' with your 'betters' [Johnson, 1982]. Without such conscious attempts by the state, and the domestic bourgeosie, an opportunity on offer can be missed or squandered. This implies a specific cognition process by political elites or state managers.

If the East Asian NICs represent the archetypal strong entrepreneurial states, then English-speaking Caribbean cases represent the archetypal counterfactuals. They individually lack the institutional competence and coherence, and are too internally compromised to effectively guarantee sustained capitalist development. The compromised character of the state as an agent for deploying power to assist in broad-gauged, long-term projects and strategies, was manifest in failures and short-circuiting of transformative impulses that occurred over the last thirty years. However, this record of missed opportunities extends further back. The region's colonial past and its relationship with Britain must be examined in order to trace the roots not only of state weakness, but also of merchant capital ascendancy.

British Colonisation of the Caribbean (1623-1945)

Britain largely designed a regional hegemonic strategy based on its early colonising expeditions along the Windward and Leeward coasts (1612-1645). This occurred against the backdrop of a 'scramble' for territory in Latin America and the Caribbean by other European core powers: Spain, Holland, Portugual, and France. Access to the Caribbean's sea lanes was strategic for trading purposes. Cost-benefit calculations dictated that liquid and accessible wealth in tobacco, cotton and later, sugar, could act to augment and finance the autonomous industrial capacities of the respective core powers. In world perspective, the Caribbean trade was vital to Europe's balance of payments, since in the 16th and 17th centuries, 'it was still an Islamic world by and large...[and] Europe had a constant balance-of-trade deficit with the East ...'[6] India and China 'were structurally in surplus' at the time because of the favourable terms of trade they enjoyed from the sale of high-valued export products.[7]

Beckles (1991) identifies a number of elements brought to the Caribbean shores in the post-Columbus experience: an economic ideology, a social ideology of racism, a tolerant Christian ideology and theology, and a rationalist philosophy. Britain's imperial expansion across the Bahamas (1612), St. Christopher (1624, i.e. St. Kitts), Barbados (1627), Nevis (1628), Antigua (1632), and Jamaica (1665) engendered these elements into the socio-cultural vacuum following the near annihilation of the indigenous peoples [Wolf, 1982].

Along with periodic Carib uprisings, French, English, Spanish, and Dutch rivalry in the Caribbean area was to continue right up to the early 19th century. In the early years, the Spaniards laid ruin to Nevis and St. Christopher (1629) and twice attacked Bermuda (1635 and 1649). In addition, Spanish-occupied St. Martin posed a threat to sailing Englishmen and Frenchmen. Also, the Caribs toppled English settlements on Trinidad, St. Lucia, and Tobago, and in 1640 overran Antigua [Richardson, 1992]. In St. Christopher, plantation production remained unstable until the British permanently acquired the French sector (Anguilla) in 1713. And St. Lucia often changed hands during the 18th century. British hegemony in the region, therefore, was only finally achieved in the early 19th century following the Napoleonic

Wars (1803-1815) and the general peace settlement in London, Paris and Vienna. The peace settlement saw Britain merge the Dutch settlements of Berbice, Demerra, and Essequibo to form British Guiana. By this time, Britain had acquired the territories of Grenada (1783) and Trinidad (1797). Britain had also added Dominica, St. Vincent, Tobago, and St. Lucia, (i.e. the Ceded Islands) to its regional holdings following the end of the Seven Years War (1763).

Overall, the transition from settler colonies to plantation economies was an uneven process, and by the time the newer colonies were added to the British Empire, the price of sugar was falling. While returns on the sugar commodity were attractive in the newer lands (i.e. in Trinidad and British Guiana) under the initial conditions of plentitude of virgin land (circa 1825), the evidence suggests that Barbados, Nevis, Antigua, and Jamaica represented the `thriving colonies', i.e. the success stories of the plantation system [Williams, 1966; Dunn, 1972; Frank, 1978].[8]

Barbados, the `most securely held West Indian colony' in 1627, was noted for its ideal location and topography and consequent agricultural potential. After the colony was prepared for large-scale agriculture by 1628, backed with a patent from Charles I and a £10,000 investment from two London merchants, the British monarchy moved to bring other `Caribee islands' under agricultural production.[9]

The governance of the British West Indian (BWI) possessions (i.e. Barbados, Nevis, Antigua, and Jamaica) was left in the hands of Governors who exercised full executive power in the colonies and ensured that the various economies were brought under colonialist `control and design'. As Beckles (1990, p.10) notes:

> From the earliest times, Governors appointed an advisory Council to inform them on colonial interests and opinions. Councillors were in fact `yes men', whose loyalty to the Governor had to be unswerving. All legislative, executive and judicial authority resided in this body... A spirit of arbitrariness pervaded all the doings of the Council, and popular liberties were practically non-existent.

In short, the state from the earliest moments was not the exclusive state of the settlers nor the planter-class; it was mother-country oriented. As Hart (1955, p.9) adequately puts it, `overlordship by Britain' was the compelling modal characteristic of governance in the British West Indies. Mintz (1966, p.915) adds that throughout the slavery era, Caribbean plantation economies featured a `concomitant development of insular social structures in which internally differentiated local community organization was slight..' This was to act as a brake on the creation of market economies and overall colonial infrastructural development. Barbados, however, provides an example of how the changing nuances of hegemons can negatively alter the course of a state/region's development. In the first few years of settlement, a degree of self-government was enjoyed by the colony. Incidentally, it was also in these years that sugar production began [Beckles, 1990].

Being the earliest link in the sugar-commodity chain of the region, many expatriates (British capitalists) had invested heavily in plantation-based production there and hence wrestled with the imperial Crown for self-government. With support from Royal sympathisers[10] in the early years (1630-1663), the local planter elite could enjoy a maximum degree of self-government within the colonial structure. To be sure, this planter class, by the late 1650s, represented a strong social elite. It has been estimated that this elite comprised 745 big landowners who together controlled some 80,000 African slaves [Mintz, 1966]. The local planter-controlled Assembly performed quasi-public functions of colonial foundation, i.e. it constructed roads, taxed immigrant (indentured) labourers, and facilitated the transition from small-crop commercial agriculture to large-scale sugar production. However, with the Restoration of Charles II, Britain moved to curb what was perceived to be a situation of `conflicting interests between Crown and colony'. Beckles (1990, pp.24-26) explains that an attitude had grown within the planter elite that the friction between King and Parliament denied the

Crown the right to exercise real authority in the colony. And it was because of this that Barbadian planters felt compelled to reject Cromwell's mercantilist policies, in favour of continued free trade with the Dutch. A nationalistic bourgeoisie was evidently on the rise, for Beckles notes that sections of the colonial bourgeoisie were entertaining the idea of 'independence from the Commonwealth' [p.25]. Charles II, however, stopped the trade between the planters and Dutch merchants, and made the Barbadian-based Assembly recognise the rule of Parliament and a series of new trade laws. One historian commented that it was from this moment onwards, 'that a sturdy English colony was converted into little more than a sugar factory'.[11]

The new trade laws passed by the British Parliament served to define the terms of economic management for all Colonial Assemblies in the British Caribbean. As part of the terms of the Navigation Acts, planters were required to send their sugar and other cargoes to England in English ships, and purchase slaves only from English traders. In return, Britain guaranteed the colonies protected and guaranteed commodity markets for its raw materials (sugar, tropical produce, rum, etc.). Favourable events in the decades to follow bred a nostalgic belief among planters in Barbados and elsewhere that they had nevertheless 'struck a pretty good bargain with Charles II'.[12] With protected and guaranteed markets, planters could make quick profits from the increased production and sale of sugar. Development planning or expanding the economic base of these plantation societies was to later prove inimical both to royal and planter interests.

The Atlantic Triangle and Caribbean Transformation: A Unique Conjuncture

Williams (1966) notes that the triangular trade provided a stimulus to the early colonies, transforming them from tobacco growers to sugar suppliers in the international economy. By 1670, Barbados, Nevis, St. Christopher, Jamaica, and Antigua were benefiting from access to London merchant capital, equipment, the means of procuring on credit the requisite servants and slaves, and intensive contacts with burgeoning hubs of the mercantile world, i.e. Bristol, Liverpool, and London. Before this (1624 to 1634), settlers had begun to make `extraordinary profits from tobacco... [with] Caribee incomes four to six times as high as those in England', but increased New World production was forcing tobacco's price steadily downward.[13] The price of tobacco by 1635 fell to a new low (from 6d. a pound to 2.5d.) and did not reach the 1624-34 levels again in the century. It was in the wake of the decline in tobacco values and Britain's willingness to facilitate the manufacture of sugar in its colonies, that planters considered acquiring knowledge of production processes in order to improve their terms of trade. What made the difference was the unique historical circumstances of the mid-17th century that provided Britain and its BWI colonies with a structural opportunity to intensify exports and re-exports.

The price of sugar had dramatically climbed in the 1640s due to the war between the Dutch and the Portuguese. This resulted in the disruption of Brazilian sugar-planting. This stoppage; Dutch warfare at sea; a consequent shortage of vessels; and high trans-Atlantic shipping costs, led to a drastic reduction of sugar supply in Europe [Batie in Beckles and Shepherd, 1991, p.46]. Britain's regional hegemonic designs subsequently took shape in this conjuncture: it intended to outdistance its core rivals in the race for hegemony by becoming `the slave carriers and sugar suppliers of the whole world' [Williams, 1970, p.155]. The platform for hegemonic ascension was eventually shaped by successes reaped in the triangular trade. This trade involved the purchase of slaves from the West African coasts, their forced employment in the manufacture of sugar in the British Caribbean, and the shipping of sugar along with other produce, to Britain and her North American colonies. Britain in turn exported its manufactured products to Africa, the British West Indies, and to North America. As Eric Williams succinctly puts it: `It [the triangular trade] was sound politics, based on sound economics.'[14]

In this international division of labour, the older colonies of the British Caribbean experienced its `golden age'[15] in terms of export sales. But measuring the profitable years of the region nevertheless requires a closer look at each colony. This is because settlement and stability did not come all at once to the region. However, once colonies were settled and incorporated in the triangular trade, profits came to planters, and the colony became valuable to the British Empire. Ward (in Beckles and Shepherd, 1991, pp.81-93) examines Island Account Invoices, Island Expenses, and some plantation records in order to measure BWI sugar planting, profitability and prosperity. He also took into account the newer colonies later added to the British Empire. Batie (1991), on the other hand, concentrated on the older British colonies and those of the French Antilles (Martinique, Guadeloupe). He examined the peaks and troughs in the economic cycles of tobacco, cotton, ginger, and sugar. Reading Ward and Batie, one can point to the following historical periods when the colonies enjoyed their highest rate of profitability. Colonial commerce during these key times normally provided a 10 per cent annual profit: Barbados 1645-1667; Leeward Islands (Antigua, St. Christopher, Nevis) 1714-1748; Jamaica 1739-1762; the Ceded Islands 1783-1798 and; Trinidad and British Guiana 1820-1834. Such was the prosperity and importance of the older colonies (Barbados, Leeward Islands, and Jamaica) to Britain that Williams (1991) commented:

> The tiny sugar island [Barbados] was more valuable to Britain than Carolina, New England, New York and Pennsylvania together... Jamaica's external trade was larger than New England's as far as Britain was concerned; Nevis was more important in the commercial firmament than New York; Antigua surpassed Carolina;...[p. 123].

It is worth pointing out that the older colonies and the Ceded Islands recorded high profits in the triangular trade and thereafter profits slowly, then steadily, declined. The high profits recorded in the new vast frontier regions, Trinidad and British Guiana, arose out of huge British investment in sugar production.[16] But what was the effect of this prosperity? Were broad market economies encouraged? The mother-country orientation of the Colonial Assemblies together with the self-interest of the planter class, were to combine to halt the development of agro-commercial market economies. Indeed, Dunn (1972) confirms that all efforts were made to restrict internal markets, and to stifle peasant farming by free labour (i.e. white indentured servants).

Sheridan (1970) notes that rising prosperity was matched by a degree of colonial complacency on the part of the planters, royal appointees, and local Assembly officials. He points out that this was evident in the growing trade deficit the colonies had with Britain and her North American colonies (see Table I). Indeed, each of the colonies had a trade deficit of substantial proportions.

Table I

Triangular Trade Balance with Britain (circa 1697)

COLONY	IMPORTS £	EXPORTS £
Nevis	17, 096.	13, 043.
Barbados	196, 532.	77, 465.
Jamaica	70, 000.	40, 726.
Antigua	28, 209.	8, 029.
Other BWI[17]	326, 536.	142, 795.

Sources: Williams (1970) and Richardson (1992).

While it is true that Britain transformed her 17th century Caribbean colonies into high-profit areas, the mode of production (slave-based) and the organisational outlook of the state had generated a peculiar culture that was hardly geared towards constant restructuring of the productive base. Barbados offers a case in point. Referred to by some scholars as being the 'most prosperous 17th century colony on the globe',[18] the planter elite within the Colonial Assembly refused to further enhance the country's development with profits made from the enterprise.

No new machinery was imported or made to cheapen the cost of production; nor were new agricultural techniques and a broader market economy encouraged. There was no impetus to do so, since the supply of slaves remained constant, and Britain, according to the terms of the Navigation Acts, provided protected and guaranteed markets for their produce. In any case, effecting a real transformation of a slave-based economy was likely to be problematic given the rigidity of the production structure. Slaves had to be given crude, non-breakable tools that held back machino-based development in agriculture and industry.

Mark Elvin (1973, pp.298-315) speaks of a 'high-level equilibrium trap' to explain how China's technological discontinuity after 1700 was to later lead to economic decline by the middle of the century. Similar arguments have been used to explain the late Roman economy's reliance on slaves and outdated technologies.[19] British Caribbean economies were caught in a similar high-level equilibrium trap. The region's economies had been shaped in such a way as to make profitable invention and economic diversification very difficult. The triangular trade arrangement and the terms of the Navigation Acts made expansion or improvements in these plantation economies appear too expensive to undertake. Metal was expensive and machinery constructed therefrom was consequently too costly. The option of continued usage of slave- and animal-driven power was far more attractive. Apart from the adoption of pro-natalist policies,[20] there was no general incentive to search for improvements or to try multiple cropping. The result was that the domestic bourgeoisie tended in the direction of economising on resources and fixed capital rather than on expansion of the sugar-based economy. Complacency consequently set in.

The complacency amongst the bourgeoisie was self-evident if one takes note of Beckles' (1990) observation that in the period 1660 to 1675, eight thousand whites left Barbados alone. The Caribbean was a place to make quick money. Upon achievement of `gentleman planter' status, the colonist returned to Britain to live the life of an aristocrat. Society and economy in the region were phenotypically divided. Wealth and social power were the preserves of whites, with the bulk of the population (black) excluded. Social harmony, as a result, was imposed by a slave regimen, a standing Imperial militia, and an abundance of laws and Ordinances restricting freedoms. Throughout the slavery epoch, this made for an unstable equilibrium. Culturally, British ethos and pathos shaped the values of the domestic bourgeoisie, while the Crown's granting of knighthoods and baronetcies served as powerful symbols of cultural and social achievement. The minor status of the *lower case cultural* (inclusive of British cuisine, attire, music, dances, mannerisms, etc.) was adopted by the ruling class who had no desire to `build or foster West Indian identities'. The corrupt hybrid that was plantation society never encouraged the expression of West Indian `self', leaving a scholar to remark that as soon as profits were made, `the planter and his family began to aspire to the pleasures of civilised life "at home".'[21]

An important point must be made in relation to the issue of `lost opportunity'. The role of the regional hegemon is crucial to a peripheral state's fortune. It is true that while Barbados, Nevis, Antigua, Jamaica and others returned high levels of profits, planters and Colonial Assembly authorities failed to transform the narrow base of their plantation economies. But apart from the earlier mentioned domestic reasons, another important factor accounts for this. British colonial designs throughout the pre- and post-slavery epoch weighed heavily on the development aspirations of these territories. The Caribbean was basically incorporated in the international division of labour as a slave/labour intensive raw materials supplier. This differed from British colonial designs *vis-à-vis* her North American colonies.

Without hazarding very far into U.S. history, it may be observed that though slave labour was used in certain colonies to organise cotton and tobacco production, overall `the American colonies...were used as a means of accumulating primary capital for re-export to Europe' [Rodney, 1972, p.97]. As Adam Smith (1910) noted, commercial ports and industrial areas were encouraged in the Northern colonies, and capitalists from the North and slave-based South profited heavily from their involvement in the triangular trade. He also refers to the positive effects of **more self-government and free enterprise** in Northern colonies. In such an environment, industrial expanse in the North was to rescue the thirteen colonies from later falling into a Caribbean-like `high-level equilibrium trap' of high profits, low technology and bourgeois complacency.[22] Indeed, the stimulation of an entrepreneurial drive saw capitalists in the North American colonies use the triangular trade to `stimulate..the growth of their ship-building industry, [build] up their towns and their cities, and enable..them to use their forests, fisheries and soil more effectively.'[23]

Of course their (i.e. North American) involvement in this trade shaped the peculiar character of their political economy and this in turn engendered colonial rebellion, and, later, when the contradictions persisted (between an unyielding slave-based South and a restructuring North), an internal Civil War.

The point here however, is that Britain's hegemonic policy towards the North American colonies afforded a space for manoeuvre (by the North) and a culture for further capitalist development. Indeed, the sea-board district, New England, and the state of New York had generated huge surpluses and went into industrial production processes proper[24] by the time that George I sought to restrict American trade into Europe in the 1760s.

All the ingredients were therefore present in the North American case, chief among which were an entrepreneurial culture, a growing nationalistic bourgeoisie, an accommodating hegemonic structure (1630-1750), and an international environment conducive to mercantile activities.

This situation contrasted sharply with the Caribbean. By the time that the sugar product cycle had reached its apogee in the middle of the 18th century, **complacency** had long been the expression of colonial states and the planter elites accustomed to British imperial, social, and economic protection. As Ward (1991, p.81) notes, by 1750, British Caribbean planters `were overcommitted to a crop which exhausted the soil, they could not or would not improve their techniques, and many were absentees employing dishonest or incapable managers'. At about this time, a fall in the price of sugar followed excess production of cane-sugar in (French) St. Domingue, Martinique and Guadeloupe.

From Mercantilism to Laissez Faire: A Conjunctural Shift in Fortunes

The period, 1750-1838, was one of `general crisis' in the British Caribbean.[25] The `golden age' had ended. Sugar prices had fallen and the cost of flour, saltfish, and corn had increased. Following the Seven Years War, there was the loss of the North American market; the loss of the slave trade; a shift in Britain's hegemonic interests; a rising tide of internal social rebellion,[26] and meteoric rises in sugar duties. These are the events Ward refers to as `a remorseless sequence of misfortunes' that confronted the BWI colonies [p.81].

Eric Williams' (1966) classical format, `1776 and all that', is used by many scholars as the pivotal historical conjuncture marking the structural decline of the BWI colonies' importance in the world division of labour. It was, to be sure, a conjuncture between economic and political change i.e. relative to the American Revolutionary War; the abolitionist-capitalist conflict in 1788-92; abolitionist victory in 1806-07; and the decisive shift in the **measurement** of the BWI value as the international political economy shifted from mercantilism to laissez-faire. This last point is of paramount importance. The British consumer near the end of the 18th century was paying more for BWI plantation sugar than his or her continental counterpart paid for non-British, and especially French, sugar. Predictably, `mercantilist sugar' was not able to compete effectively on the continental market. Accordingly, possibilities for structural transformation in the Caribbean were narrowed. As Barbara Solow puts it, notwithstanding the sugar-price fluctuations, as far as the fortunes of the BWI colonies were concerned, the structural shift in the world political economy after 1776 `is the decline that matters'.[27]

The response of the Colonial governments and the planter class to Emancipation, while varied, was generally aimed at maintaining or recapturing profits in the sugar industry. The attempts at diversification, the limited re-tooling, and changes in organisational management were never meant to **dismantle plantation-economy structures**. Indeed, all innovations and Colonial Office representation to Britain revealed a commitment to soldier on with a (dying) slave-based production mode. Barbados and Jamaica provide rich illustrations of this tendency.

Beckles (1990) notes that the `minimal state' in Barbados in 1776 was `pleading with England for financial assistance.. [and] some protection from the free market...and if this could not be done then direct financial aid' [p.72]. With relief funds from the British government in the 1780s following a massive hurricane, planters were encouraged and acted to place greater emphasis on the cultivation of food crops and a limited shift towards cotton cultivation. The attempt here was to fill the slot of principal cotton supplier left vacant by the North American colonies in the wake of their war for independence. In 1779 and 1786 the colonial state secured patents for the construction of a windmill for ginning cotton and a machine for removing seeds. Sugar was still supposed to be `king', however, and the securing of two new varieties of cane[28] along with the adoption of pro-natalist policies were aimed at increasing sugar yields with fewer costs to the planter.

Jamaican planters also implemented a similar variety of measures to recapture lost profits. They did so by diversifying the economy mainly through the exports of ginger, pimento, cotton, dyewoods, hardwood and later coffee. By 1800, the island's livestock farmers had been encouraged to supply the domestic market with plantation animals in a world that was machino-based.[29] Shepherd (in Beckles and Shepherd, 1991, p.118) notes that at no time prior to emancipation were the `local producers... able to supply the total livestock requirements of the island'. The period 1714-1773 had been so lucrative that the Jamaican Assembly and the planters could not even `contemplate ruin'. Indeed, the debates in Antigua, St. Kitts, and Grenada after 1773, were to be an extension of the wrangling occurring in the Jamaican and Barbadian Legislatures over the question of absentee proprietorship and the need for `honest' competent managers. The overwhelming view at the time was that the woes of the slave-based economies were principally related to poor technical management and corruption by appointed managers, not the mode of production itself.

Nevertheless, British Caribbean plantations were `sliding towards bankruptcy'[30] by the 19th century for external reasons as well as internal ones. As I have argued in the preceding chapter, a peripheral state/region's fortune is usually tied to the interests of its core power. The last fifty years before emancipation marked a period when there was an important shift in Britain's hegemonic strategy. This shift was marked by Britain's decision to restructure its domestic textile industry sector and to pursue the `opening' of China for trade (hence British acquisition of Malacca and occupation of Singapore (1824); and acquisition of Hong Kong in 1842). The weight of moral opinion and the economics associated with primary accumulation (i.e. the sale and exploitation of forced labour) demanded a change in strategy if Britain was to run the `last lap' in the race for world system-wide hegemony.

As liberalism gained sway in Britain in the 19th century, the triangular trade, that had produced a transformative dialectic for the British West Indies between the mid-17th and early 18th century, was to be consigned to the `old mercantilist order' [Drescher, 1991]. Its disintegration left the British Caribbean trapped with an antiquated mode of production; a consequent bias against technological change; a society seething with ethnic and class tensions; a West Indian planter-cum-merchant community culturally attuned to preferential treatment from the mother-country; and colonial states uninterested in initiating structural change.

Post-Emancipation (Dis-)Order

Eisner's (1961) meticulous documentation of Jamaican national income accounts for the period 1831-1930 bear out the point of economic stagnation and complacency as the theme of the region's post-emancipation history. Her choice for examining Jamaica in order to extrapolate to the general Caribbean situation is not as damaging as it might otherwise appear to be, since the efforts at economic diversification prior to 1838 had made Jamaica `the most developed' economy in the BWI.[31]

Eisner estimates that the island's output per capita was about the same in 1930 as it had been in 1832. Labour productivity in agriculture in 1890, she continues, stood at twenty-two per cent below that of 1832, with building, construction and manufacturing showing very little growth [p.288-290]. The compensation awarded by the British government had not been enough to assist in the transformation of Caribbean economies, but it was the timidity of the planter-class and its controlled legislatures that mattered more. This timidity was evident in their fears of further economic ruin and social backlash with the onset of emancipation . As it turned out, only Antigua -- which by then had calculated that its high-density slave population was likely to tie ex-slaves to the plantation -- properly implemented the Emancipation Act of 1834 and declared the slaves free. Other Caribbean territories denied the slaves their freedom by introducing a stop-gap measure (apprenticeship) that lasted for four years. Eisner argues that this signalled the beginning of a stubborn determination by the planter class to retain effective control of the labour market in a manner that was reminiscent of slavery. As far as possible, plantation based economies were to be maintained and its proper operationalisation demanded a large, avaliable labour force.

Lewis (1968) and Thomas (1984) concur that the planter class in the region sought to hold onto socio-economic power through the acquisition and ownership of economic resources, control of the administrative arm of the Legislative Assemblies, and maintenance of plantation economy structures. And this was despite and in the face of the migration of British capital to new areas (India, Hong Kong, Singapore). As Beckles (1990) points out: 'The sugar interest remained predominant and therefore the legislature was mobilised into action in order to protect that interest as perceived by sugar planters [p.104].'

In the low population-to-land ratio countries (Trinidad and Tobago, and British Guiana) fear of similar, even if limited development of the peasantry, as that in Jamaica, led to a state-sponsored publicly financed immigration system. Low-wage plantations were thus serviced with East Indian immigrant labour. This set back the industrial advancement of the ex-slaves who demanded higher rates of pay. Ethnic tensions subsequently heightened in these countries [Ryan, 1972].

Thomas (1984) and Beckles (1990) point out as well that at every turn the planters and the legislatures refused to implement real reforms whether it was the provision of education services to freed blacks; the establishment of social welfare or 'poor relief'; the provision of public health facilities; or unharassed (legal and otherwise) entrepreneurial activity by black and East Indian workers.

The hundred years before the 1930s were therefore marked by seething ethnic and class tensions, social degradation, limited economic change, and the forging of a planter-merchant elite. Because the `free' order had been built on the accumulated remains of slavery, little significant technological, institutional or societal changes took place. Cash-crop production, merchandising, and plantation employment tasks served as the only routes to wealth creation. But commerce dominated production. This was the case with the smaller islands as well as the larger territories where peasantries emerged. Gordon Lewis (1968) notes that even as Jamaican, Trinidadian, and Guyanese peasants sought to market their surplus stock, it was clear that the greater profits were being made by `the intermediaries'. These included the import-export merchants, `the middlemen', and the `higglers', who bought and sold the locally produced minor handicrafts, livestock, and food provisions. A sub-stratum of the elite monopolised the import-export trade and hence made huge profits in the sale of imported saltfish, beef, veal, clothes, and household wares. Planters, meanwhile, supplemented their declining sugar export incomes by aggressively participating in the internal marketing system. Predictably, wealth remained skewed along racial/class lines, for the land and resources that underpinned this agro-commercial model of accumulation were in the hands of the old plantocracy. By 1930, the bulk of the population came to crucially depend on plantation-work to supplement their other earning activities.

To be sure, throughout the post-Emancipation period, the `freedom to trade' remained a privilege and a terrain of conflict. John Lie (1991) defines a `mode of exchange' to mean a social organisation of commodity exchange. He introduced a four-fold typology of modes of exchange, reflecting qualitative distinctions in the organisation of trade. In the **market** mode, there is popular participation in intraregional trade. The **manorial** mode sees intraregional trade restricted to a small group of traders. In the **mercantile** mode, interregional trade is controlled by a small group of traders. And in the **entrepreneurial** mode, interregional trade is **socially**

open to most traders. The Caribbean mode of exchange (circa 1930) does not fit neatly into any one of these categories, except if one situates it at the juncture between the manorial and mercantile mode. As indicated above, the planter-merchant elite given their vast ownership of the means of exchange (i.e. land, equipment, buildings, etc.), came not only to dominate national, and intraregional trade; their historical ties to the metropole sustained their dominance in extra-regional trade (i.e. the import-export commercial circuit). This hardened the social divisions which were in fact class divisions, ones overlain with and linked to ethnic divisions. Thus Best and Levitt (1968) and Beckford (1971) were sufficiently persuaded to classify the period, 1838-1930, as `continued plantation economy'. This was echoed recently by a London-based magazine which commented that: `Although slavery ended more than 150 years ago, it is only in the past few decades that work for most blacks has meant something other than cutting canes.'[32]

The Turbulent `Thirties: Crisis and Social Change

The downturn in the global economy marked by the stock market crash in the U.S. (1929), triggered a social explosion in most of the Caribbean colonies, from Bermuda and the Bahamas in 1935 through to British Guiana in 1939. Growing unemployment and anti-colonial sentiment contributed to the unrest and political turmoil in this decade.[33] It certainly did not help that the extremely narrow franchise and the absence of trade unions or other mass-based institutions prevented civil society from demonstrating the need for changes in the political order. The reforms that followed a British-appointed Commission (Moyne Report) included granting the legal recognition of mass-based institutions: i.e. trade unions, political parties and cooperatives. Civil society was to be free to pursue entrepreneurial and professional endeavours. Finally, a middle class was being encouraged.

This point is very important since high-accumulating social formations all feature a history of a 'rising middle class' and associated entrepreneurial development. A look at Hong Kong, another British colony at the time, illustrates the point.

While, like British Caribbean colonies, a minimal state was established after acquisition (early 1840s) with 'merchants want[ing] to see government run in their own interests',[34] Hong Kong's political economy did not remain characterised by **the dominance of trade over production**. Of course the reasons for this relate to the unique conjuncture and geopolitical circumstances present at the time of Hong Kong's acquisition.[35] Nevertheless, importantly, neither ethnic nor racialist measures conspired to frustrate entrepreneurial elements within the resident Chinese population. In brief, the colonial arrangement operated in the following way: British capitalists resident in Hong Kong could pursue their commercial activities in the 'East', provided that the Legislative Council did not tax their trade or pander to the interests of the Chinese community or its business elite. This colonial arrangement produced tensions at the level of fiscal planning and distribution, but by the 1890s 'a local capitalist class was emerging [represented by the growth of] financial institutions and manufacturing concerns'.[36] Scott (1989, p.66) notes as well that these developments were chiefly the result of a **responsive state** whose 'decisions were legitimised by the consensus reached by different elites'.

The comparison here is clear. While civil society in BWI society remained harnessed by plantation economy requirements, Hong Kong could fulfil its (British) assigned entrepot role without necessarily sacrificing the growth of entrepreneurial (productive) elements in the society. The result was that by 1931 '24 per cent of the [Hong Kong] **workforce** were in **manufacturing**'.[37] By this time, on the other hand, the West Indian workforce were still tied to plantation agriculture. The bulk of the workers were employed only seasonally to plant and harvest the sugarcane crop. James (1980) adds that no industrial entrepreneurial culture was evident for the small

West Indian middle class was exhibiting a profound insecurity and uncertainty about its objective place in society and its future.

Britain's unchallenged hegemony in the English-speaking Caribbean region at the time was not to these countries' advantage. As Demas (1965) alludes, its conservative policy was partly shaped out of the `placid' geopolitical circumstances of the Caribbean region.[38] In Asia, on the other hand, Britain's hegemonic policy *vis-à-vis* Singapore and Hong Kong was shaped more by geo-political factors than economics. These factors, among others, related to their distance; the preponderance of the Chinese population in both colonies; the politics and political influence of China; Japan's regional hegemonic ambitions; and the nuances of the resident Chinese business communities relative to these factors [Drysdale, 1988; Turnbull, 1989; Scott, 1989].

A process of British tutelage in self-government and experimentation with social welfare programmes occurred in the 1940s and 1950s, but Britain never encouraged the ideal of `real industrial development of the region' [W. A. Lewis, 1950, p.34-35]. Lee (1967, p.218) explains that British attitudes to colonial development and good government after 1940 were based on the concept of `a viable territory..defined by such physical realities as a diversity of natural resources..' For the Commonwealth Caribbean region, there was little affirmation of viability except within the framework of the Westminster model `and in the context of dependency economic relations with the Mother country' [p.218]. The point about Caribbean non-viability was a calculated one, designed to justify Britain's argument that `the old colonies' should retain traditional specialised roles as raw materials suppliers within the international division of labour.

Indeed, some local black intellectuals at the time argued that `economic nationalism' (i.e. industrialisation) should precede eventual political independence and that Britain should obligingly assist in such a strategy [G. K. Lewis, 1968]. A sweeping project aimed at reorganising agriculture and moving towards agro-processing industries was perceived by West Indian colonial state authorities to require a restructuring of labour relations and land tenure systems. Such a project, the colonial authorities held, promised to disrupt or undermine the social, economic and political order. The view was that the violence of the 1930s could re-surface, and that the cost of failure was too high for vested colonial and imperial interests to contemplate. It is true that the local planter-merchant elite, for its part, had no way of controlling the outcome of such a process, and furthermore, they harboured a distrust for the small black petit-bourgeoisie. They could not be sure that attempts at industrialisation would be favourable to its interests. Indeed, the dominant role of merchant capital in the colonial economy in the Caribbean was a reflection not only of the limits -- but also of the **unwillingness** of capital (i.e. local and British) to structure the social forces and relations of production. As Karch (1981) points out, the reasons for this were more sociological than economic. The whites in the region were aware of their limited numbers in the demographic make-up of each country; they harboured racist notions of an alleged intractability of Afro-Caribbean wage labourers; they assumed radicalism on the part of the small black petit-bourgeoisie; and they held an unswerving faith in the uncomplicated and socially amorphous nature of commercial business schemes. For these reasons, Britain and the colonial Assemblies between 1940 and 1960 allowed the old commercial aristocracy to have the last word on the industrialising issue. The `stagnation option' was adopted. Grants-in-aid was to substitute for economic nationalism.

U.S. Hegemony and the Caribbean: Transition and Transformation

World War II marked a turning point in British Caribbean history. A long hegemonic deconsolidation phase[39] was precipitated by global economic crisis and another clash of arms among core powers. These in turn saw Britain reduced further from its hegemonic position. The U.S. filled the power vacuum in the region and ushered in a restructuring of the regional system of accumulation, previously based on empire and colonies. U.S. hegemony in the region made for a unique form of territorial hegemony in that countries across the Americas (and elsewhere) were to be considered formally equal, territorial units, whose sovereignty was respected. The creation of the United Nations and other Bretton Woods institutions (IMF, World Bank, GATT) seemed to provide ample proof that the stated intention was to restructure the interstate system, formerly based on domination and subordination. While core-periphery relations were not consequently dissolved, the change in hegemonic structure, the consequent upswing in the world economy, and Cold War politics presented the Commonwealth Caribbean with a structural opportunity to transform its plantation-economies.

This refines the master narrative of a continuous decline in the British Caribbean after 1945. Best and Levitt (1968), Beckford (1972) and others have argued that the Caribbean's `long decline' from the 18th century extended to the decolonisation period at least. McAffee (1991) and Charles-Soverall and Duncan (1994) view it as extending past the debt crisis into the present neoliberal age.. As Beckford and others put it, the Caribbean was to move from `continued plantation economy' to `modified plantation economy'. The `new plantations', they contend, were the arriving branch-plant firms under `metropolitan ownership and control'. Beckford and others further assert that in plantation agriculture, mining, and branch-plant manufacturing, the region continued its legacy of `subsidiarity to metropolitan business interests.'[40] Caribbean indigenous development thus remains stifled, they argue, because the individual economies act as hosts to parasitic British and U.S. imperialist interests.

The plantation thesis is, in the main, too economistic. Little attention is paid to social classes, the state, politics, and ideology in the decolonising Caribbean. Moreover, this narrative ignores the transformative impulses operating through the specific postwar conjuncture of forces at the geopolitical and international level. In other words, little is made of the implications of the hegemonic transition in the Caribbean, the onset of the Cold War, or the unleashed expressions of nationalism and self-determination in the postwar world order. Contra Beckford and others, I would argue that the transition from colony to self-governance in the Caribbean involved more than formal constitutional arrangements. It was in fact a transition from a particular type of state (`watchman') that was mother-country oriented, towards one that was nationally directed. And nationalism was further fuelled by the onset of the Cold War which presented developing countries with a facility with which they could barter allegiance in exchange for cash and other benefits. All was not maximum subordination to foreign interests especially if we note the comparative increase in, and exercise of, state power after 1960.

The U.S. achieved world system-wide hegemony after 1945 largely because of a set of propitious factors arising from the ravages of the Second World War. The immediate needs of the (western) European economies, the need for a maximally open world economy with a periphery open to global (i.e. U.S.) capital, and the hegemonic challenge posed by the Soviet Union's influence in Eastern Europe shaped the developments of the early postwar years. These conditions favoured the rapid spread of U.S. capital, the strength of its military power, and the rise of the dollar to the status of international legal tender. The consensus achieved in the North Atlantic area and the Pacific under U.S. economic, financial, military, and political leadership was largely built on this historical inheritance and the Soviet Union's attempts at structuring an alternative `socialist' alliance system. The `Cold War' rivalry between the U.S. and the Soviet Union was set in motion as the decolonisation process got underway in the Third World.

Before the decolonisation process was completed, market forces had generated a collapse of agricultural prices (1943-1963), disrupting Caribbean agricultural economies. These developments coincided with the political decline and defeat of the planter-merchant elite, and the emergence of black petit-bourgeois elements in the political order. The British government's decision in the 1940s to grant permission for the establishment of trade unions, political parties and other mass-based institutions in the Caribbean had initially raised anxiety among the traditional elite. But the socio-economic order remained intact because the entire leadership structures of the new massed-based institutions fell largely to a small black petit-bourgeoisie with no history of enterprise, or taking entrepreneurial risks. Moreover, the potential for a challenge was circumscribed by the process of tutelage in self-government conducted by British advisors. Responsible leaders were held to be those that accepted the status-quo, and encouraged persistence with the agro-commercial model of accumulation. This black petit-bourgeois professional class, itself largely locked out of the corporate boardrooms, was to become the new political class by the time independence was granted by Britain.[41]

Bermuda, a present-day British colony, is the exception to the general trend of political defeat for the white commercial oligarchy. Party politics in Bermuda since the formation of the black-dominated Progressive Labour Party (PLP) in 1963, has been dominated by the mostly white United Bermudian Party (UBP). Internal self-government was granted in 1968,[42] but the continuation of the two-member constituency system has tended to favour the whites. This is for a number of reasons. First, they have access to large resources. Secondly, they are well-organised, and thirdly, black professionals or businessmen have been strategically appointed as leaders of the UBP, and have consequently served as Premiers of the country.[43] This has served to dilute nationalist appeals to race made by the PLP.

The Emergence of Populist-Statism

When state power was transferred to Caribbean hands, the new political class faced a myriad of problems/challenges ranging from high unemployment; ethnic tensions and political tribalism; militant trade unions; influential landed elites and merchants (white capitalists); inherited colonial civil administrations; the absence of modern technology; a savings gap; and the question of their own social reproduction.

These were hardly the objective conditions upon which a developmentalist programme could flourish, except if the state was willing to apply an element of `compulsion' in order to structurally transform the agro-commercial model of capital accumulation. To do so meant toppling the mercantile elite, the trade unions, and opposition groups, with the hope that the new form of political order would attract foreign investors and sustain economic processes set in motion under colonial rule. These were difficult options facing the new political class, helped none by the retreat of some (merchant) capitalists and their families to England, Australia and New Zealand at the time of independence (1960s). Consequently, populism, patron-client relations, and `zigzag' industrialisation strategies reflected the primacy placed on the politics of regime-consolidation.[44]

The overriding goal was `stability' and given the character of the postcolonial political economy, `stability' came to mean `business-as-usual'. This was not surprising because the state apparatus that had been used to underpin the hegemony of British and local planter-merchant capital was to become the instrument of a petit-bourgeois ruling class that, like merchant capital, was not sited in any production process. Moreover, there was no prior entrepreneurial sub-group with the interest; the collective need, or the influence to forge a state capable of facilitating and enforcing the need for productive investment on the part of those who appropriated the social surplus. A certain degree of ambivalence consequently became evident when state managers sought to grapple with the dual task of capitalist (i.e. industrial) transformation and regime consolidation. The political formula reflected its compromised character. Industrialisation was left to foreign enterprise and an increased role for the state. And the question of fostering the rise of an indigenous capitalist class was left largely to regional mechanisms, i.e. tariff measures, free trade accords, and the like -- all to be coordinated by the Caribbean Community Secretariat. State managers perceived that public access to free education, and foreign capital influence (in the agricultural, mining, clothing, and pharmaceutical sectors) would also aid in engendering the rise of this new economic class. This political formula, in effect, was guided by the `stability' logic that suggested postponement of hard social questions until ruling regimes became entrenched.

To be sure, the new independence order had a `reproduction requirement' that was very difficult to overcome. No regime (circa 1960) could hope to provide instant relief to the `people' **and** redynamise the economy if whites took their capital outside or themselves left the country. State managers and the old commercial oligarchy eventually became united by a lowest common-denominator interest: i.e. to reap and extend the benefits of the status quo. `Business-as-usual' thus became a simple solution grounded in the need to placate the fears of the elite, while providing governments with the incomes to improve infrastructure and to distribute patronage. Import-trading and an increased role for government in the economy consequently went towards satisfying status-quo retention and regime consolidation. The former (i.e. import-trading) garnered high revenue yields for governments in the form of taxes on imports; and the latter (i.e. *etatisme*) became a flag of convenience for expanding the reservoir of patronage resources to governments. The post-colonial states in the Caribbean were thus remade in the likeness of both the insecure petit-bourgeios class, and the complacent mercantile elite.

The Viability of The National Option

Under U.S. hegemony and the Cold War conjuncture, the independence option became a viable one. Unlike those that share the plantation dependency perspective, I draw a clear line between the long years of limited or no self-government, and the degree of autonomy that governments were to enjoy after 1960. To suggest that the post-1960 era was marked instead by a smooth transition from plantation colony to neocolony, is to deny the greater capacity for manoeuvrability that decolonisation brought. This was a historical conjuncture where dominant state accumulation was accepted within the international development paradigm, for it was compatible with Keynesian notions of state intervention and welfare politics. The decolonisation process in the anglophone Caribbean, given the character of its social structure, fell prey to those international elements encouraging the move towards redistributivist politics. To allay the fears of the domestic capitalist class, state managers, as earlier suggested, sought social harmony through a pluralist design, the `peculiar ingredients' being the protection and continued survival of mercantile relations; the provision of extensive welfare services and jobs; and the elevation of the state as primary economic actor.[45]

A populist strategy of capital accumulation was undertaken with the chief ingredients being the promotion of basic needs strategies, appropriate technologies, small local economies, and political cooperation among the classes. Society and economy were not oriented towards rapid capital accumulation based on aggressive export-orientation. Under the idea of import-substitution-industrialisation (ISI), home markets were to be encouraged; U.S. foreign companies were invited to invest in the region's mineral and land resources; and foreign capital was secured to aid in the construction of a tourist industry and overall infrastructural development. This Lewis-inspired ISI programme[46] was underway by the late 1960s.[47] Briefly, the programme required state provision of incentives to transnational enterprises in order to attract offshore industrial operations. The various budgetary and fiscal preparatory statements placed emphasis on the prospects for increased employment, technology transfer and stimulated markets for local inputs. The incentives to overseas investors included the provision of duty free imports for raw materials, machinery and capital; accelerated depreciation allowances and income tax holidays and; cheap labour and factors of production. Another important incentive included the minimisation of foreign exchange restrictions on international transactions.

Agriculture was downgraded within the new development thrust. This did not mean, however, the abandonment of plantation production since governments encouraged the large plantation sector to boost domestic agricultural production in tropical products, vegetables, bananas, fruits, spices, and the like, in order to serve the nascent tourist industry. In countries like Dominica, Grenada, St. Lucia, and St. Vincent, increased agricultural production additionally served to provide employment for a significant proportion of the adult population. Multinational companies like United Fruit Company (USA) and Geese Limited (U.K.) were encouraged to oversee the packaging and shipping of fruits and spices in Jamaica, Trinidad, St.Kitts-Nevis and Guyana, and bananas in the Eastern Caribbean small-island states. The hope was that these companies overtime would turn towards agro-processing activities. Traditional exports in sugar were to be maintained as each country sought to retain colonial exclusive privilege in the United Kingdom and the wider European market. Nevertheless, agricultural employment generally remained scorned by Afro-Caribbeannists and East Indians alike for reasons relating to its association with low wages, elitism and the colour question in the ownership/management structure.

The pillars of the ISI programme rested on political and industrial peace at all costs [Marshall, 1993].[48] The Industrial Stabilisation Act (1965) of Trinidad and Tobago, and the Industrial Relations Act (1970) of the Bahamas served as blueprints for the stringent labour legislation that was to follow in other Caribbean territories.[49] Labour union chieftains in each country -- themselves part and parcel of the newly emergent political class -- were encouraged to believe that foreign investment would bring four major benefits. First, it would increase foreign currency earnings through increased access to foreign markets. Second, it would create much needed jobs. Third, such investment would lead to an increase in tax revenues for the various governments. And finally, it would facilitate the upgrading of the respective domestic economies through technology transfers, improvement of labour skills, and development of managerial skills. The hope was that eventually foreign capital would have a wide footprint in the local economy as local up and downstream industries and services are created in the wake of the original investment.

There was a complementary attempt to dynamise the fledgling manufacturing sectors through a form of regionalisation. Each country, realising its limited capital goods sectors and absence of economies of scale, sought to expand manufacturing through the creation of a free trade area, (1968, CARIFTA), which later was deepened into the Caribbean Community and Common Market (1973, Caricom). The range of products was relatively narrow and produced on a small scale. Concentration was placed on food processing, garments, footwear, furniture, and consumer durables.

To be sure, the U.S. between 1950-1980, still largely saw the region as a raw materials supplier, but beyond agriculture, it sought to invest in the services sector (tourism; construction; banking; insurance),[50] and the mining industry. In this sense, the Caribbean plantation economic structure began to disintegrate under the combined weight of the shift in the region's hegemonic structure, U.S. investment interests, and domestic state policies.

I argue that Caribbean governments were faced with a structural opportunity to transform their economies along lines of science, industry and technology because of the favourable external environment. A host of props and palliatives were on offer to protect the region from the harshness of the world market. EEC Lome Agreements, the OECD Generalised System of Preferences, and easy access to low-interest loans on the newly created Eurodollar market, shored up the region's populist development strategies.[51] In addition, the U.S. established the Alliance for Progress, which had more than a hemispheric development objective of course. It came into being in the atmosphere of superpower rivalry and the determination by the U.S. to limit Soviet influence (i.e. communism) in the Americas. The Alliance's declared objectives *vis-à-vis* Latin America and the Caribbean, however, were to improve the distribution of income and accelerate industrial and agricultural development. Aid, investment funds, and increased access to the U.S. market were on offer to compliant states. The U.S./Caribbean Basin Initiative (CBI) and the Caricom/Canadian Trade and Economic Cooperation Agreement (CARIBCAN) were to later provide duty-free access benefits to Caribbean countries.(discussed later) However, accumulating capital through the sale of non-traditional goods never became a priority. For a time, this did not adversely register in the various countries' balance of payments because international lending capital was available and favourable prices for sugar, bananas, fruits and spices could be fetched in guaranteed markets.

As earlier indicated, the international, regional and domestic environment was sympathetic to and ripe for government intervention (1960-1980) and Caribbean states moved to play a more active role in economic affairs. The opportunity was taken to improve education, expand infrastructure, and to present the state as the agent of industrial advance.

The nationalisation or localisation of many foreign and domestic enterprises occurred in Trinidad, Guyana, and Jamaica, while the state in Barbados and in Grenada increased participation in their respective economies. In the larger territories and in the small-island states, government's share of the labour force was to grow proportionately more rapidly than any other sector of the economy [Merton, 1983].[52] These activities were carried out in an atmosphere of radicalism and anti-imperialism. Most important however, the statist economic model seemed an attractive solution to the problem of insecurity within the (black petit-bourgeois) political class relative to their long historical exclusion from the world of finance, management and big business. It paved the way for populist expressions, and provided a material foundation for cultivating lower-class support. Nevertheless, it is crucial to add that there was little room for manoeuvre under the prevailing conditions of administrative weakness. New governments faced a straight choice: either pursue the difficult task of creating and regulating functioning national markets in goods, labour, and finance, -- or, become the primary employer and producer and assume the role of setting prices. The latter option was preferred not least because its task would have been comparatively simplified to monitoring the activities of corporations, plantations, and agencies that it owns and manages. The neoclassical notion that direct state participation is a special burden for developing countries, not only assumes that markets, with all their legal, regulatory, and administrative characteristics exist, but also that state control is administratively more difficult than the alternative of creating and regulating national markets. At a practical level, creating and regulating markets requires myriad financial, legal, and civil institutions, with stable and firm long-term commitments to regulate the actions of importers, budding producers, and labour, enforce contracts, and ensure the free exchange of information among economic groups [Bardhan, 1989]. This was perceived by Caribbean state managers as too complex a process. Direct state participation served as an administrative shortcut. Unfortunately however, the nationalisations that took place in the Caribbean did not follow relatively technical, market-determined criteria based on enhancing efficiency. Considerations of political support seemed to be at centre in the interventionism that occurred in the 1970s.

For example, `democratic socialism' Jamaican style, was relatively devoid of clear theoretical and programmatic content, yet pregnant with interventionist potential. It was, to all intents and purposes, the political blueprint for dispensing favours *via* increased state ownership of key enterprises. The intention, as declared by Michael Manley, was to bring `prosperity to the masses' through a massive welfare programme and economic nationalisation. The state began to negotiate majority ownership in companies exclusively involved in bauxite mining, and increased its ownership in companies mining bauxite and refining alumina. As in Barbados and Grenada, the state in Jamaica acquired (bankrupt, inefficient) agricultural estates, and constructed hotels. Free education and school meals, subsidised bus fares, health care, old age pension schemes, and the like were implemented most heavily in these three territories. Stone (1986) notes that the surpluses made in the state economic sector were ploughed into social engineering policies and to buttress patronage distribution. Susan Craig (1981) points out that populism flourished under the increasing resources placed at the disposal of the Prime Minister's office:

> [T]he power of patronage of the political elite and the Prime Minister has been enhanced, making even the local bourgeoisie dependent on the generous incentives, subsidies and fiscal policies of the state.[53]

But dispensing political favours to different strata in the society was crucial to the project of `stability' taken on by the new political class. Reproducing existing social relations in order to `govern in the interest of all' did not necessarily require the state to promote robust industrial development -- on the contrary, the `reproductive logic' of the social formation and the political order `required' that the state assumed a quite different form. Petit-bourgeois instrumental control over state power meant that the state's resources had to be used for other political needs that will ensure regime consolidation -- hence the deployment of populist universal measures like free health care, subsidised transport, and free education, along with extensive patron-client networks. Craig notes that these represented efforts to satisfy particularistic demands in order to undercut broad-based and potential destabilising political attacks on the status quo. In this sense, I would argue that the reproduction requirement of the post-colonial state in the political economy of the Caribbean, contradicted the logic of capital. As long as the state remained the instrument of the black petit-bourgeois professional class and was under the influence of the wealthy mercantile elite, the expansion and deepening of capital as a developmental project was likely to remain stifled. Predictably, the state found itself compromised and torn between a conservative impulse -- i.e. the need to preserve the existing order -- and a transformative one given the prevailing narrow base of the corporate-commercial economy.

Foreign Capital and Failed Expectations within the `Triple Alliance'

Just as states need capital, capital needs a state to create and sustain conditions for its expansion. The British Caribbean case reveals that if political arrangements are forged to sustain regime consolidation and to reinforce the traditional elite's hold on economic surpluses, then possibilities for the expansion of capital would remain limited.

West Indian societies, from top to bottom, were being remoulded by the overladen populist goals of each ruling regime, and the permeating dominance of merchant capital. In the `alliance' of state, local capital, and foreign enterprise, multinationals could not be sure of their place *vis-à-vis* the paramountcy of the commercial sectors in the region and the self-interests of state managers.

It was hoped through the ISI programme that foreign enterprise would act as both a catalyst and an agent for transforming the region's economies. Branch-plant firms were encouraged because it was believed that these companies would look to expand their operations. Caribbean state managers hoped that wide-scale industrialisation -- which held out the promise of greater internal revenues -- would have been stimulated by an influx of foreign companies and technology transfers. As it turned out, each Caribbean country failed to follow through on Lewis' (1955) advice relative to the ISI programme, largely because the behaviour of foreign enterprises did not match expectations. But as will be pointed out, foreign capital could not perform the role of `industrialising agent' precisely because of the character of the Caribbean's political economy.

Lewis (1955) had stressed that success of the ISI programme depended on the extent that states would cooperate regionally, and concentrate on an export thrust. As he put it: 'it is idle to talk about a serious effort of industrialisation until the whole area is brought within a single customs union' [p.164]. Recall that this programme received its initial blessing by state managers because it was believed that foreign investment would have resulted in massive job creation, and a subsequent increase in political support. The foreign investment that initially did come to the region was largely confined to mineral rich Jamaica, and Trinidad and Tobago, and to a lesser extent, Guyana. Capital inflow for **manufacturing** never reached expected levels Caribbean-wide. But even where there was U.S. investment, its character was not meeting political ends. As Mandle (1989) explains:

> There were too few projects, the projects that were undertaken were too capital intensive, and, because the projects undertaken were branch plant assembly activities, there were too few linkages established between them and the rest of the host economy.[54]

However, Mandle assumes that foreign capital had free range choices for investment and business linkages within the region. Investment capital is hardly driven to develop productive sectors in a country for the sake of so doing. Furthermore, it is extremely optimistic to expect foreign enterprises to form linkages with the rest of an economy where local suppliers have limited experience, cannot meet deadlines, and have poor local/regional track records. And this situation is made worse if the business world is structured along the lines of political networks rooted in the state apparatus. Investment capital in these circumstances is likely to sink its roots only in amorphous, low-risk projects like raw materials extraction, exclusive-enclave assembly operations, and service-provider activities. This is precisely what occurred in the Commonwealth Caribbean. Indeed, it is not surprising to learn that while foreign owned enclaves achieved an increase in output for bauxite in Jamaica and Guyana, and petroleum in

Trinidad, they `engaged in little processing [and] established few linkages with other sectors of the economy'.[55] Foreign capital really could not objectively champion industrial transformation in the Caribbean because of the colossal way in which governments and merchants bestrode the local/regional economy after the early 1970s. This point is further elaborated below.

By the early 1970s, it became apparent to state managers that foreign investment was not producing many direct and indirect employment opportunities. Dissatisfaction with the performance of foreign capital created a double socio-political dilemma for the new governments. The new political class was threatened with the prospect of unrest among the poor and unemployed[56] -- at a time when they still needed to establish a basis for their rule. The Caribbean form of dirigisme consequently became guided by short-term, redistributive concerns, rather than medium-to long-term developmentalist considerations. For example, in Guyana under Forbes Burnham's government (1966-1980) and in Grenada under Eric Gairy's government (1965-1979), political clientelism epitomised the style of participation and organisation of the respective ruling parties (i.e. the People's National Congress and the Grenada United Labour Party). It pervaded the functioning of political, administrative, economic, and social structures where politics was less about programmatic agendas, and more about governmental jobs, sinecures, contracts, licences, subsidies, loans, scholarships, public works, building permits, payoffs, and favours.

In addition, the political class sought to facilitate merchant capital's survival, its growth, and then its consequent consolidation in the local/regional economy. Earlier, I indicated that since the white planter-merchant elite did not wish to divert their capital to industry, the state moved to activate the masses to produce for **consumption** rather than for **accumulation**. The import-traders amongst them saw a space for their own social reproduction within such strategies that promised an expansion of consumption.

Retail outlets, supermarket chains, and hardware stores soon filled the capitals and burgeoning suburban areas. However, the governments in the region did not become the instrument of domestic capital. The apparent complicity between the new political class and the wealthy elite can be explained by the fact that it was in the interests of state actors to protect the capital from which they derived a great source of internal revenue. Taxes on imports for most of the last thirty years represented some 35-40 per cent of internally generated government resources.[57]

Governments' dependence on these revenues, and the commercial oligarchy's interest in tourism and offshore banking, fostered a climate of mutual cooperation between the state and the wealthy elite after 1970. Import licensing, import quotas, *de facto* foreign exchange rationing, and the licensing of individual importers represented proliferating state controls over trade to defend local monopolies in the wholesale and import trades. Big merchandisers like Da Costa & Musson Limited, Cave Shepherd & Company, A. S. Bryden and Sons, Plantations Limited in Barbados, J. A. K. Archer & Company Limited, the Neal and Massy Group in Trinidad, and 'Front Street' retailers like Butterfield, Trimmingham, and Tucker in Bermuda were thus able to entrench their positions within the prevailing economic structure. To be sure, a few blacks, and some Caribbean descendants of Syrian, Lebanese, Indian and Chinese immigrants, were absorbed into the commercial sphere within each country. These new entrants depended on the discretionary exercise of state power, and on access to state-controlled resources: i.e. government credit; licenses; quotas; Town and Country Planning 'extra-professional considerations';[58] and the like.

Government measures indeed went a long way towards expanding the mercantile base of Caribbean economies as opposed to facilitating research and development infrastructures, creating scientific institutes, or encouraging national innovation technologies. Each Caribbean government elaborated and extended the web of state regulations mediating traders' access to all levels of the commercial circuit.

Wholesalers, semi-wholesalers, and retailers were required to obtain prior state authorisation for import-trading activities. This licensing process gave Caribbean state officials, particularly in the Ministries of Trade and Commerce, broad control over access to commercial opportunities. By the 1970s, the various regimes had created very lucrative and low-risk opportunities for deployment of wealth in commercial and services-related activities. This is evidenced by Anthony Wood's (1993) findings.[59] He points out that various state-owned banks across the region today have large outstanding debts owed to them from the following sectors in descending order: the distributive trades sector, the plantation-agriculture sector, small businesses, and the personal sector. He explains that even as governments remain reluctant to enforce the repayment of state-derived loans, business-persons nevertheless remain unconvinced of the wisdom in investing this money in productive activities locally or regionally.[60] A tendency has developed where some either use government loans to bail out an ailing commercial enterprise, or as a form of personal security.

Whatever the noted proclivities of merchant capital, I stress that populist-statism created an economic and political context that, in any case, immobilised strata within the local wealthy elite from investing in manufacturing activity. Arbitrary and unpredictable patterns of taxation, anti-capitalist rhetoric by leading political actors,[61] and expansive state involvement in the economy made it difficult to calculate basic parameters that would affect the profitability of investments. Entrepreneurial success is/was highly dependent and sensitive to the political manoeuvrings of the Finance Ministry, often headed by the Prime Minister,[62] the Ministry of Trade and Commerce, and the local Member of Parliament for the constituency within which the business is/was sited. The slightest anti-regime complaint or posture 'can make the day-to-day running of business operations very difficult, for regimes have been known to use their leverage in credit-allocation measures, awarding contracts, and customs-clearance procedures to harass unsupportive businesses'.[63]

Another immobilising factor is the ambiguous and somewhat insecure political status of segments of the private sector in Guyana, Trinidad, Barbados, and Jamaica. Syrian-Lebanese, Chinese, and Indian descendants tend to be perceived universally as `foreigners' by Afro-Caribbeannists even though many are Caribbean citizens and fifth generation descendants of Asian immigrants. Ryan (1972) notes that the background to the 1970 `black power revolts' in Trinidad and Tobago was marked by the political scapegoating of Euro-Caribbean and Asian-Caribbean minorities. In Guyana, the clientelistic networks constructed by Burnham's government parallelled the ethnic profile of the country. The fifty-two per cent Afro-Caribbean population was to be the direct recipients of jobs in the ballooning state sector, and had privileged access to commercial space in the capital, Georgetown. The forty-eight per cent Indo-Caribbean population was delegated the tasks of rice, sugar, and vegetables production, and were thus relegated to the rural areas of the country.

For economic as well as political reasons, the Asian-Caribbean community has been much more vulnerable to questions of resource ownership and `black empowerment', than the traditional European elite. In the recent campaign for `economic democracy' in Barbados, led by radical scholars and black middle class professionals, the major political parties stated their support for `black economic enfranchisement'. The argument by the `economic democrats' is that since independence, the traditional elite has become a closely-guarded commercial oligarchy, extending its control of resources to include utilities and banks. The Asian business community is behaving in similar fashion, they argue, and this has meant a further foreclosing on opportunities for appointment, promotion, or business, by the dominant black majority [Beckles, 1989]. Since Asian business activities are concentrated at the lower levels of the commercial circuit (i.e. fabric stores, variety item shops, movie-theatres, etc.) this makes them extremely vulnerable to growing black nationalist sentiments.

The white elite has managed to weather such periodic storms in the Caribbean because of their financial links with the political parties. Asian-Caribbeannists, particularly in Trinidad and Guyana, and recently, Barbados, are learning to protect themselves by investing shrewdly in politics. This follows the example of important merchants after independence. Barbados is a case in point. Major financial supporters of the ruling Barbados Labour Party have included, the R. L. Seale and Company Limited, Carter's General Store, Plantations Limited, C.O.Williams Construction Company, and Cave Shepherd and Company Limited. The recently defeated Democratic Labour Party -- the party that formed the government at the time of independence -- received(s) backing from the largest commercial conglomerate in the Caribbean, Barbados Shipping and Trading Company Limited, and Simpson Motors.[64] In the general election of September 1994, both political parties received funding by the Asian-Caribbean insurance magnate, Colonial Life Insurance Company Limited and a host of East Indian-owned supermarkets like `Buy-Rite' and `Julie N'.

In light of these currents in Caribbean society -- i.e. the system of establishing political connections; the unpredictability of taxation measures; the `black' nationalist posturing of state actors; and the cultivation of low-risk opportunities for merchandising and services-related ventures -- it is not therefore surprising to find that foreign capital displayed(s) the same disinclination to make fixed, productive investments in the Caribbean. Even within the state-sponsored Export Processing Zones (EPZs), foreign owners tend to amortise their investments quickly, preferring to motivate workers to increase their sewing-related and textile-making tasks with cash inducements, rather than transferring aspects of their parent assembly process to the region. Here the overwhelming disposition seems to be: as long as governments continue to provide tax holidays, ensure duty-free access to intermediate inputs, allow for easy repatriation of profits, and keep the unions outside the EPZ sector, basic screw-driver operations will be maintained. Chapter Three highlights how newer technologies are acting to undermine this arrangement between governments and these foreign enterprises.

Populist-statism was nevertheless supposed to be more than an exercise in personalist politics. Prime Ministers Manley (Jamaica), Barrow (Barbados), and Compton (St. Lucia) argued that dirigisme was a crucial organisational response to the challenges of colonial development and late industrialisation [Stone, 1986]. Closer regionalisation (i.e. Caricom) was supposed to give birth to a new entrepreneurial class. The non-reciprocal trading and other arrangements (Lome I, II, III; GSP, Alliance for Progress, etc.), the erection of tariffs in the individual countries, the restriction of select import items, nationalisations, the provision of subsidies, industrial credit, and other incentives -- were all deployed by Caribbean state managers in an effort to promote manufacturing. But lack of (international) market pressure, the primacy of petty nationalism and redistributive politics, the absence of suitable technology and information systems, and lack of sufficiently trained personnel, acted to produce a form of manufacturing inefficiency -- a luxurious inefficiency which relied on continued favourable economic circumstances. The period 1950-1980 was one of infrastructural expansion, personal material improvement, and educational advances, but no **real** transformation of the mercantile character of the region's economies took place. In this sense the post-war structural opportunity that was offered -- i.e. non-reciprocal access to European and North American markets, easy lines of international credit, and the Cold War alliance system -- was not used to encourage local firms and fledgling entrepreneurs to treat the world market as their frame of reference. The case is simpler if one briefly notes the way surpluses or windfall benefits were used.

Wasted Windfall and the Onset of Crisis

Worrell (in Beckford and Girvan, 1989, pp.63-87) notes that `the mood of optimism around 1970' encouraged Caribbean regimes to plough surpluses generated from raw materials exports, tourism, and taxes on imports and profits into non-productive spheres (employment creation and welfare schemes). As he puts it, `the Caribbean overestimated export prospects [in their main tradables]... bauxite, alumina, oil, sugar, bananas, rice, light manufacturing, assembly operations and tourism'. He continues by stating that `the availability of resources and foreign exchange was taken for granted, so that attention focused on equity and unemployment. The problem was defined as managing better, in the interests of all' [p.63, 64].

Trinidad and Tobago is a case in point. Windfall benefits derived from its sale of oil in the boom years, were used `to expand civil service employment' [ibid.: p.69]. Worrell adds that `a policy of maintaining a substantial portion of government surpluses in a long-term development fund [subsequently] fell by the wayside' [p.69]. Some new large manufacturing plants were established but the absence of highly focused applied research and marketing techniques found the government `hard pressed' to find reliable markets for its light manufactures.

In the other Caribbean territories, governments responded to the oil crisis and the fall in commodity prices in the world economic downswing years (post-1971) by tightening controls on foreign exchange spending, on domestic prices, and on bank credit. This was complemented by heavier external borrowing. Earlier surpluses made in the seemingly expanding North American tourist market had been used to support wages, services and infrastructure (Barbados, Jamaica, St. Kitts-Nevis). Guyana used its huge earnings made in the supply of rare calcined bauxite for similar purposes.[65]

Even the global crisis years (1973-75) did not jolt state managers into restructuring their economies through the effective management of surpluses. In fact, optimism was sustained by the 1974-75 partial recovery in the world economy that was to bring `a temporary surge [once more] in commodity prices [and].. relief in the form of additional foreign exchange' [Worrell, 1989, p.68]. Jamaica and Guyana decided to use the additional finance to expand government activity, employ more workers, and to carry out their nationalisation programmes. Barbados and Trinidad however added these funds to their foreign reserves. By the time the effects of wrenching changes in the world economy were felt from 1975-76 onwards, Guyana and Jamaica faced chronic balance of payments problems, a decline in investment, and a contraction in income. Eastern Caribbean small-island states managed to temporarily avoid economic collapse owing to efforts aimed at containing expenditures and imports (1976-79). In any event, there was a slight tourism revival and terms of trade losses abated [Samuel, 1989]. Accumulated reserves, external borrowings and fiscal readjustments were used to avoid balance of payments crises. The overwhelming mode of operation in the 1980s was to place a premium on economic 'management'. Governments won or lost elections on this issue.[66]

Throughout the 1980s, governments adjusted budgetary instruments and marked time in anticipation of world economic recovery. Regime consolidation was sustained by heavy borrowing, large capital works programmes and a continued commitment to seeking preferential treatment in the world trading arena. Banana exports and tourism earnings, either provided windfall gains for some countries, or maintained a degree of stability in other territories (see Tables II and IV). Governments also continued to be recipients of 'friendly' external aid dependent on its stance in the Cold War bipolarity (see Table III).

A rising trend of banana exports is generally noticeable among the countries listed in Table II. These increased exports were the result of increased productivity in this sector following the favourable terms secured under the Lome Banana Protocol. The Banana Protocol allows for special groupings of countries to export their produce to the EU market. Caricom bananas go to the UK while bananas from Martinique and Guadeloupe go to France. By 1986, 99 per cent of Caricom exports went to the protected UK market. However, Caribbean producers have remained largely uncompetitive by world standards and crucially depend on such continued preferential arrangements.[67] Surpluses made in this sector were not used by the producers to turn to agro-industry, nor did governments offer incentives to enable the switch to other markets.

Table II: Banana Exports (US $million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Grenada	4	4	4	3	3	4	4	4	5
Dominica	3	9	10	11	11	13	29	32	37
Jamaica	9	4	5	7	2	4	9	19	16
St. Lucia	11	15	15	20	23	32	53	42	66
St. Vincent	6	10	9	11	12	17	18	18	31

Source: ECLAC (1990) estimates.

Table III

External Aid in the Cold War Years (US $)

Country	Western (non-US) Aid and ODA *grants**	Period	Eastern European and Cuban *Aid*	Period	U.S. Aid	Period	Total Aid 1970-89
Antigua	50.0m	1970-89	--	--	*10.0m*	*1985-88*	*60.0m*
Bahamas	345.0m	1970-89	--	--	*1.0m*	*1985-89*	346.0m
Barbados	171.0m	1970-89	--	--	15.0m	1970-89	186.0m
Dominica	120.0m	1970-89	--	--	inclusive	1970-89	120.0m
Grenada	70.0m	1970-89	32.0m	1979-83	60.0m	1984-89	162.0m
St.Kitts-Nevis	67.0m	1970-89	--	--	10.7m	1985-88	77.7m
Jamaica	990.0m	1970-89	10.6m	1973-80	1.2b	1970-89	2.8b
St. Lucia	120.0m	1970-89	--	--	inclusive	1970-89	120.0m
St.Vincent	92.0m	1970-89	--	--	inclusive	1970-89	92.0m
Trinidad	518.0m	1970-89	--	--	373.0m	1970-89	891.0m

* Refers to the Overseas Development Assistance Fund administered by the U.K. Government (m=$million; b=$billion).

Source: Drawn from the Worldwide Web *aka* the Internet. Political Database of the Americas, Georgetown University Centre of Latin American Studies.

Table III points to a general picture of steady flows of external aid. Only Jamaica and Grenada received assistance from communist countries. Manley exploited the non-aligned position of Jamaica by persuading Cuban and Eastern European state officials to financially contribute to his `democratic socialist' programme; while he sought to allay the fears of U.S. officials by insisting that Jamaica was not seeking to move towards `full communism'. In any event, the U.S. government remained suspicious of the intentions of the Manley regime [Thomas, 1988]. The new Edward Seaga government in 1980 was to receive huge grants by the U.S. for the Reagan Administration became determined to make Jamaica the `capitalist show-case of the region' [McAffee, 1991]. Grenada under Bishop's government had broken diplomatic ties with the U.S. between 1979-1983 and sought alignment with the Soviet Union. When the regime collapsed in 1983, the U.S. also moved to assist the new Nicholas Brathwaite administration with financial largesse. However, these funds were largely used to upgrade tourism infrastructure, for this was the sector providing most employment opportunities.

Table IV:Tourist Expenditure (US $million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Antigua	42.0	49.0	58.9	77.1	109.7	132.5	156.2	186.7	213.5
Barbados	251.0	261.9	251.1	251.6	284.2	309.0	326.9	378.7	460.0
Dominica	3.2	3.0	4.0	7.3	8.6	8.7	11.2	12.8	14.0
Grenada	14.8	17.3	17.2	18.7	22.7	32.4	39.6	42.1	46.0
Jamaica	241.7	284.3	337.8	399.2	406.6	406.8	516.0	595.0	525.0
St. Kitts	13.4	16.1	17.3	18.6	24.2	31.0	38.0	47.4	53.8
St. Lucia	32.9	29.4	32.4	39.7	42.4	55.7	73.4	78.4	151.9
St. Vincent	13.7	15.0	16.0	16.7	19.0	23.0	29.3	35.2	45.0
Trinidad	151.1	151.9	178.6	205.7	197.8	197.3	83.2	91.6	80.0

Source: Caribbean Tourism Organisation, Culloden Rd., Bridgetown Office.

With the exception of Trinidad and Tobago,[68] Table IV points to rising tourist expenditure in the various countries. Barbados and Jamaica particularly have enjoyed the highest expenditures. These two, and recently, St. Lucia, moved to upgrade hotel infrastructures, increase their marketing campaigns in North America, and improve their all-inclusive holiday packages. Overall, the steadily growing tourism sector has been a source of government revenues, through airport departure taxes, hotel occupancy taxes, landing fees and various other sales taxes. As traditional and mineral exports sales declined in the 1980s, earnings in this sector were used to support social services and to improve the tourism infrastructure.

The tourism sector remains one of the few examples of government-business cooperation, and some attempt to create linkages with the rest of the economy. For example, Barbados and Jamaica considerably upgraded their modern telecommunications infrastructure in conjunction with AT&T and Cable and Wireless, and with domestic private investment. Some technological changes have been taking place in switching and line capacity, that is, fibre optic rings, digital switching, teleports and other cost-effective implements. In the process, these countries have managed to attract U.S. and Canadian data processing and data entry branch-plant activity. A financial services sector has also been created with the assistance of local (merchant) capital, the state, and other factors stemming from changes in the U.S. onshore financial sector.[69]

In addition, the growing tourist sector has provided a space for survival for a fledgling group of light goods manufacturers in Trinidad and Jamaica. A vibrant core of calypso and reggae artistes, musical engineers, arrangers and songwriters have also emerged. These various artistes have generated the real revival of annual festivals; spawned the growth and attraction of a local music/recording industry;[70] and themselves represent an aggressive entrepreneurial sub-group whose survival depends on high export sales, originality, initiative, and cutting-edge market information.[71]

However, throughout the first two decades of independence, tourism acted to **buttress** the mercantile character of the region's economies. New entrants (i.e. retailers, etc.) were absorbed within the stimulated commercial environment. While Asian-Caribbeannists entrenched themselves in `specialty goods' trading and were moving into the real estate sector, Afro-Caribbeannists established urban businesses like hair salons, restaurants, laundries, bakeries, and travel agencies. The traditional elite meanwhile sank their roots in the up-market services sector (i.e. construction, hotel businesses, real estate) and established deposit-taking institutions such as commercial banks, trust companies, finance companies, pension funds, credit unions and life insurance companies.

Notwithstanding the hegemony of circulation over production, the Caribbean was offered another opportunity to stimulate industrial growth in the 1980s. This became apparent in the aftermath of the electoral defeat of President Carter in the U.S., and growing U.S. regional hegemonic and security concerns.

The CBI Opportunity in a Decade of Decline

The Caribbean Basin Initiative (CBI) scheme was a response to U.S. industrial, defence, and economic concerns. It is also true that the CBI was employed as an instrument to reward or punish declared socialist regimes in the Americas. Communism and its varieties were to be discouraged or worse, eradicated from the U.S. backyard (Jamaica, Grenada, Cuba, Nicaragua). However, the Initiative principally demanded a favoured position for U.S. capital in regional markets and prohibited beneficiary countries from extending special treatment to the products of any other country over U.S. products. Although later eclipsed by the proposed

Enterprise of the Americas Initiative (EAI), this signalled the first real attempt by the United States to address its loss of hegemony -- or rather its growing structural deficit with the Asian NICs and Japan. It also sought to address the penetration of the Americas market by other core rival's exports. But winning the Cold War and ensuring the success of the domestic economic restructuring project held immediate priority.

The restructuring of the U.S. military industrial complex followed the reforms that were taking place in other domestic industrial sectors [Dixon, 1982]. Following the dollar crisis, the Department of Defense (DOD) had been persuaded to accept the Pentagon's stipulation that weapons systems production conform to the law of value. The lowering of the costs of producing military goods therefore led to the foreign production of certain military parts. Japan subsequently was to play a strategic role in producing essential inputs for the United States military industry. Foreign direct investment in U.S.-based military industries were to become a cause for security and economic concern [Crawford 1994]. The Trade Agreement Act of 1979, the Caribbean Basin Economic Recovery Act of 1983, and the Competition Contracting Act of 1984 provided the legal and trading framework for defense subcontracting in environments suited to DOD product specifications and security requirements. Watson (in Quinones and Rivera, 1991, pp.223-247) notes that `[i]t was within the framework of the CBI programme that the Reagan Administration encouraged the DOD to explore all possibilities for shifting some aspects of military production from the Far East to the Caribbean Basin Area' [p.232].

This presented a rich opportunity for the anglophone Caribbean states and the domestic bourgeoisie to reap potential industrial benefits. To be sure, the decade of the `eighties was a bleak one as a debt crisis mushroomed, and IMF/World Bank conditionalities imposed curtailments on traditional state functions. It marked a conjunctural shift in fortunes, for *etatisme* and non-reciprocal trading arrangements began to give way to a neoliberal transition (see Chapter Three). However, the failure between 1960-1983 to build Caribbean-wide economies of scale, or at least to invest surpluses in the transformation of the pre-industrial base of their respective economies, was to render them `bit players' in the overall U.S. designs. It was precisely because they individually lacked a capital goods sector and a machine-based assembly economy that they were to fail in securing any real advantages under the CBI scheme.

Here a brief word on Puerto Rico's place relative to the U.S., the CBI, and the Caribbean is required. The U.S./Puerto Rico connection is paradoxical. The island is of economic and strategic value to the U.S. to the extent that it is, simultaneously, securely linked and subordinate to U.S. regional economic needs, yet able to function with a degree of `autonomy'. This `autonomy' is expressed in the understanding that Puerto Rico maintains relative independence from mainland wage or environmental regulations. State-based platform manufacturing in the 1920s[72] and U.S. private sector efforts after 1950 produced mixed results in Puerto Rico.[73] By 1979, Puerto Rico's economy reflected a complex two-tiered one i.e. the presence of machine-assembly infrastructures alongside a `food stamp economy'. The CBI also arose to address these structural problems in the Puerto Rican economy.

A U.S. based study on the scope for electronics production in the CBI area was undertaken and concluded that `the electronics assembly industry has considerable potential for growth.' It went on to recommend private sector expansion of military electronics production in the CBI area.[74] The study suggested that Puerto Rico secure U.S. Federal Government defense contracts, and through Section 936 of the CBI,[75] subcontract other appealing CBI beneficiaries. In this division of labour, Puerto Rico was therefore required to perform the high-tech aspects of production with the rest (provided that they are part of the CBI) performing the low-tech tasks.

Only Barbados, St. Kitts and Jamaica have attracted sub-contracting work from prime defense contractors Westinghouse, Univac, Sperry Rand and Zenith. Local companies like Assembled Products Limited, Bel-Tronics (Barbados), the Lloyd Samuel Group, and the Puerto Rican-owned Quest (Jamaica) produce microwave technology products for radar tracking devices. Barbados through to 1986 was a leading assembly site of semiconductor and other electronics components until International Telecommunications (Intel) shifted its operations to Asia with a higher technological platform and lower wage levels. Watson notes that the region continually fails to benefit from this U.S. `coalition security programme' under the CBI because as subcontractors they `face an array of problems having to do with cash flow, knowledge of markets, technological know-how, and meeting DOD specifications' [p.239]. It is also worth noting that none of the Caribbean business-persons have yet taken the opportunity to bid for DOD contracts in other related areas including the provision of furniture, clothing, hospital supplies and other products.

The U.S. also sought to integrate CBI territories into its textile and garments industry. This corresponded with the restructuring and the application of computer-related processes to these industries. Cost-effectiveness demanded a higher incidence of offshore production in order that low wage rates and other cheap factors of production could be secured. Under U.S. trade regulations, apparel assembled by Caribbean beneficiaries of the CBI from fabric cut in the U.S. received a duty break under 807. This `Special Access Programme' gave liberal import quota treatment to U.S. companies that used U.S. fabric, knitted or woven and cut in the U.S., in CBI assembly operations. In this arrangement, `the USA sought to curb and... effectively discourage the emergence in the Caribbean of more highly integrated garment enterprises capable of producing items with a higher local added value...'[76] A lack of political will or state (bargaining) power prevented the individual Caribbean countries from seeking some compensation, or concession in return.

Although the low end of the production design was allocated to countries like Jamaica and Trinidad and Tobago, this was a result of poor state planning in so far as they failed to invest earlier surpluses and huge credits from the Euro- and petro-dollar markets in upgraded industrial infrastructure. Technological upgrading leads to industrial efficiency which in turn leads to lower production costs -- a requirement of foreign capital. Unfortunately, as stated earlier, monies were spent on salvaging inefficient state enterprises and to support an extensive welfare programme. Consequently, to attract apparel assembly activity the only choice left to Caribbean technocrats in Trinidad and Jamaica was to lower the real price of labour and grant a few tax and fiscal concessions.

This says something about Caribbean policy-making machineries. They have tended to be more reactive than pro-active. However, this must be understood politically for it relates directly to the extensive patronage-based networks. Windfall gains are used to create and distribute jobs and other favours. This militates against following through on any clear developmental or regional agenda. In addition, it has been one of the principle barriers to regional integration, for while each Caribbean government agrees that individually each country lacks a capital goods base and a critical mass of talent, the prospect of closer union presents a potential threat to their social base and power within their own polity. Petty nationalism consequently triumphs for it provides petit bourgeois groups with greater career options in light of the narrowness of each Caribbean mercantile economy (see Chapter Six).

Hence it was not surprising that throughout the USA/Caricom arrangements (re. the CBI) there was no regional platform of negotiations or share of technical knowledge. Instead, each Caribbean country accepted the bilateral approach of the U.S. and pursued various protection umbrellas and market quotas for their traditional products. A Caribbean-Canada agreement was struck guaranteeing privileged access and prices for its rum and other alcoholic beverages. With these market access agreements (Lome, CBI, CARIBCAN), little attempt was made to exploit these opportunities by increasing the sale of non-traditional products, acquiring and updating information on consumer lifestyles, tastes, and the like.

Government activity still revolves around international borrowing, tourist dollars, adjusting budgetary instruments, increasing taxation, and seeking continued protection in international trade. By 1988, a commentator on the situation exclaimed that 'the present game has to stop. The whistle needs to be blown. Extra time is exhausted'.[77]

Conclusions

The lack of appearance of an industrial class and a developmental state has made the Caribbean a weak participant in today's highly competitive world economy. This is a reflection of the character of the region's political economy. Poor state planning and oversight; failure to effect the transition in political hegemony from 'traditional' to 'modern' elites; and shifts in regional core hegemonic interests, all impacted negatively on the region's transformation possibilities. To be sure, I have identified thus far two conjuncturally sensitive moments in British Caribbean history. The first moment, 1640-1750, covers the separate BWI colonies during the boom of the triangular trade. I used this long time-span in order to capture the region as a whole, but, of course, prosperity peaks were reached at different points by different colonies. The second advantageous historical moment, 1955-1980, marks the beginning of self-government, covers the decolonisation period, and spans the years when Cold War largesse, easy lines of international credit, and the like were on offer to the newly emerging Caribbean states. Although the 1980s was a decade of economic downturn, and declining levels of aid, I have also shown how the CBI indeed presented the region with an oppportunity to recoup declining incomes, and stimulate industrial growth. However, throughout these key moments in Caribbean history, the state failed to engender the rise of an industrial class or stimulate greater productive activity.

Recall that the colonial situation was dominated by key players -- i.e. planters, merchants, and royalists -- who had no stake in engendering the rise of a broad market economy or encouraging industrial deepening beyond cane-sugar production. While huge profits were reaped during the years of the triangular trade, there was virtually no attempt to move towards mechanisation or product diversification. The slave mode of production in the BWI colonies remained in command well past the world conjunctural shift from mercantilism to laissez-faire. Britain, the facilitating and transformative agent in the years marking the colonial changeover from tobacco cultivation to sugar production, by 1800, was fixing its gaze on trade in the `East'. The Caribbean thereafter was to suffer from benign neglect and a remorseless sequence of misfortunes. Meanwhile, planters either lost their estates and assets to merchant creditors or established mergers with merchants. It was in the expanding commercial sphere of the colonial economies that a planter-merchant elite could reproduce and entrench itself in society. At the lower societal rung, the wider social populace involved themselves in a dizzying variety of activities, i.e. plantation work, handicraft, `higgling', small-crop agriculture, and the like. In the absence of a nationalistic state structure, manufacture did not develop beyond the artisanal stage.

Decolonisation gave birth to a form of dirigisme hitherto unexperienced in Caribbean history. But in the prevailing social conditions, the new petit-bourgeois political class felt compelled to skew the directive role of the state towards social redistribution. This reflected the compromised character of the post-colonial state. It faced a strong planter-merchant elite, a highly politicised and expectant mass, and the new political class itself needed to establish a basis for its rule. Regime consolidation and the stability imperative (i.e. social/racial harmony) consequently took on extreme importance. Fearing the perceived risks, state managers refused to transfer resources and surpluses into productive activity that would have promoted the rise of more dynamic and productive forms of capital. Merchant capitalists consequently remained unthreatened in their spheres of activity. Moreover, they became entrenched in the corporate make-up of Caribbean society, increasing their resource ownership and control in real estate, lands, hotels, distribution outlets, family businesses, insurance companies and banks [Beckles, 1989]. As a settled class, the domestic bourgeoisie is not now willing to use their capital for risk ventures that cannot guarantee quick, easy returns.

This experience should dispel the notion of any law-like tendency (e.g. inherent in the Marxian approach) of an evolution away from small-scale distribution and trade to the emergence of industry and production, giving rise to big capitalists. The region's IPE complex and its culture did not and has not responded to such logic. Karch (1981) indeed observes that speculative investment by the Caribbean bourgeoisie has not been guided by an inexorable pressure to deepen capital accumulation efforts, but by non-economic considerations relating to the sociology of Caribbean society.

As with slavery and the colonial experience, a consequent deep-seated resistance to genuine productive activity continues to prevail. What is more, the wealthy elite exhibits an unfamiliarity with modern science and technology and has since fostered a social hiatus between scientific and technical (academic) labour and capitalist interests. Hence when the state in the decolonisation years decided to become the `surrogate' capitalist, the dominance of buying-and-selling had already fostered a self-defeating belief amongst the populace that `foreign goods are better than any local equivalent'.[78] New entrepreneurs consequently shied away from production. Now, after some thirty years of decolonisation, Caribbean private capital has not yet developed to the point at which two discrete `factions', with different economic bases, and different stakes in the future can be discerned. The merchant lobby remains the only show in town.

But this is not to decentre the practice and impact of populist-statism in accounting for the absence of industry. The blame does not rest solely with merchant capitalists, nor, as I have argued, should foreign capital be scapegoated. The structural opportunity provided by the postwar geopolitical order -- i.e. the granting of preferential markets, and technical and financial assistance *via* the Alliance for Progress, Lome, the Banana Protocol, the CBI, and CARIBCAN, etc., -- was used by Caribbean governments to facilitate patronage distribution, rather that long term, broad-guaged developmental projects. To satisfy the clamour of the working class, the state shifted export income in favour of welfare, wages, and salaries. To respond favourably to the domestic elite, the objective was to provide a range of public sector supports and protectionism. And to muster even more resources for redistribution, the state increased its role in the economy. In light of these uncertainties, foreign capital displayed a disinclination to make fixed productive investments in the region. Foreign capital instead restricted itself to mineral extraction ventures, limited assembly operations that brought out the benefits of cheap labour, and/or investments in the commercial sphere.

There is another point that must be highlighted. Studies of the sociology of bureaucracy in the Caribbean[79] raise doubts as to the technical-managerial competence of individual states, in relation to their capacity to follow through on any developmental agenda. These studies have shown how civil administration has been infected not only by excessive proceduralism, but by racial, classist, and colonial values that have acted to inhibit or frustrate governments' programmes. Mandle (1989) notes that state managers after independence ignored this feature and imposed a `managerial task ...on itself [that] was far beyond its competence' [p.253]. Merton (1983) adds that in the smaller territories `greater state intervention in the economy was followed by even greater state ineffectiveness' [p.244]. Lack of a technical capacity to govern and the long historical absence of a middle class indeed placed limits on the economic transformation process. And since the ability of government to cope with any kind of radical change or new challenges was highly restricted, society was unable to react adequately to external pressures and did not use emerging opportunities.

The malaise is now reaching crisis-proportions. The post-colonial goal of maintaining the economic status quo while allowing other social groups to share in the benefits has begun to reach its limits. Indeed, the strategy worked for a time in maintaining social/racial harmony. The expanding working class found jobs in the EPZs and the services sector; ambitious Asian- and African-Caribbeannists found space in the commercial sphere to pursue enterprise; and nationalist elites (i.e. intellectuals, fledgling manufacturers) could be convinced that their campaigns for industry and special assistance measures were secondary to efforts at promoting tourism and traditional exports in preferential markets. These arrangements, however, were not self-equilibrating and self-reproducing, for they were predicated upon continuous expansion of the state's capacity to extract and distribute resources, and to win markets and easy lines of credit internationally. Changes in the global political economy are fracturing these arrangements at the same time that they cruelly expose the narrowness and rigidities of the mercantile economic foundations of Caribbean countries. The tourism and offshore banking sectors are proving insufficient to absorb social groups that have had to bear the brunt of lay-offs and cuts in social services. Indeed, ongoing global economic restructuring raises questions about the viability of the 'national option' in the Caribbean.

Chapter Two Endnotes

[1] The work of Best and Levitt, and Beckford have inspired the 'plantation economy' school. The attempt was to show that the region's logical historical development was interrupted by Europe and the encircling orbit of capitalism. See Best and Levitt 'Outlines of a Model of Pure Plantation Economy' op. cit., and G. Beckford, Persistent Poverty, 1972.

[2] To be sure, I refer to Antigua and Barbuda, the Bahamas, Barbados, Bermuda, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis-Anguilla, St. Lucia, Trinidad and Tobago and St. Vincent and the Grenadines.

[3] I have used 1960 as the cut-off point of the classical colonial period of the region. The reason being that by the mid-1950s, British and local/regional interests were working on a number of initiatives that were to lead to either full independence, or greater autonomy and self-government. It will be a mistake then to exclude most of the Eastern Caribbean small-island states and St. Kitts-Nevis from the early record of decolonisation in parts of the region (Jamaica, Guyana, Barbados and Trinidad) simply because they achieved independence in the period 1973 and 1981. The reality was that the decolonisation process -- beginning from the extension of the universal franchise (circa 1955) across the region -- had very similar features: the rise of a black middle strata; the calls for and the achievement of a greater role for the state; populist appeals to race and national sentiment; a nervous commercial oligarchy; and the like. Bermuda, incidentally, did not go the full independence route for unlike its regional counterparts, the black political class was not able to win over the populace because of serious splits among the petit-bourgeoisie, the organised strength of the traditional elite, and the strategic appointment of black persons to the (merchant) ruling political party, the United Bermudian Party. For more on these issues see, G. K. Lewis, Growth of the Modern West Indies, 1968.

[4] See P. Davidson, 'Culture, Structure and Regional Levels of Entrepreneurship', Entrepreneurship and Regional Development, 1995, Vol. 7, No. 1, January-March, pp.41-62. p.42. Davidson cites A. Shapero and L. Sokol's essay 'The Social Dimensions of Entrepreneurship', in C. A. Kent, D. L. Sexton and K. H. Vesper (eds.), Encyclopedia of Entrepreneurship, 1982, p.83. For more on entrepreneurial attributes, see A. Gibb, 'The Enterprise Culture. Threat or Opportunity?' Journal of European Industrial Planning, Vol. 11, No. 2, 1987, pp.27-31.

[5] See E. H. Schein, 'Commentary: What is an Entrepreneur?' Entrepreneurship Theory and Practice, Vol. 19, No. 2, Winter, pp.87-88. p.87. Stein makes a distinction between entrepreneurship and self-employment. The former has a self-concept that is much less to do with autonomy and much more to do with building and self-aggrandisement. Self-employed individuals tend to want freedom and security and thus may start-up businesses or pursue self-employment to survive economically in midlife in order to overcome the trauma of being laid off or early retired. They are driven by an autonomy need. 'Entrepreneurs either are not concerned about security or it is such a deep obsession that they have to amass fortunes before they can relax' [ibid.: p.88].

[6] See the contribution of A. G. Frank in 'The Forum: Hegemony and Social Change', Mershon International Studies Review, Vol. 38, Supplement 2, October, 1994, pp.371-372. p.372.

[7] Ibid.: p.372.

[8] See E. Williams, Capitalism and Slavery, 1966; R. Dunn, Sugar and Slaves, 1972; and see the relevant comments by A. G. Frank, Dependent Accumulation and Underdevelopment, 1978, p.48, 50-55.

[9] Beckles (1990) point out that the early 'grand experiment' was financed by Sir Peter and Sir William Courteen. See H. Beckles, A History of Barbados: From Amerindian Settlement to Nation-State, 1990, p.8.

[10] For example, British parliamentarians such as Humphrey and Edward Walrond, Thomas Modyford and William Byam. (Information drawn from the Barbados Archives).

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[11] See V. Harlow, A History of Barbados 1625-1685, 1926.

[12] See R. Dunn Sugar and Slaves op. cit., p.81.

[13] See R. C. Batie, 'Why Sugar? Economic Cycles and the Changing Staples in the English and French Antilles 1624-1654', in H. Beckles and V. Shepherd (eds.), Caribbean Slave Society and Economy, 1991, pp.37-55. p.41, 42.

[14] See E. Williams, 'Capitalism and Slavery', reprinted in H. Beckles and V. Shepherd (eds.) ibid., pp. 120-129. p.123.

[15] As described by Sheridan (1970). See R. Sheridan, The Development of the Plantations to 1750, 1970.

[16] Seymour Drescher (1991) notes that Demerra alone received £15 million investment from Britain. See S. Drescher, 'The Decline Thesis of British Slavery Since Econocide', in H. Beckles and V. Shepherd (eds.) op. cit., pp.136-149.

[17] In St. Kitts and St. Lucia, production throughout the 17th century was interrupted by rivalry between Britain, France, and Holland. Richardson (1992) notes that as a consequence, plantation records in these areas were not kept up-to-date. See B. C. Richardson, The Caribbean in the Wider World 1492-1992, 1992, pp.38-70.

[18] See R. C. Batie, 'Why Sugar?' op. cit., p.37.

[19] See an example of this argument by R. Cameron, A Concise Economic History of the World, 1993, pp.41-43.

[20] Pro-natalist policies were adopted to encourage in-breeding by creole slaves.

[21] See K. G. Davies, 'The Origins of the Commission System in the West India Trade', in H. Beckles and V. Shepherd (eds.) op. cit., pp.102-110. p.103.

[22] Indeed,Frank (1978) suggests that the British Caribbean experienced economic dislocation following the termination of the triangular trade (i.e. U.S. War of Independence), because British and local 'merchant capital' throughout the seventeenth century lacked a 'significant productive impulse'. See A.G. Frank, World Accumulation, 1492-1789, 1978, pp.95-99.

[23] See W. Rodney, How Europe Underdeveloped Africa, 1972, p.98.

[24] Ibid.: p. 97. Rodney cites the work by W. E. B. Dubois (1862) The Suppression of the Atlantic Slave Trade to the USA.

[25] Described as such by Beckles. See H. Beckles, 'Caribbean Anti-Slavery: The Self Liberation Ethos of Enslaved Blacks', in H. Beckles and V. Shepherd (eds.), op. cit., pp.363-372. p.363.

[26] Ibid.: p. 364, and 370. Beckles speaks of some '70 aborted or actual revolts' in this period.
There was the 1795 rebellion in Grenada and St. Vincent; 1816, Barbados; 1831, Jamaica -- all influenced in some way by the St. Domingue uprising and later, the debates in the British Parliament around the 'slavery question' and Parliamentary Reform (1830 Reform Bill).

[27] Seymour Drescher cites Barabara Solow from a contribution she made at the Bellagio Conference on *British Slavery and British Capitalism*. See S. Drescher, 'The Decline Thesis' op. cit., p.140.

[28] These were the *Otaheita* from Tahiti and the *Bourbon* from the French Indian Ocean island of Bourbon.

[29] For more on the Jamaican economy during this period, see V. Shepherd, 'Trade and Exchange in Jamaica in the Period of Slavery', in H. Beckles and V. Shepherd (eds.) op. cit., pp.111-119. See also p.111.

[30] See J. R. Ward, 'The Profitability of Sugar Planting', in H. Beckles and V. Shepherd (eds.) op. cit., p. 88. Here, he quotes L. J. Ragatz (1928) The Downfall of the Planter Class in the British Caribbean.

[31] This was also alluded to by Mintz (1955). See S. W. Mintz, 'The Jamaican Internal Marketing Pattern', Social and Economic Studies, Vol. 4, No. 1, 1955, pp.95-103.

[32] See The Economist, 9 July 1989.

[33] Unemployment figures in the region swelled with the return of migrant Caribbean labour from the U.S. and Panama. In the early 1900s, workers left for the U.S. to earn wages in the growing construction sector. Some also went into Central America, particularly to Panama to help construct the U.S.-funded Canal.

[34] See I. Scott, Political Change and the Crisis of Legitimacy in Hong Kong, 1989, p.57.

[35] The conjuncture here refers to a world that had seen the outlaw of slavery in the British empire and the ideological ascension of liberalism and free trade. In this context, Britain was to pursue an overall policy of free trade in the 'East', particularly where India and China were concerned (re. high profits associated with the trade with India for opium and its exchange for silver in China). Chinese-British negotiations much later resulted in the 'offering' of Hong Kong, which, of course was accepted for it provided Britain with an island-base upon which it could ensure that mainland China remained open for trade. Against this backdrop Hong Kong was declared a 'free port'. See I. Scott ibid.: pp.40-41. See also A. G. Frank, Dependent Accumulation op. cit.

[36] See I. Scott, Political Change and the Crisis of Legitimacy in Hong Kong op. cit., p.59.

[37] Ibid.: p.66. (emphasis mine.)

[38] By 1900, European core rivals had come to accept their respective spheres of influence over the Caribbean archipelago. The last of the rivalries involved a declining power (Spain) and a rising American power (Spanish-American War, 1898). To be sure, the U.S. had started to exert its influence over areas in the Americas by activating the paralegal Monroe Doctrine, by claiming Cuba after 1898, and by exercising a 'big stick' policy (Theodore Roosevelt's Administration) in Central America (Panama). Its zone of influence was to later include Hawaii, Puerto Rico, and the (US) Virgin Islands. But throughout, it was understood that U.S. pretensions were not to substitute for British power over the English-speaking Caribbean. See W. Demas, The Economics of Development in Small Countries with Special Reference to the Caribbean op. cit.; and B. C. Richardson, The Caribbean in the Wider World 1492-1992 op. cit.

[39] For a use of this term, see B. K. Gills, 'International Relations Theory and the Processes of World History: Three Approaches', in H. C. Dyer and L. Mangasarian (eds.), The Study of International Relations, 1989, pp.103-154.

[40] See also Goldthorpe's description of Beckford's plantation economy construct. See J. E. Goldthorpe, The Sociology of the Third World, 1984, p.85-87.

[41] This is with the exception of Bermuda, where the wealthy elite moved to influence the wider populace against independence citing economic ruin. For more on this see, G. K. Lewis, Growth of the Modern West Indies op. cit.; and S. Ryan, 'Politics in an Artificial Society: The Case of Bermuda', in V. A. Lewis (ed.), Size, Self-Determination and International Relations, 1976, pp.180-202.

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[42] This was the outcome of a new constitution which gave Bermuda complete internal self-government while Britain's responsibility was restricted to defence, foreign affairs, and important matters of internal security.

[43] Sir Edward Richards, a distinguished lawyer, served between 1971-75. But it was the selection of John Swan, a black businessman with his own real-estate, property development, and loan company, that reversed the trend of successive elections in which the PLP almost always significantly increase its majority. Between the late 1970s and 1980s, he had forced through popular reforms and welfare benefits, amidst opposition from within the UBP. Swan, the stable economic climate, and militant socialist in-fighting and splits within the PLP, made the UBP a winner in the 1970s and 1980s.

[44] This situation did not face the East Asian NICs at the time of their 'take-off' (circa 1965) for the (placated, tamed) social structure was conducive to levels of state guidance that the politics of ascent demands.

[45] For more on information on this, especially in the less documented Caribbean cases (e.g. St. Vincent, Dominica, St. Lucia, and St. Kitts-Nevis-Anguilla) see A. W. Singham and N. L. Singham, 'Cultural Domination and Political Subordination: Notes Towards a Theory of the Caribbean Political System', Comparative Studies in Society and History, Vol. 15, No. 3, 1973, pp.258-288.

[46] The Lewis model was not so much an operational guideline for Caribbean government policies as it was a broad guidepost. The model has been disparagingly referred to in some quarters as 'industrialisation-by-invitation'. But how else could the region industrialise except through sources of global capital and technology? For more on the model, see W. A. Lewis, The Theory of Economic Growth, 1955; and his 'Industrialization of the British West Indies' op. cit.

[47] The Eastern Caribbean states, Antigua, Dominica, Grenada, St. Kitts, St. Lucia and St. Vincent had embarked upon this programme by 1970. See W. A. Samuel, 'Government Finances in the OECS Countries', in N. C. Duncan (ed.), Public Finance and Fiscal Issues in Barbados and the O.E.C.S., 1989, pp. 3-27. Jamaica, by 1960; Barbados, by 1964; Trinidad and Tobago, 1960; and Guyana, by 1965. For more on this see, A. S. Downes, 'Budgetary Theory and Policy in a Small Developing Country: The Case of Barbados 1960-1988', in N. C. Duncan (ed.) ibid., pp.28-54; and C. Y. Thomas, The Poor and the Powerless op. cit.

[48] See D. D. Marshall, 'Capital Accumulation and the Trade Union Dilemma', unpublished M.Phil thesis, 1993.

[49] For more on the legislative 'taming' of the labour movement, see R. Gonsalves, 'Trade Unionism and Industrial Relations in Barbados, the Windward and Leeward Islands', 1978; L. A. Nurse, Trade Unionism and Industrial Relations in the Commonwealth Caribbean: History, Contemporary Practice and Prospect, 1992; and D. D. Marshall 'Capital Accumulation and the Trade Union Dilemma' op. cit..

[50] I discuss the region's services sector in more detail in Chapter 6. Here, the emphasis is on highlighting how under U.S. hegemony and the decolonisation experience, the region's plantation economies were dismantled.

[51] The Most Favoured Nation (MFN) status and the Generalised System of Preferences (GSP) are two schemes whereby developed countries' tariffs on imports from developing countries are either modified or reduced. The Lome Convention is another sheme of similar type. Since Lome I 1975, the European Economic Community (now European Union) has agreed to provide African, Caribbean and Pacific (ACP) countries with non-reciprocal benefits in the form of trading preferences; industrial cooperation; transfers of financial resources; and market guarantees for certain commodities. The U.S.-created Caribbean Basin Economic Recovery Act 1983 (CBERA -cum-CBI) covers most Caribbean countries and through an elaborate quota system, some measure of market access to the U.S. is permitted. CARIBCAN (1985) similarly grants duty-free access to Caribbean licquers and some light manufactures into the Canadian market.

[52] See P. Merton, 'The Changing Pattern of State Control in St. Vincent and the Grenadines', in F, Ambursley and R. Cohen (eds.) Crisis in the Caribbean, 1983, pp.223-246. p.244.

[53] See S. Craig, Background to the 1970 Confrontation in Trinidad and Tobago', in S. Craig (ed.), Contemporary Caribbean: A Sociological Reader, Volume 1, 1981, pp.385-423. p.399.

[54] See J. R. Mandle British Caribbean Economic History: An Interpretation', in F. W. Knight and C. A. Palmer (eds.), The Modern Caribbean, 1989, pp.229-258. p.245.

[55] Ibid.: p.246.

[56] A Black Power revolt occurred in Trinidad in 1970. This was tinged with elements that made up the Cold War ideological conflict and the civil rights struggle in the U.S. See S. Ryan, Race and Nationalism in Trinidad and Tobago, op. cit.; and S. Craig 'Background to the 1970 Confrontation in Trinidad and Tobago' op cit..

[57] Evidence of this was drawn from various statistical sources. See Central Bank of Barbados, Balance of Payments of Barbados, 1993; Bank of Jamaica, Statistical Digest, *Monthly Reports, 1993 (January* thru December); and Central Bank of Trinidad and Tobago, Handbook of Key Indicators, July, 1989.

[58] Extra-professional considerations' refers to alleged political *interference in determining who gains* access to conduct their business operations in the capital centre. Confidential Interview with a high-ranking official in the Ministry of Housing and Lands in Barbados, January 1995. Confidential Interview with a public sector union executive in Dominica, December 1994.

[59] See the research paper by A. Wood, Bank Lending to Firms and the Nature of Credit Rationing in Barbados', 1993

[60] For more on bank debts in the Caribbean business sector, see J. Ferreira, Financial Savings in the Caribbean', 1993, and C. Bourne and R. Ramsaran, Money and Finance in Trinidad and Tobago, 1988.

[61] I refer to annual Labour Day, or Independence Day speeches by Errol Barrow of Barbados (1961-1976), Michael Manley of Jamaica (1972-1980), Eric Williams of Trinidad (1955-1978), Forbes Burnham of Guyana (1966-1980) and Maurice Bishop of Grenada (1979-1983). For a discussion on aspects of these speeches, see C. Stone, Ideology, Public Opinion and the Media in Jamaica', Caribbean Issues: Ideology, Vol 4, No. 2, pp.53-70; G. Belle, The Political Economy of Barbados, *1937-1946; 1966-1972'*, unpublished Msc thesis, 1974, and B. Meeks, 'Social Formation and People's Revolution: A Grenada Study', unpublished Ph. D. thesis, 1988.

[62] A brief word on the Ministries of Finance across the region is required. Finance Ministries have great potential as an instrument for building and expanding the political machine. It is located at the strategic intersection of inflows of externally borrowed funds and outflows of funds to finance new entrepreneurial and social services activities of the state. This explains why Prime Ministers in the Caribbean have held the finance portfolio, and even on the rare occasion that a loyal party member is named Minister of Finance, the Prime Minister himself creates and heads a 'watchdog' Ministry. Two recent examples can be gleaned from the Jamaican and Barbadian experience. Michael Manley in Jamaica (1989) named his eventual successor, P.J Patterson, as Minister of Finance, but himself headed a new, but parallel, Ministry of Development. Errol Barrow in Barbados (1986) named Dr. Richard Haynes as Finance Minister, rewarding him for some eight years as Shadow Finance Minister when the party was in Opposition. But Barrow was to create and head a Ministry of Economic Affairs, that had overlapping functions with the Finance Ministry. Before he died in 1987, he had redirected budgetary functions of the Finance Ministry to the Economic Affairs Department.

[63] A statement made in a confidential interview by a record sales business owner in Roseau, Dominica. Similar comments were made in other discussions with owners of a small garment-making business in High Street (Bridgetown) and artisans in Temple Yard, Bridgetown, Barbados. Winter 1994-95.

[64] Simpson Motors was the 1991 recipient of Best Dealer by the Japanese automobile firm, Suzuki.

[65] This is used in the lining of furnaces for steel-making. Guyana attracted a high price for this commodity in the USA market.

[66] See G. Belle, 'Public Finance: A New Direction', in N. C. Duncan (ed.), Public Finance op. cit., pp.73-87. p.86.

[67] This is elaborated in Chapter Three.

[68] The decline in tourism was caused largely by a rise in crime following the collapse of oil prices; an IMF-backed devaluation of the Trinidad dollar; and the decline in social services and jobs (1985-onwards). The seething social tensions and the highly charged electioneering between 1985 and 1986, by the newly formed National Alliance for Reconstruction and the ruling Peoples National Movement, did not serve as an encouraging advertisement of stability to potential tourists. Declining incomes (tourism, oil, light manufactures) made matters worse for the PNM resulting in their first electoral defeat in 1986 after some thirty years in office.

[69] The rise of a consequent tax haven strategy in select Commonwealth Caribbean countries is discussed in Chapter Six. Chapter Four also refers to the telecommunications developments and other prospects for the region.

[70] Some examples of the recording studios are, *Ice Records Limited (Blue Wave Recording Studios), Chambers Studios, Slam City Studios,Ocean Lab Studios, Ragacha Studios, The Living Room,* Barbados; *Island Records, West Indies Record Limited,* Jamaica; and *Oameron Music Limited, Tree Roots Publishing,* Trinidad and Tobago.

[71] Eddy Grant, owner and engineer of *Blue Wave Recording Studios*, emphasises these as key factors responsible for the increase in record sales and popularity of select reggae and calypso artiste. As alluded to by Anthony Carter (Mighty Gabby), co-producer, and calypsonian whose livelihood depends on his talents and his recordings at *Blue Wave*. (Personal discussions.)

[72] This was encouraged by the New Deal administration on the mainland and the Tugwell governorship on the island. This strategy coincided with the increasing need of U.S. industry for cheaper sources of labour power. An industrially based model emerged and was articulated under Operation Bootstrap. For more on this, see R. Weisskoff, Factories and Food Stamps: The Puerto Rican Model of Development, 1985.

[73] Briefly, these include:
i) a demographic shift from a predominance of a rural to an urban/manufacturing proletariat;

ii) light manufacturing (1940-65) and heavy platform production (1966-1983 i.e.oil refining, petrochemical and pharmaceutical industries) replaced subsistence agriculture and low-level manufacturing activity as main sources of the gross national product and;

iii) overall, few jobs were created, little government revenue was generated, and skewed income distribution levels widened.
For more on these results, see R. Weisskoff, Factories and Food Stamps op. cit.

[74] See H. Watson 'Coalition Security Development', in M. M. Quinones and P. J. Rivera (eds.), Caribbean Studies: Special Issue on Caribbean Economy, 1989, pp. 232-233. Watson cites a Casper Weinberger 1985 commissioned report done by the National Defense University entitled, Electronics Industry and the Caribbean Basin.

[75] Section 936 fund allocation was brought into the CBI framework to assist in the technical development of particular economic sectors/projects. To be sure it is part of the U.S. International Revenue Service Tax Code that allows for revenues derived from tax exemptions to U.S. corporations in Puerto Rico to be invested at Puerto Rico's initiative in CBI countries under twin plant or joint arrangements. At least 30% of all 936 funds must be invested in the Government of Puerto Rico and the Government Development Bank. See H. Watson 'Coalition Security Development' op. cit..

[76] By the end of the 1970s, Puerto Rico's comparative advantage was declining for its manufacturing wages far outstripped its Asian counterparts; and it suffered from infrastructural limitations resulting in high associated costs in energy, water, and construction. See R. Weisskoff Factories and Food Stamps op. cit.

[77] See G. Belle 'Public Finance: A New Direction' op. cit., p.86.

[78] See D. Pantin, 'Techno-Industrial Policy in the Restructuring of the Caribbean: The Missing Link in Caribbean Economic Thought', in H. A. Watson (ed.) op. cit., pp.49-66. p.62.

[79] For example, see G. E. Mills, 'Public Administration in the Commonwealth Caribbean: Evolution, Conflicts and Challenges', Social and Economic Studies, Vol. 19, No. 1, March, 1970, pp.5-25; and E. Jones, ' Bureaucracy as a Problem-Solving Mechanism: A Review in Terms of the Literature', in V. A. Lewis (ed.) op. cit., pp.73-97.

CHAPTER THREE

GLOBAL RESTRUCTURING AND WORLD SYSTEM CONTINUITY

This chapter paves the way for an understanding of the global structural forces affecting Caribbean national development strategies. While I empirically present the Caribbean economic picture in the next Chapter, here I seek to discuss the global economic restructuring process underway, understood by many today as `globalisation'. Some useful insights have been furnished by some authors seeking to explain contemporary capitalism and the constraints facing the Caribbean.[1] Changing technology, the global sway of neo-liberal ideology, increasing interdependence, and heightened competition are seen as the distinctive forces that are intensifying within the contemporary international political economy. In a word, `globalisation' looms and the Caribbean must prepare itself accordingly. Too much of the ambitious claims of globalisation theory, however, go untested. As a result, national development concerns are sidelined. In the literature, state-management tends to be re-positioned away from issues surrounding the pursuit of ascent, towards concerns with accomodaton to the `new era' of international business where the currently prevailing view is that companies' and customers' horizons are stretching 'beyond national borders'. This logic is not particularly amenable to aspirant countries at the periphery, for it applies itself mainly to the speculative task of fleshing out the bare conceptual bones of the putatively arriving supranational order. Robert Reich (1991), for instance, is prepared to argue that it is becoming `impossible to pursue an industrial policy at a national level'. He explains that this is so because in the coming century `there will be no national products or technologies, no national corporations, no national industries. There will no longer be national economies' [p.3]. Here, the game of national ascent seems to be replaced by an ultimate diffussion game (of finance, industry, etc.). Such viewpoints must be re-evaluated before I examine the viability of the national option in the Caribbean in the following Chapter.

Reading Watson (1990), Gonzales (1991), Pantin (1994), and others who use the meta-narrative of globalisation to explain Caribbean developmental options at this juncture, the impression created is that the world is homogenising along a continuum with the Caribbean at risk of being 'left behind'.[2] The point of possible marginalisation may be true in certain respects, but the world they caricature is not empirically observable. There is little evidence to suggest that there is a single secular wave sweeping us into the twenty-first century. The international political economy instead seems to empirically resemble a multi-layered set of diverse domains of activity. I would argue that this activity occurs mostly at the regionalised and localised level moreso than at the globalised level. This is the point that Chris Edwards (1985) emphasises when he speaks of a 'fragmented world' in the areas of trade and finance. Recently, Barry Jones (1995) reinforced this viewpoint by not only demonstrating how highly variable today's patterns of interconnectedness are, but how firmly **national** most economic variables remain. Such interpretations constitute a major challenge to ideas which suggest that the present conjuncture represent a distinct phase of capitalism. As Chase-Dunn (1989) insinuates, structural features of the world system such as the manoeuvrability of capital, interstate competition, and spatially uneven development have not been displaced.[3] The above points are of crucial importance, for it paves the way for me to recapitulate my *argument that national development still* depends on state elites seizing *fortuna* if and whenever structural opportunities arise. This chapter is informed by Chase-Dunn's reminder and the scepticism underlying the works of both Edwards and Jones. I stress that though there have been some significant changes in the techno- and ideological spheres, the world systemic **logic** has not been fundamentally altered. Accordingly, the ambitious version of globalisation is refuted in favour of an argument emphasising 'global restructuring' with continuity.

Globalisation Reconsidered

There is a great degree of ambiguity within the literature on globalisation.[4] Some scholars speak of a world that is **changing**; others use the framework as part of a new univocal discourse to describe late 20th-century capitalism. Apart from 'globalisation', many other cartographic and navigational metaphors have been employed to describe the present world order. There is the loss of the 'magnetic North';[5] an 'emerging global civilization'; and a curious notion of an evolving 'global civil society'.[6] Master concepts like 'sustainable development' and 'world politics' have consequently become more popular and are creeping into International Relations discourse. In extreme cases, the literature seems to suggest or imply that history is at once coming to an end on convenient Western socio-cultural terms. Indeed, it seems that proponents of globalisation have come to proclaim universality afresh in similar vein to that of those who indulge in and perpetuate the notion of a post-Columbus 500-year capitalist historicism. I do not share the triumphalism of the liberal globalisation discourse. It is certainly important to ask whether the wave of technological change, interdependent policy-making, international socialisation of production, and time-space compression has or has not transcended or replaced the complex web of centre-periphery relations [Jones, 1995]. The world remains a familiar interstate system, albeit with the spatial and temporal limits to state, market and human interactions experientially compressed. Questions about who rules, who benefits or suffers, and whether *prospects for social* survival are better or worse remain as important as ever before.

This section re-examines some of the quantitative indicators of change identified by globalisation theorists and discusses these as forming parts of yet another global economic restructuring process. Throughout, I stress world system continuity, even renewal, and not fundamental systemic change. This safeguards against fetishising technological change or declaring a global universalism -- a sort of closing of a 'civilization gap' between capitalist and supposedly non-capitalist cultural forms.

To be sure, there are others who present `globalisation' as a sort of grand outer ontological realm of change and activity to which states and other actors must respond [Blumenthal, 1988; Overbeek, 1990; Strange, 1995]. Something is supposed to be going on `out there' affecting state managers, entrepreneurs, and workers globally. In one sense, these scholars are correct. Capitalism is undergoing yet another heartland shift in technology with repercussions on how states/regions pursue capital accumulation strategies. However, there is a conceptual danger in moving too far beyond the boundaries of the interstate system in order to describe the laws of motion of capital.

Scholars generally agree that at base, `globalisation' encompasses a broad range of material and non-material aspects of production, distribution, management, finance, currency and stock markets, information and communications technologies, and capital accumulation. The most visible effects of `globalisation' being 1) the increase in the speed and flow/flight of capital in money form; 2) the expansion of offshore financial markets; 3) the transition to computerised technology; and 4) the renewed moves towards regionalisation.

However, the above variables have to be dis-entangled from two predominant positions evident in the globalisation literature i.e. a unilinear perspective; and a positivist-based holistic conception. The unilinear approach proclaims that we are witnessing the replacement of a supposed world order dominated by competing `national capitalisms', for one ushering in a transnational capitalism, global in its sway and logic, and by its nature, posing a threat to the viability of the nation-state. As the logic goes, for many millennia we have had disparate `feudalisms'; then with the rise of the `West' the world came to know `capitalism'; and late twentieth-century capitalism presages a `transnational capitalist' stage that responds not to the logic of national expressions but to a global impulse.[7] Critical to this approach is the method of commencing with a closed economy and then introducing `openness' through liberalisation, financial mobility, international price effects, and resource movements. And even in some cases where there is an acknowledgement that international commodity and money flows operated under the Bretton Woods model of accumulation, the discrete national economy is constructed as **ontologically prior** to the international economy [e.g. MacEwan, 1995].[8] The on-going restructuring of global capitalism since the 1970s is held to be the primary driving force breaking down national barriers, e.g. to trade, etc. Perhaps it may be useful to avoid such an evolutionary approach and instead situate the unfolding quantitative changes against the backdrop of how states and firms are seeking to improve or retain their place in the world system. This was the task that Stopford and Strange (1991) (Rival States, Rival Firms) pursued when they sought to analyse how TNCs work, how they interact with each other, and how they interact with states. (I return to the fuller implications of this work by contrasting their observations with the findings of Ruigrok and Van Tulder's (1995) The Logic of International Restructuring.)

The positivist-based holistic model that Kenichi Ohmae (1990) presents is typical of the approach that seeks to model interdependence and globalisation based on the minutiae of observable international interactions. Social science theorists like Roland Robertson (1992) have proceeded accordingly to establish globalisation as epistemology. Together, such approaches identify a self-sustaining pattern of complexity amongst observable actors, noting that the complexity of the overall set of relationships is such that it generates and exerts its own influence on each partcipant. Simply put, the argument is that the whole of the set of interrelationships has become more than the mere sum of the individual parts. While the texture of interlinked relations are neatly mapped out, we are nonetheless presented with a self-justifying and self-sustaining analytical construct. To prove the case that contemporary capitalism is marked by a **unique holism**, the significance of any empirical interaction, agglomeration, business merger, or interdependence is established and modelled as evidence of the theoretical construct (i.e. globalisation) itself. This failure to address first-order questions about the state of the world system (i.e. the status of centre-periphery relations, A/B phases, interstate competition, and hegemonic rivalry) leads the results towards affirmation of the positive benefits of international trade and liberalisation. Indeed, the seductive power of this approach can be noted in the way that critics find themselves unwittingly debating the **appropriateness** of X or Y **interpretation** of globalisation.[9] Regulationists, structuralists, and neo-Schumpeterians, for example, take globalisation as manifestly obvious, and consequently direct their efforts at deconstructing the central role that liberal mythology plays in explaining the ordering of international economic relations. Alternative explanations and interpretations of globalisation are now increasingly on offer. Indeed, one scholar opines that the neo-liberal version of globalisation triumphs because its proponents have learnt to incorporate some of the ideas of its rivals [Massumi, 1995].[10] For Massumi, neoliberals have come to realise that their ideas are 'far more attuned to the imagistic potential of the postmodern body than the established left, and has exploited that advantage for the last decade and a half' [p.105-106]. It is my argument then, that globalisation as a concept, should be subjected to scrutiny in order that we may differentiate one thing ('pre-globalisation') from the other (globalisation'). This becomes clear if we take the passage below as typical of the predominant narrative of our times -- and this is drawn from the more radical interpretation camp [Hurrell and Woods, 1995] :

> Simply put, globalisation affects regions of the world in different ways. In part, this is due to the unevenness of increased flows and interconnectedness, the spread of technology, trade, and communications which is most heavily concentrated among OECD countries. However, the impact of globalisation is also conditioned by political inequalities, at both the international and domestic levels [Hurrell and Woods, 1995, p.456].

Here, the content of this label (i.e. globalisation) rings familar. It appears to be little more than the relabelling of a phenomenon that has already been and continues to be addressed -- i.e. the dynamics associated with capital accumulation on a world scale.

The processes by which one hermeneutic (globalisation) replaces another (capitalism) are not clearly spelt out. Indeed, it seems that the interposition of one with another can be carried out wherever the word `globalisation' appears in the literature.

To be sure, technological change and the resulting new standards of competition are at the heart of the development dilemma confronting many countries, especially those in the Third World. But the process of ascent has always demanded of lesser players that they keep pace with knowledge/ideas; modern security systems; new production techniques; and shifting finance structures. This was necessary if they were to emulate their `betters'. As Strange (1988) correctly puts it, core states are distinguished by their advances in these four spheres relative to others in the world system. `High cultures' in pre-1500 world history were similarly distinguished in the areas of technology (knowledge), production, security, and wealth relative to lesser contemporaries.[11] Improvements in these spheres acted to enhance the wealth-creation capacities of states. It still remains that the ability to create wealth is central to the process of ascent. In today's interstate system, virtually all states seek to boost export-trade and attract investment in order to accumulate surpluses. As Gilpin (1987) explains, technological upgrading and greater efficiency result as the competition between states intensifies. In short, while the competitive dynamics of the world system constantly change, what remains constant is the rivalry between state/regions and the uneven spread of the system's gains. This is a feature of IPE not peculiar to the last decade, two hundred or even five hundred years, but one that extends backwards perhaps for many millennia,[12] at least in its essential characteristics.

What can be observed in today's world is an onward compression of time and space, accelerated further with the introduction of computer-related technology.[13] Much is not certain, except that the accelerating rate of technological change has ushered in a period where production, markets, finance and culture continue to be globally integrated at an unprecedented scale of intensity. But has the deep structural logic of the world system changed? It can be argued that structural features such as interstate competition, hegemonic rivalry, and centre-periphery configurations remain constants in what is becoming a tightly integrated global capitalist system.

The recent technological adjustments in the industrial base of the world economy have received considerable attention by scholars. Rival claims of 'globalisation' have emerged where scholars speak of the arrival of a new historical epoch, marked by the changeover from machino-facturing to systemo-facturing.[14] .The notion is that 'the world *has* changed', that it has become **globalised** -- a result of the continuing crystallisation of the 'Second Industrial Revolution' [Piore and Sabel, 1984; Hoffman and Kaplinsky, 1988; Kaplinsky, 1989; Watson, 1990]. Susan Strange (in Parry, 1994, pp.20-33) for example argues a strong case of change in the intervening structures of finance, knowledge, production and security. Many scholars generally take up these and other points and stress the changing nature of the world capitalist system. Appearances, however, can be deceiving. Approaches that causally link an outcome (globalisation) to its own defining characteristics (competition, innovation, greater time-space compression) borders on the tautological.

In the areas of production and finance, the transnational corporation (TNC) has grown in size and importance since 1945. Indeed, a recent UNCTAD Report stated that TNCs have become the 'central organizers of economic activities in an increasingly integrated world economy.'[15] Such perceptions have led some scholars to assert that contemporary TNCs are controlled by a 'global bourgeoisie' [Froebel, Heinrichs, and Kreye, 1980; Froebel and Watson, 1988]. This leads Reich (1991) and Ohmae (1995) to assert that TNCs are in fact 'global' corporations. Dunning (1992) agrees by pointing to the growth of cross-national production networks of goods and services of some 35,000 TNCs. He went on to suggest that this process has given rise to an international production system, organised and managed by TNCs. These points are supported by Stopford and Strange (1991) who argue that there is a new kind of diplomacy in today's world -- a so-called `trilateral diplomacy' pattern between firms and firms, firms and governments, and governments and governments. But the claim that TNCs have become `globalised' remains an open empirical question.

Mandel (1975), and Chase-Dunn and Bornschier (1982) remind us that if one examines the ownership of stock it becomes clear that TNCs are normally owned and controlled by capitalists from a single core state. Ruigrok and Van Tulder (1995) extended this argument. A case study of the top 100 core firms was conducted in order to test major globalisation claims.[16] The authors looked at five functional areas of management -- i.e. sales, production, finance, R&D, and personnel management -- in order to discover if any of these functional areas were being fully internationalised. While their findings generally reveal that large core firms have made most progress internationalising their **sales**,[17] they highlight an unimpressive record where internationalisation of **production** was concerned. Ruigrok and Van Tulder discover that only eighteen companies maintain the majority of their assets abroad, and only nineteen maintain at least half of their workers abroad.[18] And their findings further contradict the claim that there is a globalisation of **corporate finances**. Of the many core firms that have listed shares at foreign stock exchanges, only a few of them maintain over 10 per cent of their shares abroad. Moreover, *they add, the total number* of foreign listings on the Tokyo stock exchange in fact declined from 127 to 82 in the period 1990 to 1995.

One of the central queries raised by Chase-Dunn and Bornschier's earlier study concerned the view which held that corporate `pyramids' are dissolving into ephemeral, decentralised `webs'. This question was addressed by Ruigrok and Van Tulder's other findings. They discovered that the **international composition of management** boards in many cases was at the `infant stage'. Of the thirty U.S. core firms they listed, only five had a foreigner as a member of their executive board and only two of the twenty Japanese companies listed had foreigners on the executive board. Of the fifteen

German firms in the top 100 core firms, only four had either one or two foreigners on their management board. And only one of eight French firms listed employed a foreigner on its top board. Where **research and development** was concerned, most firms kept this functional area of management solidly under domestic control. This confirms an earlier point made by Gerraint Parry (1994) and to a lesser extent, Razeen Sally (1994),[19] that most firms still concentrate their basic R&D in their national bases. Indeed, these overall findings lead Ruigrok and Van Tulder to conclude that:

> Of the largest one hundred core firms in the world, not one is truly "global", "footloose", or "borderless". There is however a hierarchy in the internationalisation of functional areas of management: around forty firms generate at least half of their sales abroad; less than twenty maintain half of their production facilities abroad; with very few exceptions, executive boards and management styles remain solidly national in their outlook; with even fewer exceptions, R&D remains firmly under domestic control; and most companies appear to think of a globalisation of corporate finances as too uncertain [p.159].

It would appear therefore that claims of a **changing world** motored by a globalising impulse of TNCs are at best ambitious and empirically suggestive. Indeed, these findings raise a fundamental question: what constitutes system-formation change? If the constants in the world system are held to be interstate competition, capital mobility, core-periphery relations, and phases of economic expansion/contraction, then for there to be a qualitative change, something must be occurring that fundamentally affects the deep structure. Unless this is clearly pointed out, globalisation then becomes ideology. This, in fact, may explain why there is the problem of disparate meanings of the concept.

Jones (1995) points out that contemporary conceptions of `globalisation' straddle definitional, and empirical problems encountered by earlier ideas of interdependence. Human interdependence,[20] international interdependence,[21] global interdependence,[22] and Robert Keohane and Joseph Nye, Jr's `complex interdependence'[23] have been controversially proffered to highlight features of, and processes within, the contemporary world system that are of clear, potential importance. But like their interdependence forebears, globalisation enthusiasts fudge the issue of conceptual clarity by insisting that the density and complexity of today's interrelationships represent a quantum leap beyond previous internationalisation strategies. The rise of new technologies and heightened export-competition are linked to claims of disappearing borders, of new limits to state authorities, and of a `new international division of labour'. Contemporary capitalism is heralded as unique in its expression and in its unfolding. James Mittleman (1995) for example remarks: `By globalisation, I mean the compression of the time and space aspects of social relations, a phenomenon that allows the economy, politics and culture of one country to penetrate another'.[24] But accelerated time-space compression in this Information Age does not imply a fundamental change in the logic of capital accumulation anymore than increased marine travel did under the Steam Age. The name of the game is still profit-maximisation -- overlain and facilitated by interstate competition and rivalry. And even as time-space correlates reconfigure, globalisation remains an uncertainty. Whole economies, like that of China, are more national/provincial than global. And economic regions are forming to provide free trade areas or common markets. In addition, protectionist measures in the form of `buy local' campaigns in the U.S., Britain, and Germany are in place even as OECD technocrats and spokesmen extoll the virtues of a `global market place'. Within countries as well, whole areas of the economy, like the provision of health services or of education, seem removed from global competition.

Mittleman's view of globalisation seems to be another version of the `complex interdependence' idea advanced by Keohane and Nye (1977). `Complex interdependence' was used by them to speak of the growth and deepening of associations amongst sovereign states in the face of changing technologies. Indeed, this concept was taken up by Froebel, Heinrichs and Kreye (1980) to explain `the spatial reorganisation of production' in the second half of the twentieth-century. They argued that the spread of European and US labour intensive industries such as textiles, garments and electronics assembly to South East Asian, Latin American, and Caribbean countries marked a restructuring of the 'international division of labour'.[25] As they put it, a qualitatively new stage in the internationalisation of capital and the socialisation of production is emerging (i.e. a 'new international division of labour' NIDL). They further held out the hope that the shift of manufacturing processes from core to peripheral countries would ultimately lead to industrial deepening and improvements in the standard of living of the latter. This led some scholars to portray the unfolding world capitalist order as one dominated by global 'network corporations'. These corporations will encourage the shift of mass-based production operations to the Third World, while core countries turn to flexible specialisation.[26] Samir Amin (1992, p.54) rather controversially sees this as an 'offensive' by the 'core capitalist camp [who have] turned their shattered state machinery into simple transmission belts, and over the grave of the aborted bourgeois national state, ... erected the object of its own desire: the comprador state.' Cox (in Panitch and Miliband, 1992, pp.26-43) more soberly notes that the NIDL sees a relatively small core of permanent employees handling finance, research and development and technological organisation; and a periphery consisting of dependent components of the production process. This is underpinned by international consensus and cooperation, he adds. For some scholars, this is part of the evidence that proves that the world is entering a post-Fordist phase. Others proclaim the start of a post-modern age of 'symbol' economies, hypermedia, and self-actualisation through increased consumption. Indeed, these rival views of globalisation have been partly inspired by the NIDL thesis, and while the choice of metaphor (e.g. 'complex interdependence' or 'globalisation') is not a contentious issue, claims of a fundamental change in existing capitalism are made.

The (post-1966) world economic downswing and the **response** of core countries and firms thereafter, have been the subject of extensive research. The world is at the threshold of a new radical breach with the old order, some contend. Mandel, for example, points to coordination of production and profit-making on a global scale after 1970, as marking a 'new stage of capitalism'. Froebel *et al* date the beginning of this 'new capitalism' with the late 1960s. They argue that this timeframe marks the beginning of the restructuring process in core economies following the end of the post-war boom. Daniel Bell (1973) accordingly envisages an emerging 'post-industrial' order. Alvin Toffler (1981) speaks in terms of an emerging 'Third Wave' of change in the global economy marked by high-automation, shrinking time and space, and a consequent swelling of cosmopolitan citizenries.[27] And Clegg (1989) examines the unfolding impact of time-space compression on culture and nationalism and proclaims that we are entering a new 'post-modern' era. But as Ruigrok and Van Tulder in their useful typology indicate, some of the most influential analyses emanate largely from the Fordism/post-Fordism of the French regulation school, the 'Amsterdam school', and the neo-Schumpeterian approach. The analytical scope of these approaches go beyond that of the Froebelian conception. French scholars like Aglietta (1979) and Lipietz (1987), for example, argue that the changes in the world economy are much more fundamental than a transfer of manufacturing processes from the core to the periphery. Their view is that 'something important [since 1966] has happened to the capitalist organization of production, consumption and accumulation.'[28] I return to the discussion on post/Fordism after a brief description of the texture of the post-war world economic crisis and the response of core countries and firms. The issue here is whether the restructuring exercises undertaken by a few core firms and countries should be translated, as it has been, into persuasive claims of real, abiding, global systemic significance.

Piore and Sabel (1984) referred to the crisis of the Bretton Woods model of accumulation as really a crisis of the 'mass production paradigm' or Fordism. Harvey (1990, p.141) concurs that the 'dollar crisis' in 1971 was primarily caused by the saturation of standardised goods in available global markets. This problem of overproduction coincided with the rise in productive capacity of East Asian countries (NICs) and a growing strain on raw materials supplies. A series of other conjunctural factors deepened the world economic crisis and these included the growth of social unrest, the uncertainties induced by flexible exchange rates, the two oil shocks in 1973-74 and 1978-79, and the growth of global debt exacerbated by high interest rates.

For core or advanced countries, the post-1966 political-economic crisis[29] is/was to be alleviated through a policy of restructuring. The secular decline of world commodity prices together with increased prices for manufactured imports, both registered in the core's deteriorating terms of trade and rate of profit. These economic circumstances fed through into the political arena in Japan, Britain, Australia, USA, Canada, and other advanced countries thus placing structural economic reform on the political agenda.[30] This latter point is quite important since Susan Strange and others tend to present the state as a passive subject in the restructuring process.[31] They perceive a latter-day `limit of politics' and dissolve the activities of state elites and agencies into the wider dynamics of TNC competitive activity. Reich (1991), for example, sees the battle to retain the homogeneity of the national economy to be all but lost and contends that governments are condemed to tinkering around the edges. The best way to unpack such accounts and restore political agency can be realised if one acknowledges that the brunt of industrial restructuring activities in the core carries a clear imprint of state purpose and initiative backed by supportive social forces and/or class fractions. Evidence of crisis and restructuring can be seen in Tables II and III where the period 1966-1981 was one marked by a sharp upswing in core government outlays coinciding with a decline in corporate profitability.

To be sure, **restructuring** refers to the application of new scientific and technological discoveries to the production process. In places like the U.S., Britain, and Australia, the deteriorating economy reduced the state's capacity to underwrite and subsidise manufacturing inefficiency. Industries, firms, and even the military production sector were encouraged by free trade coalitions (i.e. key state and private sector actors) to **uphold the law of value**.

Table II

Total Average Outlays* as a Percentage of GDP

	1966-1971	1971-1976	1976-1981
France	38.9	40.1	46.4
Germany	38.1	44.1	48.7
Japan	20.6	24.3	30.9
U.K.	37.0	42.3	46.7
USA	30.7	33.4	34.9

*Outlays = current disbursements + gross capital formation over 5 year periods.

Table III

Rate of Return on Capital: Manufacturing**

	1966-1971	1971-1976	1976-1981
France	17.6	15.6	13.0
Germany	18.4	16.2	13.2
Japan	35.3	27.2	20.5
U.K.	9.9	7.4	4.9
USA	20.5	17.5	14.8

**Five-year average of gross operating surplus as percentage of gross capital stock.
Source: OECD Economic Outlook 33 Paris: OECD, July 1983.

New instruments of production have been consequently incorporated so as to increase the rate of labour exploitation and recoup falling profit rates. International capital, through various companies and with the support of core governments, followed three main strategies. First: to implement a temporary cut-back of productive investment in favour of increasing financial investment, secondly, to add increasing weight to investment for **rationalisation** as opposed to investment for productive expansion; and thirdly, to oversee a spatial reorganisation not only of production, but also of marketing and inputs.

In short, capital was encouraged to employ newer technologies and sciences as part of its rationalisation programme. Cost-efficiency gains are now noted in information, comunications/telecommunications, industrial manufacturing, transportation, engineering, biotechnology, and time management. The technologies that compress both time and space are indeed transforming the character of spatial investment. Unfolding forms of regionalisation (e.g. European Union, the North American Free Trade Agreement, and Japanese-led Pacific industrialisation networks) correspond to the new cost-benefit advantages created by revolutions in transportation, communication and time-management. State/sovereignty notions have thus become fuzzy. But the uncertainty of the nation-state is not a problem peculiar to the modern age. Capital has always been an a-spatial phenomenon, never truly subordinated by legally fixed territorial boundaries. Indeed, caution is required in identifying the restructuring processes as evidence of newness. Perhaps it is useful to treat this so-called `Second Industrial Revolution' as evidence not so much of change, as of systemic renewal.

The subtlety of recognising that there have been some changes while not exaggerating the extent of these, is captured in Harvey's (1990) discussion on whether the present conjuncture reveals a solid transformation or temporary fix. He notes:

> The insistence that there is nothing essentially new in the push towards flexibility, and that capitalism has periodically taken these sorts of paths before, is certainly correct. The argument that there is an acute danger of exaggerating the significance of any trend towards increased flexibility and geographical mobility, blinding us to how strongly implanted Fordist production systems still are, deserves careful consideration. And the ideological and political consequences of overemphasising flexibility in the narrow sense of production technique and labour relations are serious enough to make sober and careful evaluations of the degree of flexibility imperative [p. 191].

Post-Fordist analysts instead depict a solid transformation -- or at least an irreversible process towards systemic change. The Fordist narrative is built on explaining the rise and global influence of U.S. mass-production and standardisation processes. It is drawn from the practices of the Ford Motor Company and is in part informed by Gramscian thought [Aglietta 1979; Davis 1986]. Fordist writers accordingly identify four key practices of the Ford operation that later transformed American -- or as they see it, global, capitalism. These include: 1) mass production of consumer durables; 2) use of the most advanced techniques; 3) payment of premium wages; and 4) attempts to control the workers' off-work life through techniques of social manipulation and social amelioration. Post-Fordism comes in to explain the perceived crisis of Fordism (i.e. overproduction of standardised goods). Nielsen (in Jessop *et al*, 1991) points to the following contributory factors: decreasing productivity gains as a result of the social and technical limitations to Fordism; the contradictory expansion of economic flows internationally with continued nationally-based economic management; ballooning social expenditures; and a shift away from mass consumption products to specialised niche market goods.[32] The relevant literature suggests recovery is possible once firms and governments facilitate management reforms, flexible production methods and techniques, and the spatial reorganisation of manufacturing processes. The overall post-Fordist meta-narrative reads as follows: Mass production always carried a high price in wastefulness of human lives and energies, of raw materials and of harm to the social and natural environment. Having come up against the productive limits of those techniques, having piled up important worker, environmental, cultural and other opposition, and having effectively glutted its own product markets, Fordism has run its course and must be replaced by a different mode of regulation based on different technologies and investment strategies, themselves supplemented by a new social, cultural, and institutional regime of accumulation.

In the hands of the **regulation school** and those influenced by it, this narrative is broken down roughly into an analysis of its strictly capitalist, productivist, and technological elements -- what David Kotz (1990) refers to as the 'mode of regulation' (MOR). Some others look at the broader social, institutional, cultural and political relations necessary to complement that mode. This is referred to as the 'regime of accumulation' (ROA). A 'regime of accumulation' requires a 'mode of regulation', i.e. a set of institutions that codify the main social relationships, bringing about its legitimation and reproduction. This is effective through the law, state policies, ideologies, culture and social expectations [Braverman, 1984; Sherman, 1989]. While the regulation approach hardly constitutes one coherent school of thought, most authors share the idea that structural crises in capitalism are the result of a profound disjuncture between the ROA and the MOR. The post-1966 crisis in the world economy is usually seen as the starting-point of post-Fordism -- understood in terms of a breakdown in the post-war growth compromise between capital and labour [Foster, 1985]. By the mid-1980s, some suggested that the post-Fordist transition was not only irreversible, but desirable as well. They opine that for flexibility and automation to coexist at the workplace, a 'new compromise' between capital and labour would have to emerge. As the logic goes, 'harmonic complementarity' between the emerging technology and the social environment is now becoming necessary for profit-maximisation [Bayat, 1991; Harrison, 1994].

The **neo-Schumpeterians**, unlike the regulationists, depict a post-Fordist world on the brink of another techno-economic paradigm shift. The microelectronics revolution is accorded a meta paradigm status for it is argued that it not only replaces old technologies, it requires fundamental changes in the production process. The central point stressed by neo-Schumpeterians is that the pervasiveness of microelectronics will largely determine the restructuring trajectory of firms, of industries, and of global capitalism as a whole. The progress of technology becomes the prime motivation of economic possibility. This approach is exemplified by the contributions of Hoffman and Kaplinsky (1988) and Watson (1990). These scholars proclaim a crystallising `Second Industrial Revolution'. This Revolution is based on *systemo-facture*, replacing *machino-facture* of the First Industrial Revolution. Central to it is the revolution in communications, engineering/biotechnology, time management, and industrial manufacturing. Systemofacture is expressed in techniques of production applied to all areas of the economy. These techniques of production include computer-assisted design (CAD), computer-assisted engineering (CAE), and computer-integrated manufacturing (CIM). In the Schumpeterian concept of long economic waves, this shift in the techno-economic paradigm will produce an upswing in economic development. Watson, in a later work, explained that with systemofacture the labour process is flexible and based on `multi-tasking' and `multi-skilling'; output is flexible; the locus of production is near the market; the incorporation of capital-intensive technologies and international sourcing are jointly encouraged; plant-scale economies tend to fall; and firm-scale economies become uncertain.[33] Although these scholars avoid using the term post-Fordism, their ideas do not stray far from the referent of post-Fordism because technology is placed at the centre of their analysis. Moreover, restructuring is conceived to be a problem of firm, industry, and state `adjustment' to the unfolding technological revolution. Reading Freeman (1982) and Pantin (1994), for example, an evolutionary logic is behind their notion of a gradual adaptation of society to the new paradigm. Political bargaining and power struggles among social groups tend to be treated as incidental and part of the structural crisis that characterises shifts from one techno-paradigm to another.

The **`Amsterdam post-Fordist School'**, to use Ruigrok and Van Tulder's term, speak instead of the emergence of a true political paradigm shift [e.g. Overbeek, 1990]. For the `Amsterdam school', neoliberalism expresses the relative decline of Fordism. The world is moving towards a neo-liberal transition, they contend. A shift in political orientations and `hegemonic concepts' of thinking are noted. And this reflects as well as legitimates the struggle occurring between two spheres of capital, money-capital and productive-capital. Since the 1980s, the argument goes, capitalist restructuring has been undergirded by two inexorable forces. One involves the increased circulation of money-capital around the globe and the pressures it generates for liberalisation of national financial markets. The other involves efforts led by core industries and their governments to secure unencumbered access to global (consumer) markets. The final destination after the deconstruction of corporatism and the Keynesian welfare state is held to be the attainment of a post-Fordist accumulation regime [Overbeek, 1990, p.180]. The question of the internationalisation of money and the rise of neo-liberal ideology are subjects that will be addressed below. But what is important here is the deterministic edge the Amsterdam school brings to bear upon the study of contemporary interdependence. The impression created is that irresistable forces within an 'objective' political-economic realm are inexorably driving global economic interdependence and integration forward. Hence much emphasis is placed on the role and influence of 'epistemic communities'[34] at the intergovernmental, TNC, and international financial institutional level.

These macro-level approaches to the concept of post-Fordism (i.e. the French regulationist, the neo-Schumpeterian, and the 'Amsterdam' approaches) have influenced other contributors to point to the decline of traditional manufacturing employment and expanding services sectors in major core economies. Manufacturing is following agriculture into a productivity revolution in which half or fewer of those employed in the past can produce twice as much output or more. The 'industrial working class' is consequently shrinking in size and importance [Touraine, 1972; Bell, 1973; Rifkin, 1995]. Indeed, points like these are central to post-Fordist analysis since, if true, it quite literally dissolves the Fordist world.

This logic inspired Piore and Sabel (1984) and Boyet and Conn (1991), among others, to introduce a 'post-Fordist' model of production organisation that as the 'solution' to Fordism's problems. 'Flexible specialisation' is replacing large-factory bureaucratic corporations, they argue. Having gone from the world of small family-owned businesses operating for local or national markets to that of `vertically-integrated, multi-divisional, often multinational' corporations, we are now arriving in a brave new world of `lean and mean' core firms linked in flexible networks to other organisations around the world, including other firms and governments. Best-practice restructuring models employed by a handful of firms are deemed emulable by all once they discard organisational forms of the past, and pursue interfirm production and networking strategies. They consequently conclude that the emerging types of cooperation within and between firms and governments will lead to a `new kind of interdependence'. On this view, Philip Cerny (1995) outlines a number of restructuring trends central to this `age of flexibility'.[35] Cerny points to the following elements:

1) the development of `flexible manufacturing systems' and their (assumed) spread to new as well as older industries;

2) `lean management' structures in firms and bureaucracies and;

3) the impact of new information technologies on decision-making structures of the firm.

However, as Ruigrok and Van Tulder (1995, p.5) note, the very post-Fordist concepts associated with restructuring like `flexible specialisation'and `lean production' have been based on a `remarkably limited empirical domain'. The flexible specialisation thesis that Piore and Sabel presents, for example, is supported by evidence from only a few regions, i.e. within Italy, Germany, and Japan. Furthermore, the concept of lean production is ultimately derived from the Toyota production example. Thus Ruigrok and Van Tulder were to remark that the `globalisation thesis has been illustrated by commercially successful and rapidly expanding firms like Ford, Sony and IBM -- some of which have fallen into deep problems only a few years later' [p.6]. Moreover, a technologically deterministic approach to restructuring seems to be at the heart of the Fordist/regulationist literature. Accordingly, one either posits a post-Fordist order or the jig is up. This elementary logic of choices comes about because most scholars make far too much of the physical character of the things that are produced, of the specific techniques used to produce them, of the sort of workers and work involved, and of the internal contradictions of accumulation regimes. Ephemeral organisational modes tend to be therefore treated as if they affect the deep structure of the world system. In line with this, it is not surprising that many authors look to Japanese firms for the shape of post-Fordism to come. Hoffman and Kaplinsky, for example, see Japanese organisation of production as a stage `beyond mass production', and proof of the emerging transition from Fordism to post-Fordism. Here analysis is limited to the confines of the firm and does not take into account global and regional factors as well as the economic, political and social context of the production system. Piore and Sabel argue that networks of craft production in Northern Italy (i.e. Emilia-Romagna district) and in districts in southwestern Germany are scoring signal victories over mass production networks in other countries. The latter has not been able to respond to rapidly changing consumer preferences, they note. But as Ruigrok and Van Tulder argue, this analysis ignores the ability of firms to **shape** markets and consumer choice. As they put it: `Piore and Sabel reduce the process of industrial transformation to the perceived actions of "sovereign consumers" '[p.29].

These criticisms seemingly escape the concept of a `post-Fordist mode of regulation'. The problem with this expression is that it is intrinsically linked to a state-centred concept of `Fordist society', i.e. to an analysis in which certain productive techniques and products were and are seen as much more fundamental than the world capitalist system itself. We are thus presented with little more than a *post hoc* rationalisation of the internal dynamism of a few individual firms and the role played by their host governments. Once these cases are generalised into emulable `best-practice' examples, analysis turns into ideology. The road to Toyotism (i.e. post-Fordism's best-practice example) is presented as the final stage in an inevitable restructuring process. What is missed, however, is how global capitalist competition between firms and governments, and different historically constituted socio-institutional factors militate against the adoption of a `best-practice' restructuring model.

I suggest that understanding contemporary capitalism requires, instead, a return to the issue of interstate competition and how the challenge of restructuring articulates differently from country to country. Globalisation enthusiasts, on the other hand, focus only on global macro-structural trends when they discuss the imperatives of growth and competitiveness [e.g. Hirst, 1996]. `National difference', unequal state capacities, and consequent response-variations are ignored in arguments that extoll the benefits of `transiting' towards a `competition'-, `post-Fordist'-, or `flexible' state-model as the best option for increasing export-competitiveness [e.g. Freeman, 1988; Cerny, 1990]. As this logic generally goes, dirigisme as an instrument of economic management must be reformulated to reflect a new policy matrix based on the following:

i) labour market flexibility i.e. reflecting efforts to implement team-work systems, flexi-time and flexi-wage contracts -- all compatible with `just-in-time'production networks;[36]

ii)`private' as opposed to `public' enterprise in areas ranging from pensions to health care;

iii) and an overall ideational shift away from communitarian principles towards notions of individual `responsibility'.[37]

In short, a case is being made for convergence in contemporary capitalism around a specific state-model. But thus far, policy-implementation of social/structural adjustment measures (i.e. privatisation schemes, curtailment of welfare measures) have threatened to undermine social cohesiveness to varying degrees in different countries. Indeed, governments have been seeking to creatively *tailor patterns of adjustment to* suit local configurations of (class) power and influence. Given the divergent and complex responses thus far, it is plausible to argue that the convergence forecasted by globalisation proponents is largely mistaken. It is primarily because national differences tend to be ignored that depictions of convergence have become commonplace. Indeed, this is nowhere clearer than in the simple assumptions made regarding the political economy of dirigisme. The overwhelming view has been that Keynesian welfarism served as a relatively stable mechanism for governing the national economy, and that it complemented a model of accumulation based on mass employment and mass production. But that this reached its limits as overproduction of standardised goods became apparent. Economic liberalisation must replace Keynesianism as the force that redirects the governing of the national economy. This 'straight-switch' idea underestimates the extent to which Keynesian welfarism upheld domestic social and political coalitions. Indeed, Keynesian full-employment models and adult suffrage were parallel post-war forces deflating historical tensions between capital and labour in many countries.[38]

Under the new mantra of 'greater flexibility', economic liberalisation is deemed to be best realised under specific state-models such as those described earlier. In simple terms, flexibility has come to mean the readiness of all to accept technological changes and respond to them quickly. It expresses itself in four interrelated ways. One involves the removal of rigidities. This translates into less government interference, deregulation of national financial markets, and lighter tax burdens on companies and individuals. Flexibility, secondly, has increasingly come to signify the loosening of the constraints of the labour market. Workers must be expected to see job insecurity, part-time job options, and wage-fluctuations as part of the new labour climate. This leads to the third dimension of flexibility i.e. the transformation of the socialisation of risk towards a privatisation and individualisation of risk assessment and insurance provision. Burdens of risk associated with old age, sickness, pensions and insurance are to be re-routed away from the public (state) realm towards the private (market) sphere. And fourthly, in marketing terms, flexibility refers to the ability of firms to get in and out of markets as quickly and as cost-effectively as possible. Once 'flexibilised', unending increases of productivity are in store, some predict [Ohmae, 1995]. But there is a negative side to this new mantra: `flexibility' can imply the reversal of stability and security. Core governments now grapple with trying to square the circle of wealth creation, social cohesion and political freedom [Galbraith, 1993]. And in the former Second World and much of the Third World, flexibility, under its accompanying language of structural adjustment and efficiency gains, threatens to undo the coalitions that undergirded the etatiste construct in the first place [Graf, in Panitch *et al*, 1995, pp.140-162].

Late 20th Century Capitalism and Upward Mobility

Higher systemic integration or `globalisation' has not replaced core/periphery structures or core rivalry. It also does not preclude the possibility of **movement** in the political economy of the world system. It seems, however, that the `rules of the game' for upward mobility as well as for the achievement of hegemony have been altered. In order to survive, firms in advanced countries are incessantly compelled to organise production on a regional or cross-regional scale.[39] Efforts are made to coordinate parts, components, systems, products and services across many countries and regions. In these trajectories, various sub-trajectories can be forged that could lead core firms to aim at a regional division of labour or assembly production abroad. In sum, this makes the web spun by trans-border linkages of products and processes more intricate.

Core governments have replaced old-style protectionism with a `new interventionism' in order to help industry restructure and fan out operations on a wider geographic scale. The positive assistance measures include R&D policies, export programmes, industry extension services, and new social contracts with labour. Indeed, the most important development in the 1980s has been the rapid increase and concentration of foreign direct investments in the core and rising countries. These investments originated from and went to other industrialised countries. A strong investment relationship now exists between United States, the European Community, and Japan. According to a recent UNCTAD report, outflows of foreign direct investment by TNCs grew by 28.9 per cent a year between 1983 and 1989.[40] It also indicated that between 1983 and 1988 foreign direct investments rose by more than 20 per cent annually. This quite accurately leads some (e.g. Ruigrok and Van Tulder) to suggest that what is often referred to as 'globalisation', is really better understood as increasing economic 'Triadisation'. This is because the so-called internationalisation of trade and investment 'was largely limited to the United States, the European Community and Japan as well as East and South East Asia' [p.151]. At the very least, it appears that TNC market intensification and technological change presents new options for the fuller exploitation of site advantages especially in the modern core and semi-periphery.

The periphery, in order to avoid marginalisation, is left to grapple with two 'animals'. First, they have to implement the neo-liberal measures that ideologically follow from the changes in the (core's) techno-sphere. This ensures the ultimate desire of TNCs, that is, the unfettered circulation of commodities and services. Secondly, they have to restructure given that previous comparative advantages based on land, labour, and raw materials, appear uncertain in light of the recent technological changes.

In my view, early in the next century, high-technology platforms or at least semi-automation will matter most in the race to attract global sources of capital. One scholar sees the changes in more immediate terms and surmises that in today's world economy: 'There is nothing magical about...factors such as national character, geographical location, natural resources, market size, government policy, and management styles.'[41] These do matter; but whereas before these and other variables (e.g. low wages, basic literacy) provided the magnetic pull for global capital and investment in peripheral and rising states, changing technology reduces their importance. As Drucker (1994) explains, the restructuring taking place is more than a technical process, it is a social process that involves the shift from extensive resource-driven technologies to intensive, brain power-driven, high-innovation technologies. He observes:

In the 1990s only an insignificant percentage of manufactured goods imported into the United States are produced abroad because of low labor costs. While total imports in 1990 accounted for about 12 percent of the U.S. gross personal income, imports from countries with significantly lower wage costs accounted for less than three percent -- and only half of those were imports of *manufactured products*. Practically none of the decline in American manufacturing employment from some 30 or 35 percent of the work force to 15 or 18 percent can therefore be attributed to moving work to low-wage countries. The main competition for American manufacturing industry...has come from countries such as Japan and Germany, where wage costs have long been equal to, if not higher than those in the United States. The comparative advantage that now counts is in the application of knowledge -- for example, in Japan's total quality management, lean manufacturing processes, just-in-time delivery, and price-based costing, or in the customer service offered by medium-sized German or Swiss engineering companies. This means that developing countries can no longer expect to base their development on low wages. They, too, must learn to base it on applying knowledge....[p.64].

Neo-Schumpeterians interestingly note that since CIM technologies are serving to reduce the turnover time of constant and variable capital, product development and product cycles are shortening [Watson, 1994]. It is the scale, complexity and scope of technological change that is undermining 'national' economies dependent on the sale of one or two products. Blumenthal (1988) concurs that the quantity and quality of technical change is beyond any state's adjustment capability.[42] As he explains, the savings associated with further improvements to Just-In-Time (JIT) production are so huge and uncertainty of operational success so real that governments in the European Union, for example, have recognised the advantage of funding Research and Development (R&D) collaboratively (e.g. as in ESPRIT programmes).

Twenty-first century capitalism will continue to reflect certain highs and lows: high variety, speed, data content, fixed costs, and responsiveness; the lows are in inventory, labour content, cost per unit of operation, and lead time. At its industrial nerve-centre, CIM will make possible 'one-of-a-kind, made-to-order, high speed-short cycle, distributed capacity, close-coupled sequences, and complex and augmented production processes.'[43] Economies of scope will take increasing precedence over economies of scale. The mechanics of ascent therefore demand that an aspirant state/region restructures its labour-intensive platform for at least a semi-automated one; upgrade the skills of its work force; restructure its primary commodity export sector, given the shortening of product cycles and advances in biotechnology; and pursue joint ventures and deeper forms of regional collaboration.

Neoliberalism: Ideological Ascension of Dominant Private Accumulation

The changes in the techno-industrial base of the world economy would have been ineffectual without the rise of neo-liberalism and financial liberalisation. The reification of the 'market' as a neutral and natural institution, apolitical and ahistorical has now become common in academic and policy circles [Brohman, 1995]. Together with the internationalisation of capital flows, these two developments are seen by some scholars as substantive proof of a changing 'globalising' world -- one in which the development aspirations of the Third World are further circumscribed [Strange, 1986; Cerny, 1993; Goddard *et al*, 1995].

The paradigm that gained currency in the mid-1980s diverged radically from the debates that had been central to the political economy of development. Longstanding questions about how to reconcile the twin goals of growth and equity were replaced with the spartan certainties of monetarist economics.[44] Trickle-down theories again became fashionable and were held out as the answer to distributional dilemmas, while crude modernisation theory was resuscitated to forecast the ultimate convergence of economic and political systems across the globe [Fukuyama, 1992]. The perceived uncertainties of the international order of the 1970s[45] consequently gave way to the age-old familiar international relations of subordination and domination *vis-à-vis* the periphery. Today, governments in the periphery must not only internalise, they are also compelled to mediate the untramelled (neoliberal) logic of all-out privatisation, deregulation, and divestiture.

It is reasonable to mark the post-1989 collapse of etatisme in the Soviet Union and the Eastern bloc as confirmation of the global ascendancy of neo-liberal ideology. Neo-liberalism is a political-economic doctrine. It is the ideological complement to global restructuring (CIM). Brohman notes that neoliberalism emanates from the seedbed of neoclassical theory -- itself linked to the *homo economicus* postulate.[46] Social relations and historical dynamism are largely ignored within this conception and this leads to `empirical ignorance, a misunderstanding of socioeconomic processes, and, as a result, the advocacy of unrealistic....policy recommendations'[p.298]. This can be seen if one looks closely at the neoliberal-liberal construct. This rests on an abstract, stylised view of what market economies are and where they come from. The central role of the state in creating markets is discounted. In addition, the neoliberal account of why economic liberalism has gained a near universal following in peripheral countries has strong evolutionary undertones emphasising the pivotal role of the demonstration effect, economic stagnation, `learning', and the need for the release of `entrepreneurial energy'.[47]

While most Third World countries have been directly involved in distribution and production, North (1990) reminds us that their capacities to regulate, define, and enforce property rights, dispense law, tax, and collect information are strictly circumscribed or non-existent. These capacities are absolutely critical if a successful transition to a market economy is to be realised. There is a body of literature.that stresses that political authorities played a key role in constructing markets in continental Europe on the eve of the Industrial Revolution.[48] Polanyi (1957) and Landes (1987) explain that while this was a long and drawn out process in Europe, substantial variation existed in different cases. Contrast, for example, the relatively smooth transition in 18th Century England, where guilds were weak, with the difficult barriers to the expansion of domestic markets into the hinterland of France and Italy, where highly organised guilds delayed this development through sanctions and barriers to entry enforced by the city administration. Reading Polanyi, Landes, and others, it becomes clear that there was nothing `natural' or automatic about the rise of the market mechanism in modern core countries. The overwhelming assumption underlying the neoliberal perspective however, is that a functioning market exists as a ready alternative to state-directed or state-owned industrialisation programmes in parts of the Third World. This explains why the neo-liberal version of `globalisation' see the privatisation and transnationalisation of capital as in itself a desirable thing from a broad social viewpoint. The assumed free competition and free exchange that will come from global capital mobility will serve to create economic efficiency and unlimited growth [Ohmae, 1995].

But Stephen Gill (1995) importantly stresses that neoliberal ideology is largely consistent with the political priorities of internationally-mobile forms of capital. He sees it as **part** of the groundswell of `globalisation forces' that seek to restructure the state and civil society, and the political economy and culture of modern countries. A form of `market civilisation' is being constructed on a global scale, he continues. As he puts it: `The current phase of economic globalisation has come to be characterised increasingly not by free competition as idealised in neoclassical theory, but by *oligopolistic neoliberalism*: oligopoly and protection for the strong and a socialisation of their risks, market discipline for the weak' [p.405].

This is a useful insight for it can be observed that neoliberals in academic and policy circles prescribe open markets, low or reduced tariffs, foreign exchange liberalisation, and state divestment -- in essence, the erection of private accumulation economies maximally compatible with an open world economy. This `openness' serve as the functional handmaiden of the new `crusade' of the post-Cold War Order. That is, the putative `liberation of civil society' from the alleged `suffocating grip' of the state. This is otherwise understood as the `fight for democracy' and individual liberty.[49] The view within neo-liberalism is that economically speaking this will serve to free civil society's entrepreneurial potentials [Balassa, 1989]. Under IMF/World Bank guidance, state enterprises and parastatals in the Third World will be severely discouraged. This follows from their view that post-1945 Keynesian planning `permitted' too many options for states in the capital accumulation process. `Nationalisations', expropriations, South/South lobbying and cartelisations were seen as fetters to the mobility of international capital and the operations of foreign companies. Consequently the `liberation of civil society' project taken on by neo-liberals serves to de-legitimise resistance and contending options. As Beckman (1993) notes: `The de-legitimisation of the state is central to the ideological de-construction of post-colonial nationalism as the state continues to be a locus of resistance to world market subordination' [p.23]. This point is supported by Graf (in Panitch *et al*, 1995) who argues that the aim is to discredit the state, `the one agency capable of organising and articulating nationalist aspirations in the South and of developing resistance to neo-liberal intrusions' [p.152].

Above, I argued that neoliberalism has been constructed on the mis-reading of history. The point was made that it ignores the integrated nature of the political and economic in capitalism. I would add that it has also been constructed on an excessive reductionism of state-centric theories. Take out the disingenuous and stifling state, the argument goes, and `market forces' will emerge full blown to replace it. As Beckman observes, in this, it appears that the autonomy point made by Poulantzas, Miliband and others was taken up and revised out of recognition. The point of the relative strength of the state bureaucracy, whether civilian or military, in select peripheral countries, was drastically inflated. Hence neo-liberal theorists in their analyses of states in Africa, Asia and Latin America, speak of `the existence of a state with no structural roots in society [suspended] as a balloon [in mid-air].'[50] Moreover, there is a basic inconsistency that pervades the neo-liberal attitude towards state intervention. On the one hand, the Third World state is characterised as almost completely omnipotent in its ability to set policy according to its macroeconomic objectives. And on the other, it is described as virtually impotent and incapable of acting in an efficient or rational manner. In reality, the state is/was neither all-powerful nor completely powerless. States across the Third World have divergent technical capacities and capabilities with which to carry out policy. And the sources of differentiation originate from the internal composition of the state itself (bureaucratic structures, types of government) and from its broad social composition (relations with powerful elites and other social groups). Because the state is permeable and subject to global forces, and contrasting tensions and interests from among the residual populace, economic intervention and other forms of political behaviour tend to reflect a condensation of these influences. This is not therefore the simple, monistic picture of politics that neo-liberals present. It is, and has been, both the internal and external structural features of the state that affected(s) its ability to devise and implement different forms of economic intervention.

This raises another issue relative to the `top-down' or `outside-in' explanation of power relations in this neoliberal age. Recall that Cox (1992) and scholars from within the Amsterdam school use a global-to-local `transmission belt' metaphor to capture how Third World governments have come to adopt neoliberal policy measures. They refer to a transnational process of consensus formation noting that this entire process is undergirded by international treaties like GATT and NAFTA. Gill (1995) likewise sees `market civilisation' as a neoliberal construct[51] that has been fuelled by the collapse of communist rule, the rise of conservative political leaders (Thatcher, Reagan, Mulroney, and Kohl), and increasing international regulation. Nevertheless, these explanations of the rise and global influence of neoliberalism only tell half the story. It is worth returning to the specific conjucture of the 1980s in order to understand why the state in many parts of the Third World turned towards neoliberal models of development. Rather than being the result of an ideological conversion to open economies, privatisation and deregulation are responses to changes in the global economy, the first common effect of which was a dramatic decline in their access to international capital flows. Indeed, this insight stems from Haggard and Maxfield's (1996) argument that balance of payments crises played an important role in encouraging the transition towards `financial internationalization' in many parts of the Third World. This refines the conventional view held by many that payments crises among Third World countries (circa 1985) led to pressure for capital controls in order to limit capital flight, and increased trade protection. And that broad technological improvements, investment ties, and intergovermental efforts eventually eroded the effectiveness of these government controls. As Haggard and Maxfield argue, Third World governments have **pursued** financial openness because it is an indicator of their commitment to fiscal and monetary discipline, and it signals to foreign investors that they are free to liquidate their assets.

Briefly, it should be recalled that by the mid-1980s, sources of external funding dried up and debts became due. This coincided with severe economic crises for which most Third World countries were singularly unprepared (i.e. two oil shocks; increase in interest rates for international loans). In many cases, extractive and regulatory institutions had atrophied; accounting procedures in the private sector were primitive, and formal links among members of the commercial-industrial class and labour were either weak or had broken down [Harris, 1986]. In institutional terms, the task facing governments in the recession was nothing less than a thorough reform of the public and private sectors. This entailed forging national regulatory, legal and extractive instituions and their ancillary information-gathering and enforcement agencies. In short, `economic globalisation' came to these countries in the form of a foreign exchange crisis that forced them to liberalise their economies even at a domestic juncture when the institutions for managing the transition were particularly weak. As Third World states came to depend more and more on international loans to stave off economic collapse, they found themselves **mediating**, and **bargaining** with international purveyors of neoliberalism (i.e. the IMF and the World Bank). This contrasts with the impression created by Cox (1992), Gill (1995), and others that the state acts like an **agent** of IFIs, and other transnational bodies. Indeed, Cox tends to portray state behaviour today as irreversibly constrained: 'The state becomes a transmission belt from the global to the national economy... Power within the state becomes concentrated in those agencies in closest touch with the global economy -- the offices of presidents, prime ministers, treasuries, and central banks' [p.30-31]. Such a view leads Graf (1995) to erroneously assert that the 'relative autonomy' ascribed to the Third World state of the 1970s is ' becom[ing] radical[ly] subsum[ed] under the exigencies of the international market place, while its ruling groups more and more become the local (and subordinate) executive committee for administering the interests of transnational capital' [p.150]. Here we see a tendency to treat the state apparatus as less and less part of a bargaining relationship with the forces representing the global economy and more and more their mere agent. Perhaps it is more accurate to capture the role the Third World state plays by referring to how internationalist forces both within the government(s) and economy(ies) coalesced and were strengthened following the severe balance-of-payments crises of the 1980s and 1990s. This contrasted with the 1960s and 1970s where easy access to lending capital, commodity price-booms, and Cold War alliance systems increased the bargaining power of Third World state-managers *vis-à-vis* creditors and investors, both domestic and foreign.

To be sure, while it is true to say that the Caribbean and wider Third World have to grapple with the state-shrinking strategies of the neo-liberal project, this does not mean that seizing opportunities presented to increase advantage and market share in the world economy is precluded. Ostensibly, private-sector led economies call for a dynamic interrelationship between foreign investors, private sector chieftains, and state elites. Nevertheless, it is worth noting that the current redefinition of the role of the state in the global accumulation process reduces developmental options previously exploited by modern core and upwardly mobile states. Import-substitution policies, the erection of tariffs to protect domestic industry, the use of subsidies, manipulating interest rates, and other neo-autarkic measures, are under increasing ideological attack (neo-liberalism). In any case most of these practices are being virtually outlawed by various treaties and international regulation.[52] Cox and Gill are not therefore entirely mistaken when they suggest that interdependent policy-making by transnational organisations tends to narrow the range of manoeuvre for state managers. Nevertheless, they have overstated the hypothesis, and by doing so, they tend to obscure a whole range of `state-level' responses to presumed inexorable global structural forces of restructuring.

Global Finance

Even more than the pervasiveness of neoliberal ideology, some scholars contend that it is the rapid international mobility of finance that is undermining `national economies'.[53]

The argument of the centrality of (global) finance in today's world is an important one. The proliferation of banks, tax havens, financial markets, and credit card systems have agreeably deepened the interdependency of countries to the point that world finance structurally interlocks all countries. Indeed, the most notable casualty in this flow of finance capital was the idea of fixed exchange rates. The Euro-dollar market and the build-up of petro-dollars in the 1970s turned the flow of capital figuratively into a fast-moving torrent sweeping away notions of fixed exchange rates. The competition between states to attract and retain finance-capital has intensified, with peripheral countries seeking to make their sites more and more attractive to investment. New financial product designs and improvements in communications/telecommunications have led to a leap in the turnover time of money-capital with uncertain management implications for regulators and state managers [Strange, 1986].

Perhaps global finance does represent the most visible element of change in the world system. Nevertheless, it has not fundamentally altered world system logic, but it ostensibly presents to a few modern-peripheral states an opportunity to make gains in the radical restructuring of the geography of global finance. Presently, the Caribbean region features prominently in the list of tax havens across the world. While I discuss the reasons for this and other related matters in Chapter Six, here I wish to address recent issues raised on the political economy of global finance.

Viner (1988), Kapstein (1994), and Helleiner (1995), see global finance as encompassing all types of cross-border transactions -- i.e. borrowing and lending, currency trading, and the provision of commercial banking and other financial services. In addition, it includes capital flows associated with foreign direct investment (i.e. transactions involving producing enterprises). Financial globalisation is held to be the outcome of a wave of innovations and deregulation that have led to the broad integration of national markets (circa 1983). Because capital moves in and out of domestic banking systems around the globe, the view is that 'finance' has become as important an element in the world system as commodity trade and productive capital. This leads some scholars to exaggerate the scope of financial globalisation and argue that it has eroded much of the authority of the contemporary sovereign state [Wachtel, 1990; Robertson, 1992; Strange, 1995b]. Recent econometric studies however, betray this view of a seamless web of a single world financial market, highlighting instead inherent country and currency risks to capital mobility. Eichengreen *et al* (1995) highlight episodes of turbulence in foreign exchange markets. Feige (1995, p.119) looks at the growth of 'underground economies' and argues that it is premature to speak of financial globalisation when in the U.S. alone, 'the whereabouts of perhaps as much as 80% of the nation's currency supply is presently unknown' Yaniv (1995, p.40) concurs that efforts should be made towards 'raising revenue out of the underground economy' through tax amnesties. Merton (1995) makes a slightly different point. He suggests that while it may be useful to speak of 'global financial markets', this should not obscure the fact that debt instruments are less transferable than cash; that market segmentation persists both within states and between them; and that equity markets are less integrated still.

Nevertheless the central question of causation remains unsolved. There are roughly four main hypotheses that seek to explain the increased mobility of capital since the 1970s. One variant, with roots in classical economics, emphasises the powerful impacts of competition and innovation in the market place while pointing to improvements in information technology [Viner, 1988; Wriston, 1992; Merton, 1995]. Proponents of this approach additionally believe that global financial markets are acting to `civilise' forces for good government. Another variant adopts a realist approach arguing that policy rivalry among core governments led to the wave of deregulation witnessed from the early 1980s [Holland, 1987; and Pagano and Roell in Conti and Hamaui, 1993, pp.152-177]. A third extends the realist approach, highlighting the role of domestic politics and (international) institutions. This can be called the `pluralist model' [Frieden, 1991; Johns and Le Marchant, 1993]. And a fourth hypothesis emphasises the `cognitive level', noting that there was an ideological shift from postwar Keynesianism to a neoliberal policy framework. It focuses on the role played by a sophisticated epistemic community of central bankers based around the Bank for International Settlements (BIS) [Gill and Law, 1989; Cerny, 1993]. These four models together indicate (and confirm) that there is a dialectic at work in the relationship between market forces and public policy -- i.e. that government actions in one period led to increased capital mobility which in turn generated(s) pressure for greater liberalisation measures in subsequent periods [Cohen, 1996].[54]

The cognitive model along with the realist and pluralist ones share the view that the support and blessing of the state was crucial to the liberalisation of the global financial order. Advances in communications may have facilitated capital mobility, but without government measures targeted at opening up national markets, these would have remained insulated from one another. Where controversy seems to lie is with the question of state management in domestic financial sectors **today**. Cohen notes that a sensationalist conclusion reached by some is that governments have irreversibly lost the vestiges of unchecked economic sovereignty [Strange, 1995b; Robertson, 1992]. Others are cautious, but they come down on the side which suggests powerlessness on the part of state actors to control their respective domestic financial markets. For example, in the inaugural issue of the Review of International Political Economy, the editors stated:

> [T]he emergence of a truly global financial market created by the growth of the Euro-currency markets...has meant that national authorities are losing power over their "domestic" financial sectors as the global financial market subsumes domestic markets.[55]

An alternative, more sanguine view is proposed by Kapstein (1994) and Cohen (1996). They argue that while increased capital mobility imposes constraints on sovereign states, governments are not wholly deprived of macroeconomic authority. Despite the `capital mobility characteristic of the 1990s' the option still exists albeit at a price, Cohen argues, for countries to pursue independent policy objectives. Kapstein observes that manoeuvrability is evident in the formula guiding supervisory agreements reached at the BIS. `International cooperation based on home country control provides a way for states to enjoy the benefits of interdependence', he argues, `while maintaining national responsibility for the [domestic financial] sector...' [p.180].

Susan Strange's Casino Capitalism (1986) and Philip Cerny's (1994) article, `Money and Finance in the International Political Economy' depict the increased mobility of capital as a structural constraint on state behaviour. While national sovereignty is undoubtedly challenged by the increased mobility of capital, it remains an exaggeration to assert that all power is being drained off in favour of transnational capital. As the studies of Feige, Yaniv, Helleiner, and Cohen reveal, the scenario is rather more mundane -- 'a world of incomplete discipline and constant tension on both sides of the state-market divide'.[56] This view, however, is not meant to underplay the fact that the growing magnitude and complexity of trade and financial investment make capital controls increasingly difficult, especially given the existing opportunities for evasion and arbitrage. What is worth considering is Cohen's view that under dire circumstances (e.g. a foreign exchange or security crisis) it remains possible -- albeit at high costs -- for a state to reverse the process of financial integration for its own economy. Financial globalisation enthusiasts seem to miss that the very authority whose responsibility it was to ensure the open financial market can become the force which undermines it if it is faced with a foreign exchange or security crisis. This is not the simple, irreversible process of a leakage of state power from national governments to 'stateless' markets as many globalisation scholars claim.

Hegemonic Rivalry and Renewed Regionalisation

While some useful insights have been raised by globalisation proponents on the impact of new technologies, I suggest that it is the intensity of the hegemonic rivalry that remains crucial to understanding the restructuring of world order. A hegemonic deconsolidation phase (circa 1971) has been noted by various scholars despite the raging controversy over the nature and decline of U.S. economic power relative to Germany and Japan. There are essentially two debates. One involves *the declinists* versus the revivalists. This is largely a question of whether or not the U.S. constitutes a declining power, or one on the verge of renewal. The second debate is over the definition and nature of hegemony. It is one that engages neo-Gramscian scholars, neo-realists and others like Strange (1988), Gills (1989), Levy (1991), and Payne (1994).[57] Notwithstanding what Anthony Payne calls the 'efflorescence of approaches' to the question of hegemony, there is a growing consensus that economic powerhouses like Germany and Japan, do not yet meet the systemic military, political and ideological criteria for achieving and exercising hegemony. It is worth adding that caution is required in speaking of a U.S. decline relative to some of its rivals. The very deepening of the international socialisation of production can produce errors in conceptualisation. It is not so much that the U.S. has suffered a slippage as that a tightly integrating capitalism alters the way hegemony is constructed. Taylor (1994) and others argue that hegemony is usually associated with `a location on a world political map' -- i.e. a state.[58] Others speak of `interlinking hegemonies' or the `transnational constitution of hegemony'.[59] Overbeek (1994) insists that the new `global reach of capital [and] capitalist class relations' have transnationalised the character of hegemony.[60]

Whether seen as location-specific, or interlinked, there is little disputing that the current race for hegemony is reflected in the emerging forms of regionalisation. Germany-led Europe, Japan in the Pacific Rim, and U.S. in the Americas are using their regional bases to fortify efforts at cheapening export production costs and increasing market shares. Mega-bloc strategies are thus emerging. The challenge of global competitiveness in a tightly integrating capitalist world system, it can be argued, is shifting hegemonic rivalry more squarely away from core-state versus core-state dimensions, to a core-led region versus core-led region dynamic.

Further evidence *of hegemonic rivalry can be seen on the battle lines drawn* across the technological spectrum. It is accepted that the four interrelated clusters of new technologies that operate through the CIM medium are, micro-electronics technologies, bio-technologies, new materials technologies, and integrated circuits. Chase-Dunn (in Palan and Gills, 1994, pp.89-106) notes that of these, biotechnology and integrated circuits will be crucial on the question of hegemonic succession -- `[a core] conflict [that] will likely become strong in the decade of the 2020s.'

Of course the configuration sketched of inter-core/region **rivalry** is not to downplay the levels of **cooperation** between some core powers. Indeed, Jonathan Tucker's (1991) `partners and rivals' model explains the rationale behind closer collaboration and the pay-offs involved. He refers to rising development costs, rapid obsolescence of new products, and uncertainties and risks regarding performance, schedules, and market size as reasons for increasing international collaboration. But he adds that rivalry still persists in the face of inter-firm and inter-governmental collaboration, with players seeking to avoid positional losses, improve or benefit from technological know-how, and gain market share. As he puts it, net gain or loss '[tends to] depend on the relative positions of the two [or more] players, as measured by the ratio of their aggregate capabilities' [i.e. in the following three elements, technological know-how, market share, and financial capital, p.118]. Lowenthal (1992) agrees but places more emphasis on the potential for partnership between core powers and their geographical neighbours. Indeed, in the last couple of years there has been a trend towards greater cooperation among core powers, and between core powers and their 'lesser' *geographical neighbours. For example, the Asia-Pacific Economic* Cooperation (APEC) leaders and President Clinton of the U.S. recently expressed a commitment to deepen levels of cooperation by establishing a wider APEC-bloc not later than 2020.[61] In the winter of 1995, some exploratory talks also took place between the Clinton Administration and European Union (EU) officials on the question of a free trade pact. The N/AFTA, the Association of South East Asian States (ASEAN) (since-1985),[62] the East Asian Economic Caucus (EAEC), and the EU, represent new or deepening regional arrangements. To be sure, these strategies do not represent attempts to construct fortresses. Each of these is GATT-consistent for they seek to bring about time-tabled phases of trade liberalisation and greater levels of cooperation. It is likely that these regional arrangements will continue to be key features of the international economic system and will coexist with global multilateral arrangements.

It will be accurate to suggest that efforts at Asia-Pacific cooperation, Transatlantic regionalism, and continental free trade have been driven by market-led conceptions of open regionalism and international economic cooperation. In these arrangements, the spread of the neo-liberal economic creed across smaller, less developed states is encouraged. Indeed, conformity to the orthodoxy of market liberalisation seems to be an essential element of the atmospherics for attracting corporate interest. Apart from trade-creation reasons, this renewed regionalisation may have been equally spurred by the dynamics associated with the political economy of capital mobility. The deregulation of the international financial system since the 1980s has meant that the competition to attract foreign direct investment (FDI) and offshore financial business has become more intense [Cerny, 1994]. Moreover, firms have endeavoured to consolidate sourcing networks within **regions** rather than **globally** because of the exchange rate volatility among key currencies [Eichengreen *et al*, 1995].

Bernard and Ravenhill (1995) explain that the restructuring of the industrial base of the world economy has led to a set of `[regional] arrangements that link a multitude of production units in different countries so as to provide all components, materials and management for the assembly of a particular product' [p.171]. Thus **regional** production and distribution is becoming an increasingly important dimension of the overall strategy of core (and aspirant) countries and firms. Take the recent expansion into China and Southeast Asia by Japanese and East Asian firms for instance. China entered the regional economy (circa 1979) at a time when Japanese capital was no longer generating sufficient profits from Taiwan and South Korea, and was searching for low cost production centres. The Plaza Agreement in 1985 (that resulted in an agreed appreciation of the Japanese yen), and the appreciation of the Taiwanese and Korean currencies against the dollar between 1985 and 1988, led to increased investment in China and other parts of Southeast Asia [Bernard and Ravenhill, 1995, p.180]. Breslin (1996) notes that as much as 80 per cent of all FDI in China in the period 1984 to 1995 originated from Japan and East Asia.[63] China is now the `single biggest recipient of Japanese overseas development aid'; 10 of the 14 foreign banks now permitted to operate in China are Japanese; and the structure of

Japanese FDI there is taking on a more export based agenda [p.13-16]. In addition, by 1993 China became Japan's second largest destination for exports -- increasing by 45 per cent over 1992. Indeed, East Asia's informal integration in recent years makes Hollerman's (1988) depiction of the region as Japan's `Headquarters Economy' more relevant today. This is clearer if one notes the ways in which Japanese `parent' companies sit like spiders on webs of Taiwanese, Korean, and Hong Kong subsidiaries, corporate planning centres, and alliances, that are expanding outwards, regionally.[64]

Perhaps it is plausible to suggest that as automation technologies and increased capital mobility shrinks time and space, it is at the level of the region -- and not the global -- that things become more politically manageable for firms and states. Put another way, proximity makes regionalisation more amenable to political/identificational construction and `imaginings'. Governing elites in the Americas, Asia, and Europe at various regional and sub-regional levels recognise that policy coordination and the harmonisation of certain activities can provide the magnetic pull for foreign capital and technology. This has underpinned discussions on economic policy coordination at a range of regional levels (e.g. the Manning Initiative in the British Caribbean,[65] growth triangles in Southeast Asia, EAEC through to APEC).

But this should not imply that state/sovereignty has been diminishing as the cause of economic liberalisation is advanced. Indeed, within the emerging mega-blocs there have been efforts to construct sub-regional responses to combat the political power of the regional hegemon as much as secure a reasonable time-table for liberalisation and deregulation reforms. The Association of Caribbean States (ACS) represents an effort by countries in the Americas to form the widest negotiating unit with which to approach the U.S (or NAFTA). The EAEC in East Asia is another arrangement that aims to provide a potential counter-weight to U.S. domination of APEC especially in the light of Japan's unwillingness to play a stronger role within APEC. It is clear then that even as neo-liberalism is ascendant, sovereignty can still serve as an important check to notions of the benefits of all-out privatisation and liberalisation. Take for instance, how ASEAN states categorically rejected the possibility of APEC impinging on the sovereignty of member states as the EU does on its members' sovereignty. This occurred at the first APEC summit where the developing countries rejected the longer-term vision of an `APEC community'. As Richard Higgott (1995) explains, the fear was that as a `community', the U.S. would have had the leeway to raise `social dumping' issues such as human rights, labour standards, and environmental standards, to force a brake on successful domestic economic practices.[66]

Incidentally, some states (i.e. in the Middle East and Africa) fall outside these mega-bloc configurations. This leads some to speculate about an increasing divide between a homogenising, enmeshed bloc of liberal states and chaos in the rest of the world. Singer and Wildasky (1993), for example, forecasts a world marked by `zones of peace' versus `zones of turmoil'. As Samir Amin (1992, p.54) sees it, we are living in a world that corresponds to the `last stage of polarisation', that is, the peripheral industrialisation of one part (East Asian NICs) and the `fourth worldisation' of another part. This apocalyptic vision of an international system marked by a prosperous core and a subordinate, desolate periphery underplays the complexity of today's interdependence. At the very least, interdependence scholars, through descriptive aggregation, have informed us of about this complexity by referring to interstate commercial flows, cross-border sensitivities, and patterns of transactions and interconnectedness. The regionalisation trends that reflect costs associated with relative geographical proximity (e.g. lower transport, communications, and allied transaction costs) suggest an even more multicentric core and a variegated periphery in the future. This is because the persisting influence of spatial as well as structural influences on regional dynamics promises to further intensify movement in the political economy of the world system. The prism of a `North-South' divide or a single core-periphery cleavage is far too simplistic for determining the potential winners and losers in the foreseeable future. This is what Breslin for instance implied when he said that the informal integration of the East Asian political economy is leading to a `complex cross-cutting [of] relationships between cores and...peripheries...'[67]

Conclusion

Globalisation is one of the more over-glib concepts of recent years. The term is meant to suggest a number of analytically distinct phenomena and developments within the international system. Much is made about the recent application of new technologies to the production process, and parallel improvements in management operations, transport, and biotechnology. As neo-Schumpeterians would argue, integration under CIM has meant that the production process has been optimised by linking inputs, process and output into a single system. Post-Fordists more than Froebelians, emphasise that this has fanned out globally in a far more intricate way than was previously the case. The result is that commodity production now links firms, industries and cities in unprecedented ways -- made smoother by telecommunications technology. Other scholars speak to the transnational policy influence of an epistemic-like community of neo-liberalists involved at senior levels in government, regional, and multilateral institutions. Their efforts within international regulating organisations and institutions (e.g. GATT, IMF, the G7, BIS, the World Bank, the World Trade Organisation, etc.), and regional free trade arrangements, have set the world of states and domestic financial systems towards an irreversibe path to liberalisation. In this sense, as the argument goes, the contemporary international political economy is unique given the multiciplicity of linkages and interconnections between states and societies.

To be sure, some of what has been described above is fairly accurate as a description of certain trends up to now. The capitalist system has become ever more structurally interlocked in three ways. One: by the increasingly `casino' quality of sections of international finance. Two: by strategic flows of funds through offshore financial centres. And three: by the deepening forms of interdependence in the form of regional industrial networks, and free *trade areas and agreements. It is because of* these developments that notions of state-sovereignty and 'national economic space' have become 'fuzzier' (though not irrelevant nor obsolete). But this is not sufficient evidence to argue that global capitalism is undergoing an epochal shift. Capital accumulation was globalist in its expression long before the change-over from machino- to systemo-facturing. This is why my argument has been that onging global restructuring since circa 1966 has not thus far altered the fundamental systemic logic of world capitalism. We are still faced with interstate rivalry, core-periphery relations, and uneven development within states and regions. What the restructuring of global capitalism has led to, however, is a series of quantitative changes in the techno-, socio-, and ideological spheres. Technological revolutions in information, manufacturing and transportation are serving to compress time and space, which in turn undermines the conventional pre-occupation of the nation-state with territoriality. For many globalisation proponents, the a-spatial nature of capital is now in conflict with the territoriality of the state. But to be sure, capital has never been anything but a-spatial. It is simply that the new technologies present capital with greater options for investment and profit-making

A considerable amount of emphasis in the globalisation literature is placed on growing interdependence. But while I agree that this is true, especially with regards to the avaliability of universal cultural goods and in financial transactions, I have argued that there is little to suggest that a fully transnational capitalism has come to replace supposedly moribund national economic formations. Indeed, growing interdependence does not **threaten** to replace the interstate system with a multi-layered global political configuration. The much heralded convergence that we witness today represents the move from dominant state accumulation to dominant private accumulation -- that is, from a situation where the state centralised accumulation to one where the private sector is the central actor. But I have been careful to point out the difficulties associated with assuming that all governments can homogenise towards a specific neo-liberal state model. Recall that the point was made that global capitalism impacts differently on various states/regions, especially given their historical trajectories, cultures and political economies. Nevertheless, I explained that the overwhelming turn towards financial and market liberalisation in the Third World was not wholly the result of inexorable pressure from epistemic communities, and core governments, but that the circumstances of this policy shift related directly to the balance of payments difficulties most peripheral countries experienced in the early eighties.

A far less ambitious claim ought to be made when we seek to understand the contemporary international political economy. Indeed, it is ironic that much of the evidence marshalled by globalisation scholars points to increasing **regionalisation** moreso than to genuine **globalisation**. This, I have argued, becomes clear if one looks at how growing interdependence alters the **way** states/regions compete with each other. I suggested that the core-core race for hegemony and the question of ascent from the periphery, given the restructuring of the industrial production process and changing technologies, are logically being contested on a regionalised terrain. This is to take advantage of transportation advances, tele/communications improvements, and to create economies of both scope and scale. Thus, it was pointed out that the trend of rising economic and continental linkages among ASEAN countries and between ASEAN and Asian-Pacific economies, between the U.S. and the rest of the Americas (i.e. *via* an expanding NAFTA or other hemispheric FTAs), and within Europe, based on a web of production, banking, sourcing and distribution, is likely to accelerate. As Bernard and Ravenhill neatly put it, the emerging regionalims seem to be based on a whole inner structure bearing the mark of an international (interstate) economic complex. This is what Ruigrok and van Tulder referred to as trends towards `glocalisation' rather than `globalisation'.

Incidentally, it can be discerned that whether the concept is in the hands of neo-Schumpeterians, Amsterdam scholars, neo-liberals, or neo-Marxists, a certain type of economic determinism seems to be at the heart of the respective globalisation narratives. The analysis usually places economic and technological variables at the centre, with political and human agency and culture occupying uncertain space within the putatively emerging `borderless world'. But to be sure, there are dissenting voices. While transnationalists speak of a globalising economy and trends away from classic conflict-of-interest scenarios towards global governance, realists contend that the national economy never transnationalises beyond a certain limited extent and so conflicts of interest will often recur [Gilpin, 1987].

As it stands, it certainly appears too simplistic to assume that the interstate system is under siege -- or that `sovereignty is at bay'. No other institution has emerged to supplant the state in all of its traditional roles or functions. It is true that modern technology allows supranational finance capital and TNCs to operate, wherever possible, beyond the reach of any single state, but the state is still needed as infrastructure-operator, rule-setter, and peace-maker. Interdependent policy-making and deeper forms of interdependence are the results of pragmatic politics. Funding R&D costs, guaranteeing the unfettered circulation of goods and services, and managing technological change are requirements that go beyond any single state's adjustment capabilities. Collaboration is therefore crucial. This in part explains why it appears to be the case that `[i]ndividual governments are homogenized by global technological and ideological convergence.' However, as Krugman and Venables (1995, p.876) imply, this `homogenisation' while it is incomplete and uncertain, does not eliminate the considerable **unevenness** of development in the world system. Certainly, the fundamental competition for surplus accumulation remains and with it are carried the seeds of continued centre-periphery relations, periods of economic boom and busts and other constants that have shaped our modern world.

Chapter Three Endnotes

[1] For a recent example, see the collection of articles in H. A. Watson (ed.) The Caribbean in the Global Political Economy op. cit.

[2] See H. Watson, 'Recent Attempts at Industrial Restructuring in Barbados', Latin American Perspectives, Issue 64, Vol. 17, No. 1, 1990, pp.10-32; A. P. Gonzales, 'World Restructuring and Caribbean Economic Diplomacy', in L. Searwar (ed.), Diplomacy for Survival: Caricom States in A World of Change, 1991, pp.1-18; and D. Pantin 'Techno-Industrial Policy in the Restructuring of the Caribbean' op. cit.

[3] See C. Chase-Dunn Global Formations op. cit..

[4] See for example, K. Ohmae, The Borderless World: Power and Strategy in the Interlinked Economy, 1990; R. B. Reich The Work of Nations, 1991; R. Robertson, Globalisation: Social Theory and Global Culture, 1992; P. Kennedy, Preparing for the 21st Century, 1993; K. Ohmae, The End of the Nation State: The Rise of Regional Economies, 1995; and M. Waters, Globalisation, 1995.

[5] That is, since the end of the Cold War. For mention of the terms, 'magnetic North' and 'geo-political vertigo', see G. O. Tuathall and T. W. Luke, 'Present at the (Dis)integration: Deterritorialization and Reterritorialization in the New Wor(l)d Order', Annals of the Association of American Geographers, Vol. 84, No. 3, September, 1994, pp.381-398.

[6] See M. C. Bateson, 'Beyond Sovereignty: An Emerging Global Civilization', in R. B. J. Walker and S. H. Mendlovitz (eds.), Contending Sovereignties: Redefining Political Community, 1990.

[7] See for example, K. Ohmae The End of the Nation-State op. cit.; and R. Reich The Work of Nations op. cit.. Indeed, one scholar using such a trajectory was prepared to argue that ' "globalization" will not allow for substantially different strategies in different regions for any sustained period....distinctions have been reduced, and economic life as well as culture is increasingly homogenised.' See A. MacEwan, 'Technological Options and Free Trade Agreements', Science & Society, Vol. 59, No. 1, pp.9-37. p.35-36.

[8] See A. MacEwan, 'Technological Options and Free Trade Agreements', in Science & Society, Vol. 59, No. 1, 1995, pp.9-37.

[9] I discuss the rival claims of globalisation later in this Chapter. But for a recent example of work aimed at countering the neoclassical interpretation of globalisation -- while leaving the term itself ill-defined, see R. Ghorashi, 'Marx on Free Trade', Science & Society, Vol. 59, No. 1, 1995, pp.38-51.

[10] See B. Massumi, 'The Autonomy of Affect', Cultural Critique, No. 31, Fall, 1995, pp.83-109.

[11] Select examples of 'high cultures' include (Pharaonic) Egypt, the Sumerian civilisation (Mesopotamia), Harappa (north India), Greece (Alexandria), Rome, and Song China. See C. A. Diop Civilization or Barbarism op. cit.; and R. Cameron, A Concise Economic History of the World: From Paleolithic Times to the Present, 1993. Also see, K. N. Chaudhuri, Asia Before Europe: Economy and Civilisation of the Indian Ocean from the Rise of Islam to 1750, 1990. See especially p.71-90 on the balance-sheet of great civilisations; p.306-336 on 'Asian' capitalism and the constant restructuring of textile and metallurgical industries; and p.354-366 on the political economy of Mughal India and other urban centres. Cameron (1993) additionally insinuates that all 'high cultures' sought to constantly restructure their industrial base in order to achieve or lengthen its hegemony over other social formations.

[12] For a recent work that extends analysis of capital accumulation processes before 1500, see A. G. Frank and B. K. Gills (eds.), The World System: Five Hundred Years or Five Thousand?, 1993.

[13] David Harvey (1990) refers to this 'time-space compression' in the following way: '[T]he time horizons of both private and public decision-making have shrunk, [and] satellite communication and declining transport costs have made it increasingly possible to spread...decisions immediately over an ever wider and variegated space.' See D. Harvey, The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change, 1990, p.147.

[14] Systemo-facturing refers to the application of computer-related processes to production. For more on this, see K. Hoffman and R. Kaplinsky, Driving Force: The Global Restructuring of Technology, Labor, and Investment in the Automobile and Components Industries,1988; M. J. Piore and C. F. Sabel, The Second Industrial Divide: Possibilities for Prosperity, 1984; and H. Watson 'Recent Attempts at Industrial Restructuring in Barbados' op. cit.

[15] See U.N. Centre on Transnational Corporations, World Investment Report 1992: Transnational Corporations as Engines of Growth,1992b, p.1.

[16] These top 100 firms were drawn from *Fortune's* Global 500 published in 1993 and the 1993 *Business Week* Global 1000. See W. Ruigrok and R. van Tulder, The Logic of International Restructuring, 1995, Chapter 7.

[17] Ibid. Over forty firms listed recorded sales in foreign markets of over 40% and some firms like ABB, Nestle, and Philips even managed to sell over 90% of their products abroad.

[18] Ibid.: p.156. See also Table 7A, pp.170-173.

[19] Sally (1994) speaks of the 'domestic embeddedness' of TNCs. See R. Sally, 'Multinational Enterprises, Political Economy and Institutional Theory', Review of International Political Economy, Vol. 1, No. 1, pp.161-192.

[20] As Jones (1995) explains human interdependence is used to emphasise that human beings do not and cannot live in isolation from their fellows. A commitment to sociability and solidarity is often inherent in doctrines of human interdependence. See R. J. B. Jones, Globalisation and Interdependence in the International Political Economy, 1995.

[21] Ibid. International interdependence -- embraces those forms of interdependence that arise amongst properly constituted nation-states i.e. economic, political and social exchanges within countries.

[22] Ibid. Global interdependence moves beyond interstate relations and conjures up the image of a world village, a global community. At minimum, such global conceptions invoke a recognition of a common fate all face on planet earth; at maximum, it embraces far-reaching notions of moral commonalty and mutual impact.

[23] See R. O. Keohane and J. S. Nye, Jr. Power and Interdependence: World Politics in Transition, 1977. 'Complex interdependence' as *per* Keohane and Nye speaks of a growth and deepening of associations amongst sovereign states. Jones (1995) in his summary of their work notes that the idea is expressed that these channels of connection would eventually lead to closer linkages with societies or their members. He states that this promises'the ending of any clear hierarchy amongst the issues of salience to governments, with, in particular, the decline of security issues as the dominant concern; and, finally, the diminishing use, or utility, of force in those relations amongst states within which complex interdependence prevails'. See R. J. B. Jones op. cit., p.5.

[24] See J. H. Mittleman, 'Rethinking the International Division of Labour', Third World Quarterly, Vol. 16, No. 2, 1995, pp.273-295. p.273.

[25] For a discussion on international division of labour (IDL) theory as espoused by Adam Smith and David Ricardo, and discussed by Karl Marx, Max Weber and Emile Durkheim, see J. H. Mittleman 'Rethinking the International Division of Labour' op. cit.. As he explains, IDL theory focuses on task

specialisation, the compartmentalisation of the production process, and country-by-country variations in comparative advantages.

[26] Harvey (1990, p.147) defines flexible specialisation as one:

marked by a direct confrontation with the rigidities of Fordism. It rests on flexibility with respect to labour processes, labour markets, products, and patterns of consumption. It is characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation. It has entrained rapid shifts in the patterning of uneven development, both between sectors and between geographical regions, giving rise, for example, to a vast surge in so-called 'service sector' employment..[and] entirely new industrial ensembles in hitherto underdeveloped regions (such as the 'Third Italy', Flanders, the various *silicon valleys and glens, to say nothing of the* vast profusion of activities in newly industrializing countries).

[27] The 'First Wave', he argues was based on agricultural-led economies; the 'Second Wave' represented the rise of industrial mass production. See his trilogy; A. Toffler, Future Shock, 1971; Third Wave, 1981; and Powershift, 1991.

[28] Harvey (1991) states this when discussing the views of the Regulation School. See D. Harvey, 'Flexibility: Threat or Opportunity?' Socialist Review, Vol. 21, No. 1, January-March, 1991, p.70.

[29] I use this timeframe based on the complementary viewpoints of select scholars. Kalecki (1971), Boddy and Crotty (1975), Foster (1985), Sherman (1989) and Harvey (1990) use a 'post-1966' description of the crisis. Harvey [p.141] speaks of a 'credit crunch of 1966-7' while the others refer to a 'post-1966 profit squeeze'. Kalecki argues that the Keynesian 'full-employment capitalist model' generated this profit squeeze in core countries, because workers no longer feared the threat of unemployment. Boddy and Crotty add that as a result, work intensity and productivity slowed down, wages rose too rapidly, inflationary pressures steepened, and profit margins and profit rates were squeezed. Foster (1985) disagrees, noting that world-wide investment had produced such a prodigious flow of goods in the latter years of the upswing that there was a torrent of supply facing very limited demand. Sherman (1989, p.64) similarly argues that profits were squeezed not only by a falling ratio of consumption to income -- the result of a falling ratio of labour income to all national income -- but by other rising costs, such as raw material prices and interest rates. For more on this discussion, see M. Kalecki (ed.), Selected Essays on the Dynamics of Capitalist Economy 1933-1970, 1971 (see Kalecki's chapter, 'Political Aspects of Full Employment', pp.138-145); R. Boddy and J. Crotty, 'Class Conflict and Macro-Policy: The Political Business Cycle', Review of Radical Political Economics, Vol. 7, No. 1, 1975, pp.26-37; J. B. Foster, 'Sources of Instability in the U.S. Political Economy and Empire', Science & Society, 49, 1985, pp.167-193; and H. Sherman, 'Theories of Economic Crisis', Science & Society, 53, 1989, pp.62-70.

[30] For evidence of this, see R. J. Samuels, The Business of the Japanese State, 1987; K. Dyson and S. Wilks (eds.), Industrial Crisis: A Comparative Study of the State and Industry, 1985; M. Dixon, 'The World Capitalist Crisis and the Rise of the Right', Contemporary Marxism, No. 3, 1982, pp.46-59; and S. Bell, 'The Politics of Economic Adjustment: Explaining the Transformation of Industry-State Relationships in Australia', Political Studies, Vol. 43, No. 1, March, 1995, pp.22-47.

[31] See S. Strange, 'The Limits of Politics', Government and Opposition, Vol. 30, No. 3, Summer, 1995, pp.291-311; and M. Blumenthal, 'The World Economy and Technological Change', Foreign Affairs, Vol. 66, No. 3, pp.529-550.

[32] I summarise some of the points made in Nielsen's introductory chapter in Jessop *et al.* See K. Nielsen, 'Towards a Flexible Future: Theories and Politics', in B. Jessop, K. Nielsen, H. Kastendiek, and Ove K. Pedersen (eds.), The Politics of Flexibility: Restructuring State and Industry in Britain, Germany, and Scandinavia, 1991, pp.3-30.

[33] See H. A. Watson, 'Global Restructuring and the Prospects for Caribbean Competitiveness: With a Case Study from Jamaica', in H. A. Watson (ed.), The Caribbean in the Global Political Economy op. cit.

[34] For a discussion of international epistemic communities and policy coordination, see P. M. Haas, 'Introduction: Epistemic Communities and International Policy Coordination', International Organization, Vol. 46, No. 1, Winter, pp.1-35.

[35] See P. G. Cerny, 'Globalization and the Changing Logic of Collective Action', International Organization, Vol. 49, No. 4, Autumn, 1995, pp.595-625.

[36] For elaboration on teamwork systems, quality-circles and other such human resource management strategies, see especially H. J. Boyet and H. P. Conn, Workplace 2000, 1991. On Just-In-Time production networks, see K. Hoffman and R. *Kaplinsky* Driving Force *op. cit.; and C. Freeman,* The Factory of the Future, 1988.

[37] In the sugested new state-model, solidaristic or collectivist values are deemed incompatible with the new flexibility imperatives of contemporary capitalism. See R. B. Reich The Work of Nations op. cit.

[38] For more on the tensions between capital and labour in the core and periphery after 1945 and the placating role of welfare-statism, see M. Kalecki (ed.), Selected Essays on the Dynamics of Capitalist Economy 1933-1970 op. cit., A. Gorz, Farewell to the Working Class, 1982; and C. Offe and J. Keane (eds.), The Contradictions of the Welfare State, 1984.

[39] For more on this, see K. Ohmae The End of the Nation-State op. cit. See especially his chapter discussing the concept of a regionalised economy.

[40] See U.N. Centre on Transnational Corporations, World Investment Report: 1991: The Triad in Foreign Direct Investment, 1992a.

[41] See H. A. Watson (ed.) The Caribbean in the Global Political Economy op. cit., pages 73 and 72.

[42] See M. Blumenthal 'The World Economy and Technological Change' op. cit. This reinforces the point of the complexity of the world as a system and the impossibility of any state rigging it in its own interest.

[43] As neatly summarised by H. A. Watson (ed.) The Caribbean in the Global Political Economy op. cit.

[44] To be sure, this was encouraged under the Thatcher-Reagan-Kohl tandem and in some academic and policy circles. Consider, for example, how Balassa interpreted the 'lessons' of the East Asian miracle as the outcome of '[adequate] resource allocation..; the exploitation of economies of scale and increased capacity utilization; improvements in technology; and increases in domestic savings and foreign direct investment under an outward-oriented development strategy'. Here the role of the state is de-emphasised. See B. Balassa New Directions in the World Economy op. cit., p.27.

[45] The Third World *via* the Non-Aligned Movement and the Group of 77, acted on the idea of a 'democratisation of international relations' (*via* a proposed International Bauxite Association along the lines of OPEC; the declaration of 'socialist planning' e.g. Grenada and Nicaragua; and the calls for a New Information Order and a New International Economic Order). As Piore and Sabel (The Second Industrial Divide op. cit., p.10) put it, these events 'created an uncertain world'.

[46] *Homo economicus* according to Brohman (1995) is rooted in the (Eurocentric) belief that economic behaviour in all places at all times follows the strictures of economic rationality. See J. Brohman 'Economism and Critical Silences in Development Studies' op. cit., p. 298.

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[47] For a comprehensive summary of neoliberal arguments, see R. Vernon, 'Introduction', in R. Vernon (ed.), The Promise of Privatization: A Challenge for U.S. Policy, 1988, pp.1-22.

[48] See for example, D. McNally, Political Economy and the Rise of Capitalism, 1988. He speaks of the rise of market society in Chaps. 4 and 5. See also, E. L. Jones, The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia, 1981; and for an elaboration see, J. Lie, 'Embedding Polanyi's Market Society', Sociological Perspectives, No. 34, 1991, pp.219-235.

[49] See B. K. Gills and J. Rocamora, 'Low Intensity Democracy', Third World Quarterly, Vol. 13, No. 3, 1991, pp.501-523. They note that the U.S. Secretary of State (1990) James Baker had declared that the 'promotion and consolidation of democracy' is the new post-Cold War mission [p.30]. For a broader philosophical discussion on the idea of 'liberating civil society', see K. R. Popper, The Open Society and its Enemies, 1966.

[50] See for example, G. Hyden, No Shortcuts to Progress: African Development Management in Perspective, p.19.

[51] As he puts it, it 'is part of a social and cultural transformation in which links between work, effort, savings, and life chances (and death) more generally are reified through ideological representations commensurate with a growth in the power of capital.' See S. Gill 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism' op. cit., p.410.

[52] See for example, the recently signed *(1994) Generalised Agreement on Trade and Tariffs; the* (1989) Canadian-United States Free Trade Agreement (CUSFTA) which has become the (1993) North Atlantic Free Trade Agreement (inclusive of Mexico) and is to be expanded into a wider (2005) Americas Free Trade Area (AFTA); the various G7 summits; and current IMF/World Bank stipulations.

[53] See the editorial comment in the inaugural issue of the Review of International Political Economy. See A. Amin, B. Gills, R. Palan and P. Taylor, 'Editorial: Forum for Heterodox International Political Economy', Review of International Political Economy, Vol. 1, No. 1, Spring, 1994, pp.1-12. p.3.

[54] This idea and the summaries were drawn from points raised by B. J. Cohen, 'Phoenix Risen: The Ressurection of Global Finance', World Politics, Vol. 48, No. 2, 1996, pp.268-296.

[55] See A. Amin, B. K. Gills, R. P. Palan and P. Taylor 'Editorial' op. cit., p.3.

[56] Quoted from B. J. Cohen 'Phoenix Risen' op. cit., p.294.

[57] For the decline vs. revival debate, see R. Heilbroner, '"Is America Falling Behind", An Interview with Paul Kennedy' Dialogue, Issue 86, No. 4, 1989, pp.32-37. Also, S. P. Huntington, 'Decline or Renewal?: A Rebuttal to Paul Kennedy', Dialogue, Issue 86, No. 4, 1989, pp.38-44; J. S. Nye, 'The New Dimensions of Power', Dialogue, Issue 86, No. 4, 1989, pp.45-47; and P. Kennedy, The Rise and Fall of Great Powers: Economic Change and Military Conflict, 1987. For a recent re-statement of the U.S. renewal position, see J. S. Nye, Jr. and W. A. Owens, 'America's Information Edge: The Power Resource of the Future', Foreign Affairs, Vol. 75, No. 2, March/April, 1996, pp.20-36; and E. A. Cohen, 'A Revolution in Warfare: Technology Strikes Again', Foreign Affairs, Vol. 75, No. 2, March/April, 1996, pp.37-54. On the question of hegemony, see J. Zysman, 'U.S. Power, Trade and Technology', International Affairs, Vol. 67, No. 1, 1991, pp.81-106; R. O. Keohane and J. S. Nye Power and Interdependence op.cit.; D. P. Rapkin (ed.), World Leadership and Hegemony, 1990; and R. Cox, Production, Power and World Order: Social Forces in the Making of History, 1987. For a discussion of theoretical approaches and a critical review of the relevant issues, see S. Strange, 'An Eclectic Approach', in C. N. Murphy and R. Tooze (eds.), The New International Political Economy, 1988, pp.33-50; B. K. Gills 'International Relations Theory and the Processes of World History: Three Approaches' op. cit.; J. S. Levy, 'Long Cycles, Hegemonic Transitions, and the Long Peace', in C. Kegley (ed.), The Long Postwar Peace, 1991; and A. Payne, 'U.S. Hegemony and the Reconfiguration of the Caribbean', Review of International Studies, Vol. 20, No. 2, April, 1994, pp.149-168.

[58] See the contributions of P. Taylor (p.363-364), G. Arrighi (p.365-366), R. Cox (p.366-367) and G. Modelski (p.372-374), 'The Forum: Hegemony and Social Change', Mershon International Studies Review, Vol. 38, October, 1994, pp.361-376.

[59] Ibid. I refer to B. K. Gills (p.370), A. G. Frank (p.372), and to a lesser extent, H. Overbeek (p.368).

[60] Ibid. See the contribution of H. Overbeek, p.368.

[61] See the APEC Economic Leaders' Declaration of Common Resolve, Bogor, Indonesia. Signed Nov. 15 1994 by ASEAN countries, Papua New Guinea, United States, Japan, Canada, South Korea, Taiwan, Australia, New Zealand and China. According to the *Declaration* (item 6: p.4), the leaders agree:

[T]o complete the achievement of our goal of free and open trade and investment in Asia Pacific no later than the year 2020. The pace of implementation will take into account the differing levels of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020. We [however] wish to emphasize our strong opposition to the creation of an inward-looking trading bloc that would divert from the pursuit of global free trade.

Before this recent development, Kwan (1994: p.135) had pointed out that growing U.S./Japan/Asian-Pacific interdependence means that 'APEC...has the potential to develop into a Pacific version of OECD.' With the Bogor Declaration, the Prime Minister of Australia optimistically forecasts that 'by 2020 seven of the top 10 economies in the world will belong to it.' See C. H. Kwan, Economic Interdependence in the Asia-Pacific Region: Towards a Yen Bloc, 1994, p.135. For the Australian Prime Minister's comments, see, Australian High Commission. Transcript of the Prime Minister, The Hon. P. J. Keating MP Press Conference, Grand Hyatt Hotel, Jakarta. Tuesday 16 November 1994.

[62] Bernard and Ravenhill (1995) make the point that the years after the Plaza Agreement (1985) marked a deepening of the regionalisation of production in East Asia. Following currency appreciation in Japan, South Korea and Taiwan, there was 'little alternative but to move some stages of their production offshore' to the wider ASEAN region [ibid.: p.180]. Japan's investment in other Asian countries (Malaysia and Thailand) between 1986-1989 was to exceed the cumulative total for the whole of the 1981-1985 period [p.181]. Taiwanese and Korean investment in ASEAN have also grown, but at an astronomical rate since 1985. See M. Bernard and J. Ravenhill, 'Beyond Product Cycles and Flying Geese: *Regionalization, Hierarchy and the Industrialization of East Asia*', World Politics, Vol. 47, No. 2, January, 1995, pp.171-209.

[63] See S. Breslin, 'China in East Asia: Regionalisation, Regionalism and Regional Hegemons', a Research Paper, 1996.

[64] Nester (1990) speaks of Japan's 'structural power' in Asia by making reference to its central position in an import-export web that includes many countries in Asia. See W. Nester, Japan's Growing Power Over East Asia: Ends and Means, 1990.

[65] This refers to the 1992 initiative proposed by former Prime Minister of Trinidad and Tobago Patrick Manning of a triangular bloc between Barbados, Trinidad, and Guyana.

[66] The example below indicates how state/sovereignty could be enhanced by sub-regional responses. Recently, an article in the International Herald Tribune (22 April 1996) reviewed the soon-to-be published memoirs of President Francois Mitterrand. What was revealed was that President Mitterrand wanted France-Germany unity completed and to include Russia precisely to drive U.S. influence out of the EU and to get rid of NATO.

[67] See S. Breslin 'China in East Asia' op. cit., p.23.

CHAPTER FOUR

THE DILEMMA OF THE COMMONWEALTH CARIBBEAN

Commonwealth Caribbean countries are coming face to face with the limits of choice that late twentieth century capitalism presents. For most of the last thirty years, each country pursued development strategies that were largely cushioned by the `goodwill' of the international trading community. Guaranteed markets were secured, infant-industry arguments were accepted, and low-tech/low wage industrial platforms proved sufficient for attracting foreign capital. As the last Chapter pointed out, the recent application of newer technologies to the industrial base of the world economy and parallel changes taking place in the ideological sphere have led to the emergence of a new international paradigm. This is based largely on neoliberal strictures that seek to ensure the unfettered circulation of goods and commodities globally. At bottom, the region has been caught napping. Presently, each country has no complex industrial infrastructures based on ongoing research and technology design. As was the case prior to independence, capital accumulation remains rooted in distribution infrastructures and not production ones. The lack of a critical mass of talent, resources, and research in each country appears now to be even more acute. Accordingly, this chapter seeks to explore the feasibility of the (Caribbean) national option under restructuring global capitalism.

Mushrooming debt after 1979 signalled the first real economic setback since independence.[1] The Caribbean now has a debt service ratio that ranges from 21 per cent (St. Kitts-Nevis) to 39 per cent (Jamaica, Guyana), which is above the 20 per cent figure taken as a warning bell by international economists. While the U.S./Caribbean Basin Initiative (1984) arrangement specified a greater role for the region in terms of electronics production and garments assembly, it could not fully prop up the various debt-engulfed economies of the region. By the 1990s, IMF/World Bank surveillance and the requirements of other international regulating organisations served to deepen the crisis as state managers witnessed the narrowing of the range of their policy options and state power. Most of the relevant literature marks the crisis facing the region by pointing to its high debt structures (see Table I), growing unemployment in each Caribbean country, and the massive devaluations in Guyana, Trinidad and Tobago, and Jamaica.

Table I

Commonwealth Caribbean: Major Economic Indicators (1990)

	Land Area (Km2)	Population 1991 ('000)	Unemployment (%)	Inflation (%)	External Debt (US $M)	GDP Per Capita
Antigua/ Barbuda	440	63	5.0	3.6	250	5470
Bahamas	10070	252	11.0	5.4	1200	9800
Barbados	430	254	18.0	6.2	550	6500
Belize	22800	228	12.0	1.8	169	1320
Dominica	750	86	10.0	6.3	73	1840
Grenada	340	83	25.0	7.0	90	2390
Guyana	196850	749	35.0	10.5	1700	380
Jamaica	10830	2489	18.2	16.0	4100	1580
Montserrat	100	12	3.0	3.6	20.5	4500
St. Kitts/Nevis	269	40	15.0	5.0	26.4	2400
St. Lucia	610	153	16.0	4.4	54.5	1830
St. Vincent/ Grenadines	340	114	30.0	2.6	42.2	1315
Trinidad/ Tobago	5130	1285	20.0	11.4	2500	3363

Source: The World Factbook, Central Intelligence Agency, 1991.

Indeed, a World Bank (1988) report stated that Caribbean development strategies had been too 'relian[t] on few traditional exports [that exposed them] to external shocks.'

The Bank lauded the post-CBI (1984) macro-economic adjustments towards export-led growth stating:

Some countries...have undertaken...steps to adjust their economies to changing external circumstances and have been successful in reducing their vulnerability by introducing incentives for exports, improved resource allocation, increased savings and investment, a variety of sector-level reforms and redirect [sic] policy investment priorities. Countries which have introduced these policy reforms [are] Jamaica, Belize, Dominica, [and] St. Vincent and the Grenadines...[p.3].

St. Kitts-Nevis (1988), St. Lucia (1988), Trinidad and Tobago (1987), and Barbados (1991) either voluntarily initiated or were encouraged to implement similar policy reforms by multilateral institutions.

Various scholars suggest recovery may occur through a variety of measures that include such reforms. Others speak of the need to pursue debt-forgiveness, and the need for industrial retooling, agricultural diversification and a more vigorous export-oriented thrust [Thomas, 1989; McAffee, 1991; Worrell, 1993]. I argue instead that the national development strategies born out of the decolonisation experience find each Caribbean country with little to hold on to in the face of rapid technological change and increasing competition. I point out that the Caribbean thirty year paradigm of development is undergoing a severe crisis because of the uncertainties and displacement affecting etatisme, infant-industry arguments, protectionism, non-reciprocity in world trade, and low tech/cheap labour options. An argument is made therefore that English-speaking Caribbean countries would be on better ground to seek advantage in global competition through a new type of regionalisation. The solution of a deeper form of regional integration is discussed in Chapter Six, but it follows from the principal argument here -- that petty nationalism has become a spent force.

Wil Hout's (1993) view on the limits of primary commodity and low-wage strategies of development, is of particular importance here. Hout's findings suggest that persistent reliance on cash-crop and labour-intensive exports usually leads to highly dependent economic patterns. He explains that countries with a `primary commodity export-orientation' usually tend to experience balance of payments problems during periods of global recession as commodity prices fall on the international market. In addition, Hout notes, promoting one's site strictly as a low-wage destination is a recipe not only for depressed standards of living, but for eventual technological stagnation as well. This is because the technology foreign investors would bring with them, and maintain, would be low-tech second hand equipment, suitable for mundane tasks at the low end of manufacturing assembly. Hout recommends that developing countries should aim for a more `differentiated, industrial production structure', since reliance on a few primary commodities or strict low-wage strategies have `proven to be detrimental to their development' [p.183-184].[2] The insights provided by some other authors suggest that if `diversification' is contemplated, then it should not be out of agriculture and low-wage strategies altogether and into manufacturing, but rather manufacturing and skills-enhancement education plus diversification within agriculture [Chenery and Srinivasan, 1989]. To be sure, emphasis is placed on the need to remain responsive to changing world market conditions as the key to improving prospects for economic growth and recovery.

The extant findings above serve as a necessary preface to the following comments on contemporary capitalism and its impact on those sectors that underpin Caribbean national economic viability. The ongoing global economic restructuring process described in Chapter Three does carry severe implications for countries that base their development on infant industry arguments, one or two exports, and cheap (unskilled) labour options. It is worse if the country does not have a critical mass and economies of scale and scope. This is, in fact, a brief but accurate description of the thirteen countries that make up the Commonwealth Caribbean region. There is a perception among Caribbean state managers that the current process towards accession into AFTA presents another opportunity for the furtherance of their nationalisms.[3] In contrast, I argue that the international order that guaranteed some measure of viability for new post-colonial states (1945-1970s) is currently shifting, with profound implications for these weak national states. Put another way, global restructuring is fast rendering the traditional economic platform of Caribbean national economies obsolete.

As it currently stands, the response has been to enhance the promotion of tourism and other services. Nevertheless, in every case there has been considerable policy emphasis on harnessing perceived gains made in the export of manufactured goods.[4] The product composition of the region's export trade (see Table II) and the associated markets (see Table III), hold significance for understanding the development prospects of Caribbean countries.

The following are among the salient features of the Caribbean's export trade.

i) Manufactured goods account for about 50% or more of the total merchandise exports to OECD countries. The countries that reach this 50% mark are Antigua and Barbuda, the Bahamas, Barbados, Jamaica and St. Kitts-Nevis.

ii) Of the manufactured exports, textiles and clothing exports are dominant for Belize, Grenada and St. Lucia; for Jamaica, textiles and clothing rank equally with chemicals.

iii) In terms of dynamism, the manufactures showing the greatest improvement are in the areas of clothing, and the assembly of electrical power machinery (Antigua and Barbuda, St. Kitts/Nevis, and St. Vincent and the Grenadines). Chemicals showed a significant growth in Jamaica and the Bahamas.

iv) All these new manufactures are labour intensive, especially of the low-skilled type, are largely (89%) dependent on Asian or Western investment, and are produced exclusively in export processing zones. Low wages are paid to workers in these zones.

v) For Caribbean countries, North America, particularly the U.S., is of great importance in sustaining this momentum in the production and exports of labour intensive manufactures.

Table II

The Product Composition of Commonwealth Caribbean Exports to the OECD (1992) (Product Group as a Percentage of Total Exports)

	Total Exports $ million	All Foods	Agri-cultural Items	Fuels	Ores, Metals and Alumi-nium	Other Manu-facture (light goods; plastics etc.)	Textiles and Fabrics	Chemi-cals	Electro-nics
Antigua	12.8	14.5	2.6	11.5	7.8	29.2	6.8	0.8	25.8
B'hamas	1025.0	10.6	0.2	16.8	2.1	5.3	0.1	46.8	18.1
B'dos	85.9	46.2	1.0	0.0	0.6	14.8	8.4	0.5	28.5
Belize	133.9	80.8	0.9	—	—	3.3	14.5	0.3	0.2
Dominica	56.0	87.1	0.3	0.0	0.2	3.6	1.8	5.6	1.4
Grenada	19.5	66.1	—	0.0	0.0	19.4	10.6	0.0	3.9
Guyana	326.5	59.0	0.8	—	32.4	—	10.7	2.2	0.9
Jamaica	1286.2	21.8	0.3	—	58.7	—	29.5	29.7	0.5
St. Kitts-	36.9	43.3	0.3	0.0	—	5.7	13.2	0.1	37.4
St. Lucia	139.3	72.7	0.3	0.0	—	2.5	18.1	0.0	6.4
St. Vincent	99.5	78.9	0.1	2.6	—	0.2	3.2	0.1	14.9
Trinidad	1217.9	13.5	0.1	60.3	0.7	17.8	0.2	16.3	1.1

*Bahamas exports also include exports to the US.
Source: Drawn largely from the McIntyre Report (1994).[5]

Table III

The Geographic Destination of Commonwealth Caribbean Exports (1990) (Percentage of Total Exports)

	World $Million	OECD Markets	Europe	North America	Developing Countries
Antigua	27.0	52.8	3.8	49.0	47.2
Bahamas	2937.3	98.2	2.2	94.9	1.8
Belize	213.4	36.6	20.3	15.9	33.0
Barbados	124.4	87.5	42.5	44.2	12.5
Dominica	43.6	66.9	59.2	7.7	23.1
Grenada	32.4	76.5	63.0	13.6	15.3
Guyana	233.7	83.4	47.8	28.3	12.6
Jamaica	1017.0	85.3	34.5	49.6	26.5
St.Kitts	30.2	73.2	22.8	50.3	17.5
St. Vincent	68.0	75.0	50.9	24.0	24.0
Trinidad	2080.4	69.2	9.7	58.2	26.7

Source: McIntyre Report (1994).

As pointed out in Chapter Two, a variety of preferential arrangements underpin the profile of Caribbean exports in the period 1980-1992.[6] These include the OECD Generalised System of Preferences (GSP), the EEC/EU Lome Agreements, the U.S./Caribbean Basin Initiative (CBI) and the Caricom/Canadian Trade and Economic Cooperation Agreement (CARIBCAN). Within these agreements, Caribbean exporters face lower tariffs than those assessed on similar goods from other countries. Table IV presents a picture of the level of protection that Caribbean exports face in the U.S. market alone as compared with for example, Taiwan and South Korea. The data reveals that many Caribbean exports enter the U.S. either under a zero duty umbrella or on a relatively small tariff line. A typical example is the case of the Bahamas. The country exported 152 tariff line products to the U.S. and 140 or 92% of these faced a zero tariff.

Table IV

Caribbean Export-Preferential Profile in the U.S. Market (1992)

	Number of Tariff Line Level Products Exported, 1993 (figures in parentheses show the percentage of all exports in that group)				
Exporting Country	**Tariff lines with a zero MFN duty**	**Tariff lines with a zero preference rate**	**Total lines with a zero tariff**	**Total lines with a non-zero MFN tariff**	**Total tariff line products exported**
Antigua	16	39	55 (82)	12 (18)	67
Bahamas	54	86	140 (92)	12 (8)	152
Barbados	38	88	126 (79)	33 (21)	159
Belize	28	44	72 (71)	29 (29)	101
Dominica	21	104	125 (89)	15 (11)	141
Grenada	14	20	34 (67)	17 (33)	51
Guyana	41	21	62 (69)	28 (31)	90
Jamaica	86	221	307 (73)	115 (27)	422
St. Kitts/Nevis	7	37	44 (60)	29 (40)	73
St. Vincent & Grenadines	11	60	71 (58)	51 (42)	122
Trinidad & Tobago	6	14	20 (69)	9 (31)	29
Taiwan	822	0	822 (18)	3 830 (82)	4 652
South Korea	655	0	655 (17)	3 300 (83)	3 955

Source: McIntyre Report (1994).

The increasing push towards trade liberalisation spearheaded by the recently signed GATT Agreement and other sub-regional strategies, act to shape a new international development paradigm. Reciprocity is enshrined in these agreements as the goal of free trade in goods and services is held to be the key to global economic recovery. Caribbean exports, particularly in agriculture and garments, will face declining protection as US/Canada/EU tariff reductions against third countries reach record lows by 2004.[7] In addition, the proposed Americas Free Trade Agreement (AFTA) binds signatories to conform to the principle of asymmetrical reciprocity. As the Declaration of Principles (1994) states:

> We...resolve to begin immediately to construct the "Free Trade Area of the Americas", in which barriers to trade and investment will be progressively eliminated. We further resolve to conclude the negotiation of the "Free Trade of the Americas" no later than 2005, and agree that concrete progress toward the attainment of this objective will be made by the end of this century.../ We endorse full and rapid implementation of the Uruguay Round, active multilateral negotiations in the World Trade Organization, bilateral and subregional trade agreements, and other trade arrangements that are consistent with the provisions of the GATT/WTO and that do not raise barriers to other nations.[8]

All of this means that Caribbean exporters are to face new levels of international competition after over thirty years of insulation by their domestic governments and international non-reciprocal arrangements. But this alone does not explain the full nature of the Caribbean dilemma. The levels of openness now required in the state, and financial and services sectors, find individual governments unable to maintain accustomed patronage-based networks, and by implication, politicised accumulation forms. To be sure, Robert Bates (1981) uses the term, `politicised accumulation', to refer to the variety of ways in which the state could make readily-available opportunities for private accumulation for those whose influence it wished to secure. Also, the state could use its privilege position to accumulate rents or incomes for itself. Politicised accumulation could involve the direct appropriation of state resources, securing and defaulting on government loans, or collecting commissions on government contracts. Given that the state in the Caribbean regulates major trading circuits, establishes marketing boards and organises markets, awards contracts, and approves land and commercial space for business operations, it is easy to see how politicised accumulation serves as a material basis for consensus between big merchants and state elites. And in light of the diffusion of services related activity (i.e. hair salons, restaurants, bakeries, boutique operators) in urban and suburban areas in each country, it does appear to be the case that politicised accumulation made comnmercial circuits prime sites for building political machines.

The GATT Agreement (1994) embraces areas of economic activity that are not strictly trades -- i.e. intellectual property rights (IPRs), services, and investment rights. After a short phasing-in-period, Caribbean governments will be unable to apply restrictive regulations in economic activities such as banking, insurance, transport, wholesale and retail trade, and professional services such as auditing, advertising and legal practices. In addition, governments are required to pass domestic laws protecting and enhancing patents and other IPRs of TNCs.

Under the new Trade-Related Investment Measures (TRIMS), the rights of foreign investors are assured, and if their assets or operations are expropriated by a host country, trade sanctions are expected to be applied by their governments. Also, the new General Agreement on Trade in Services (GATS) guarantees the progressive liberalisation of strictures such as limitations `on numbers of service providers, on the total value of service transactions or on the total number of service operations or people employed.' In short, the aim is to ensure that **national**-treatment provision is unbiased to foreign and local service providers alike.[9] TRIMS, GATS and IPRs essentially seek to stamp out previous state-management options like providing subsidies to correct market imperfections or imposing restrictions to correct balance of payments problems. The Caribbean tendency of making `sound fiscal management' the litmus test of national viability, is likely to be exposed for its insufficiency in a highly competitive and liberalising world.

A closer examination of the key sectors that underpin the economic survival of the region will point more clearly at the dilemma governments face in the contemporary international system.

Ores, Metals and Fuels

Respectively, bauxite, aluminium and crude oil are the key raw material exports of Jamaica, Guyana, and Trinidad and Tobago. Ores and metals constituted over 32% of Guyanese exports to the OECD countries in 1992. The figure was over 58% in the case of Jamaica. Trinidad and Tobago's fuel exports (60.3%) dominated its total exports to OECD countries (see Table II). It is from these that the respective governments largely pay public sector wages and meet debt commitments. Declining commodity prices of ores and metals from the 1970s greatly contributed to balance-of-payments difficulties in both Jamaica and Guyana.[10] The windfall benefits that Trinidad and Tobago experienced in the oil boom of the 1970s were `mismanaged' in that they were largely used to further provide wage increases, and to support inefficient parastatals. As explained in the Chapter Two, these were part of the requirements of regime consolidation and populist-statism.

The further plummeting of commodity prices in the early 1980s (including oil) matched heightened external borrowing. As balance of payments worsened, debt levels increased.[11] By 1983, they had each sought IMF/World Bank assistance and had suffered devaluations. Social tensions heightened as workers and entrepreneurs long accustomed to public sector supports were forced to accept declining values in wages, services and incentives.[12] State managers found themselves pleading for calm and restraint. Indeed, Jamaican Prime Minister, P.J. Patterson was to warn union and public sector employees that recent (1993) salary increases to teachers `should not be considered as setting a precedent for other groups; it represents the pinnacle.' Facing intense demands for wage hikes from 80 per cent to 300 per cent, Patterson added:

If the level of increases now being demanded by public sector workers were met, then almost all the budgetary resources would have to be used to pay wages. The government has no secret funds stashed away. We cannot reach the situation where we sacrifice our development possibilities simply to pay wages.[13]

This crisis of management is likely to worsen given the fact that the expected price recovery in the minerals sector is not immediately foreseeable.

The inputs of minerals in modern industrial production (per unit of output) are declining. Brown and Tiffen (1992) explain that although demand for minerals has increased since the 1960s, it has not increased as much as industrial growth itself. The general reasons for this include `better design, a switch to synthetic materials, changes in demand for goods and services, recycling of used materials, and biotechnology-led savings' [p.69]. The rapidly restructuring productive base of core countries has resulted in **more** goods containing **fewer** quantities of metals than a decade ago. Plastics and ceramics are being increasingly employed, and this has made the prospect for an increase in demand for bauxite less likely. Moreover, aluminium is being recovered by newer recycling techniques. Brown and Tiffen allude to this when they note:

In 1989 the US recycled some 850 000 tonnes (47 million cans), a recycling rate of 62 per cent. Currently the European rate is 16 per cent, but the target is 35 per cent. As these recycling rates increase and the practice spreads to Eastern Europe and beyond, the trend to recycle combined with the use of plastics mean that demand [for metals] may fall in the long term [p.78].

Here Brown and Tiffen also hint that there is some lead-time available for bauxite-alumina exporting countries to pursue alternative markets, for example in the expanding economies like South Korea and Taiwan. In the case of the former, imports of aluminium doubled in the period, 1982-1987 [p.78]. However, this should not constitute a long-term strategy since the general trend seems to be the gradual reduction in usage of metals. Like sugar after the mid-18th Century, the bauxite-bonanza for countries like Guyana and Jamaica has begun to fade.

Apart from a state-owned petroleum company, Mobil, Texaco (U.S.) and Shell (Europe) oil companies maintain operations and exploration in Trinidad and Tobago. The government has issued these with licences and receives royalties in return. Brown and Tiffen point out that declining reserves in North America and Europe, slow population growth in these countries, and increasing awareness of energy conservation mean that the demand effect on Third World oil-producing countries will remain at current levels. They indicate that there is some short-term advantage in servicing Southeast Asia's demand which is expected to peak between 2010 to 2020 [p.92]. However, they caution that the increasing use of renewable energy resources, including solar, wind and wave power, is likely to be incorporated in Third World energy policies as far as possible. In terms of Trinidad's export-income fortunes, it is worth noting that the increased demand recorded for Asian countries has not pushed up oil prices.[14] Given the elasticity of the existing capacity of Saudi Arabia alone, it is further estimated that any significant hike in oil prices is highly unlikely in the future. Put succinctly, crude oil as an export commodity appears to have passed its apogee. The Trinidad government therefore has to improve its nascent petro-based industrial sector and pursue a vigorous export-drive if it hopes to reap benefits from its oil resources.[15]

Garments and Textiles

Textiles and clothing are the major export manufactures for Belize, Grenada, St. Lucia and Jamaica (see Table II). The turnaround in this sector was stimulated in the mid-1980s as a result of the CBI, and U.S. domestic policy decisions. CBI I (1984) grants duty free entry for all products except textiles and clothing, footwear and leather manufactures, petroleum and its products, and a few other items.[16] Before the CBI, the U.S. had in place, voluntary export restraints -- under the umbrella of the Multi-Fibre Arangement (MFA) -- to restrict textiles and garment imports. U.S. domestic firms like Benneton Clothing Company were retooling during this time, incorporating new CIM-driven assembly structures. However, U.S. officials recognised that a Special Access Program, known as 807-A or Super 807, was needed to augment the domestic restructuring process. Beginning in 1986, Super 807 provided for reduced duties and guaranteed access levels (GALS) above the quota access levels for CBI textile and apparel products assembled in a CBI country from components that were originally formed and cut in the U.S. Under this provision, customs duties are paid only on the value-added to the goods as a result of processing or assembly in the CBI country. In reality, duties charged on the value-added amounts to about 8% of the value of each garment in Commonwealth Caribbean countries.

A World Bank Report adequately describes the impact this has had on Caribbean exports of garments assembled and cut out of U.S. fabric:

US imports from the world and the [Commonwealth] Caribbean grew at 17% and 18% per annum, respectively, between 1980 and 1986. By 1986, clothing accounted for over one-third of the Caribbean's *earnings from manufactured exports.*[17]

Super 807 has provided guaranteed access to these select Caribbean Countries, and this accounts for the region's turnaround in garment exports. However, Super 807 and the MFA act as barriers to free trade [Tussie, 1987].[18] One guarantees privileged access to select countries. The other acts as a protective barrier for OECD countries against Third World exports in textiles and garments. GATT 1994 has brought these into the mainstream of international trade by imposing phasing-out restrictions on the MFA.[19]

This means that the playing field is opening to new aggressive players, particularly those that are severely quota-constrained at the moment. For example, it was estimated by the World Bank (1988) that the utilisation of bilateral U.S. textile quotas under the MFA heavily afftected Asian suppliers, particularly China (96.3%), South Korea (92.6%), Taiwan (89.6%) and Hong Kong (84.2%). Indeed, these ratios account for why Jamaica, St. Kitts-Nevis, and St. Lucia received investments in the mid-1980s from quota-jumping Asian suppliers eager to enter the U.S. markets [McIntyre, 1994]. Needless to say, the phased removal of the MFA will remove the need for quota-jumping investments by Asian suppliers, reducing such investment inflows to these Caribbean countries.

The prospects for the future development of offshore garment assembly sites in the Caribbean appear even dimmer. At the international level, CIM technologies are transforming U.S. textile and clothing sectors *via* the use of open-end spinning and shuttling looms, x-ray technologies, computer-aided spectrophotometers,[20] and programmable multipurpose machines. These all act to increase labour productivity and reduce the demand for labour in the sewing stage of garment production.[21]

At the Caribbean state level, the principal concern since the 1960s has been solving the unemployment problem. This encouraged the leaders to promote their countries as cheap-labour destinations. The cheap-labour card has been played relentlessly. However, in the interim little was done to improve technology. Ruling regimes remained content with manipulating wage levels and adjusting tax-rates to attract and retain the interest of foreign investors. Policy continues to remain guided by the Heckscher-Ohlin model of the inherent advantage of factor endowments.[22] In this light, labour has come to be seen as the 'abundant resource'. The model holds that a country relatively well endowed with labour will have low wages and will tend to export labour-intensive goods. The model seems to suggest that Third World countries should be content with the momentary comparative advantage that they have (or had) in cash-crop exports or low-cost, labour-intensive production. It also assumes that foreign investment in a low-wage, labour-surplus country inevitably leads to technology transfers, development of management skills, and backward and forward linkages in the host economy. The question of sovereign economic interests, and the reality of external international relations were not taken into account in the Heckscher-Ohlin model. Technological improvements, which stem from the dynamic of interstate and interfirm competition, do not make for a simple world of specialisation and exchange with everyone benefiting accordingly. If this was the case raw material and labour-intensive exports would serve as much a route to high accumulation as finished products and hi-tech consumer items are for core countries. This point becomes clear if one notes a key point made by the neo-Schumpeterians relative to the ongoing application of automation technologies to the industrial base of the world economy. Hoffman and Kaplinsky (1988) note that the replacement of unskilled labour at the low-end of the manufacturing assembly process in core companies has meant an erosion of the Ricardian (or Heckscher-Ohlin) idea of the inherent advantage of cheap labour abundance. In accordance with this technology-shift, the new drawing card for attracting export-based investment seems to be cheap **skilled** labour. But by failing to correctly read the economic omens, Caribbean state managers and technocrats continue to frame industrial policies based on the assumptions of the Heckscher-Ohlin model, and thus continue to sell the region as a low-tech/low-wage platform for offshore assembly activity.[23]

In the case of **Jamaica**, the production-platforms are in the Kingston corporate area and the Export Free Zone (EFZ). These include the Kingston Free Zone (1976), the Montego Bay Free Zone (1985) and the Garmex Free Zone (1987). By the end of 1992, these three publicly-owned free zones contained thirty-nine companies employing more than 14,000 persons, largely in the assembly and manufacture of garments. In the wider corporate area, there exist some fifty garment factories that operate exclusively as export processing companies under the Export Industry Encouragement Act.[24]

In **St. Lucia** there are no free zone areas but companies have a choice between two virtually indistinguishable regimes: enclave industry or free zone status. Export processing began in 1968 with the establishment of U.S. owned Manumatics Limited.[25] By 1993, there were seventeen export processing plants employing some 2800 workers, with clothing manufacture accounting for over 72% of total manufacturing employment.

Virtually every Caribbean country competes for the same investment funds in product assembly operations. Governments continue to invest substantial resources in EFZs despite falling revenues. Although the costs are concealed in foreign loan packages, and off-budget funding, government development agencies specialise in costly activities such as maintaining EFZ sites, advertising these abroad, assisting prospective investors to establish operations, hiring cooperative workers and offering subsidies.[26] Industries are invited to take advantage of a low-tech cheap-labour environment. Standardised products, namely, clothing, electronic components and data entry are currently being assembled in the region's EFZs.

In Jamaica, St. Lucia, and other Caribbean countries, women dominate the manufacturing labour force. There is a perception that they are more adept than men in performing sewing and related tasks.[27] Workers are employed on a 40 hour week with wages ranging from US$84 (Barbados) to US$33 (Trinidad) a week. The average wage for sewing machine operators in Jamaica is US$35.20 a week, while the figure for St. Lucian operators is US$38.00. Only St. Lucia provides evidence of backward linkages to the rest of the economy, while Jamaica presents the worse case example of how bureaucratic 'red tape' could frustrate such linkages.[28] However, Jamaica since 1986 has managed to attract a greater share of U.S. assembly work than its Caricom neighbours. It is in this light that `cheap labour' is presently held to be the key to attracting garment assembly operations. Indeed, one Barbadian garments assembly manufacturer I interviewed admitted that since the `Multi-Fibre Agreement allowed the U.S. to re-tool, we have been forced to lobby harder on our strategic labour resource.'[29]

For reasons related to CBI arrangements, Caribbean producers have remained highly integrated into the U.S. market, but Jamaica is the only country that exports yarn-based clothing to the European Community.[30] The liberalisation of restrictions to garments trade finds the Caribbean glaringly lacking in technological capabilities, given the difficulty in obtaining and mastering computer technology and the state's penchant for maintaining a low-tech/cheap labour (unskilled) platform as the key to export-competitiveness. As indicated earlier, the idea of pursuing the productivity of labour *via* technological restructuring has never been employed at the policy level. Neither have there been attempts to encourage or upgrade technology, since governments each seek to maintain `competitiveness' through wage restraints, devaluations and Income Policy Protocols. To be sure, each government enjoys tangible benefits in terms of rent income, service charges, taxes on profits and so on. But in a world where knowledge-intensive production is cheapening labour power, it is imprudent to rely on a low-tech/cheap labour strategy to achieve export competitiveness. As tariff barriers and other restrictions are progressively removed, and as automation reaches all aspects of garment production, Caribbean component assembly platforms are likely to be clobbered by semi-automated rivals and/or declining U.S. and Far Eastern investment in this sector. Budgetary-constraints and resource-incapacities seem to have foreclosed on the idea of upgrading the technological infrastructure within EFZs. Rather than seek a regional solution, Caribbean states are engaged in a `race to the bottom' in terms of efforts to be `competitive' *via* lowering wages and increasing cost concessions to foreign capital.

Electronics

Electronics is a major manufactured export of Antigua and Barbuda, Barbados, St. Kitts-Nevis, and St. Vincent and the Grenadines. To be sure, electronics is part of an expanding global sector that includes micro-electronics and computer software. It is an extremely competitive market with the Caribbean region integrated as exporters of labour-intensive manufactures and providers of data processing services. The United States is the world's largest software producer supplying 50% of the market. The U.K., Japan, Taiwan and other Asian countries are other rising suppliers. Brazil, India and Singapore are perceived to be the `new kids on the block'.[31] The global electronics industry includes packaged (off-the-shelf) products, intra-organisational programming, and systems integration.[32]

The Caribbean specialises in the production of semiconductors. These are used in a range of products -- television sets, automobiles, military weapons systems, household appliances, and several others. The semiconductor exists in the form of a silicon chip, the integrated circuit and the transistor or diode. Schware (1992) explains that knowledge, rather than labour, is quickly becoming the distinctive raw material in this sector. As the Electronics Magazine forecasts:

> [T]he last decade of the 20th Century will see the globalization of the electronics industry accelerate, with the appearance on the scene of a United Europe providing more fuel for the process. But the big questions for companies in the U.S. and Japan will still center on the struggle for technological supremacy and domination of markets throughout the world.[33]

`Science parks' like Silicon valley and other similar incubation centres in Britain (Scotland), France, USA, Japan and Canada, have been the result of bolstered government Research and Development (R&D) infrastructure and enhanced private R&D.[34]

The semiconductor industry in the Caribbean since the mid-1970s has been made up of subsidiaries of foreign corporations, free-standing foreign companies, joint-venture companies, and local entrepreneurs who serve as subcontractors for large overseas-based corporations. The drawing card has been its `low labour costs, freedom by the promise of exemption from all taxes, including taxes on profits and on the imports of equipment, raw materials and intermediate goods used in the production for export.'[35]

However, the real fortunes of the region's electronics export sector have remained linked to global developments. For example, Barbados' exports of electrical and electronics goods soared from around 25% of all manufactured exports to over 60% between 1982 and 1985, but dipped in 1986 to 57.5 %, and in 1987, plummeted to 24.4%.[36] The global over-production of computer chips in 1986 accounted for this drop in Barbados' exports. But it was the (consequent) closure of four U.S. subsidiaries later in the year: Intel, Corcom West Indies Limited, Micro Data Limited, and Semi-conductor Limited, that made export fortunes worsen [Marshall, 1993, p.192]. The reason Intel gave for closure was that it could not find a dozen electronic engineers in Barbados. Similar events occurred in Antigua where an electronics company complained that there was a lack of trained personnel available.[37] This echoes the situation in the Jamaican-owned section of the garments industry. Here local entrepreneurs recruit expatriate managers because of an absence of local expertise in this area.[38]

In Barbados, the electronic companies all export their goods to North America. Three of them export to Europe and other regions as well. Of the twelve electronic companies in operation, two are locally owned, one is jointly owned and nine are foreign-owned.[39] The St. Lucian electronics export sector has not grown since the establishment of Manumatics Limited (USA) in 1968. This is due partly to the permeating culture of merchant capital. As indicated by a recent ECLAC Report (1994), there continues to be a `lack of interest' expressed by local entrepreneurs in electronics assembly production.[40] Fearing the risk, the domestic bourgeoisie has decided that their capital could be better utilised in merchandising, banana production, tourism and real estate activities. Ironically, because of the growth of the Barbadian telecommunications sector and financial services outlay -- themselves the product of the state and white elite's corporate-commercial vision, overseas-based electronics firms between 1975-1985 mostly sought entry into this Caribbean island. This is confirmed by Wilbur Lavine (radio report) who spoke of the role the Barbados Investment Development Corporation (BIDC) plays in attracting electronic companies. He points out that the BIDC stresses the country's low capitalisation, good transportation and communication links, its financial services portfolio, high ratio of university graduates and relatively cheap wages.

St. Lucia specialises in the production of mostly wirewound resistors and, limitedly, the assembly of electrical motors and transformers, assembly of circuit boards, the manufacture of resistors and relay lines, and the production of plastic novelty items including souvenirs for Euro-Disney. The foreign and jointly owned companies in Barbados assemble the following intermediate goods; circuit boards and cable harnesses; high-frequency radio receivers and transmitters; billing computers, electronic interface units, and relays; rectifiers and Hv assemblies; and wire-wound resistors. The local companies have been awarded CBI military defense sub-contracts and they produce components for overseas-based companies.

Watson's (1994) case study revealed that ten of the managers of the various companies recently expressed anxieties about Barbados' high wages relative to other Third World sites.[41] The study also pointed out that `eight of the managers expressed concern about the pace and cost of change in electronics technology and the tendency toward increasingly shorter product life cycle[s]'. A startling discovery was that the managers still contend `that electronics R&D is not important in Barbados since assembly operators are at the low end of the high-technology spectrum'.[42]

As it stands today, Caribbean exports to North America are still tied to the old electromechanical technologies installed as early as 1968. This cannot enhance the region's competitiveness against economies driven by CIM technologies. Todd (1990), like Hoffman and Kaplinsky, insists that the real danger is not necessarily the unfairness of the competition between technologically upgraded nations and lesser ones, but the very erosion of the Ricardian idea of `specialisation'. The region's cheap wage advantage is not likely to remain a key drawing card for investment capital and U.S. sub-contracts. Todd (1990) speaks to the unfolding marginalisation of labour intensive assembly sites when he notes:

> US plants which use manual assembly line techniques have higher cost per integrated circuit (IC) device than those which employ semi-automated assembly techniques. The cost of using fully-automated assembly is even much lower. However, manual assembly operations [frequently remains] cost competitive in the Third World, a fact that has justified the relocation of electronics assembly to the Third World. Ominous for the [periphery], however, that advantage is sharply reduced when semi-automatic techniques are introduced...and virtually disappears on the inception of fully-automated assembly [p.229-230].

The evolving AFTA is likely to provide the U.S. with greater options in relocating assembly operations to Canada or other high- or semi-automated platforms until it becomes cheaper yet to domestically assemble all aspects of the industry. The Caribbean therefore faces the **immediate threat** of seeing its operations relocated to other areas in the Americas, and if this does not occur in the short term, the medium term portends a collapse of labour-intensive operations as the manual assembly phase of the semiconductor industry is restructured. There appears no bright future then for electronics assembly production based on cheap (unskilled) labour techniques. Knowledge-intensive processes and technologies have to be employed to attract investment and to become export-competitive.

Bananas and Sugar

The lifeline of the OECS economies rests with the banana industry. As a raw material export, it benefits from generous protection under Lome IV, where the U.K. purchases 98% of this sub-region's bananas at a fixed price. The EU also has import quotas under its ACP Sugar Protocol with prices fixed at above-market levels for sugar from Barbados, Belize, Guyana, Jamaica, St. Kitts-Nevis and Trinidad and Tobago. Since the implementation of the CBI, the Caribbean has seen its sugar quota to the U.S. progressively reduced.[43] The most drastic drop occurred in the period 1983-1987, when the region's share of sugar export earnings fell from 29% to 8%. By 1989, the U.S. sugar import quota for the Caribbean was only 26% of its 1975-81 level.[44] The result was a concomitant decline in export earnings of more than 50%. Apart from this, many Caribbean countries have been unable to meet the U.S. and EU sugar quotas for reasons relating to slight droughts, and the progressive removal of arable land from production to facilitate tourism infrastructural expansion and real estate interests. Belize, Jamaica, St. Kitts-Nevis and Trinidad have consequently found themselves purchasing sugar on the world market for re-export to the EU. Since 1992, the policy of the Agricultural Management Company in Barbados has been to produce sugar only for export.[45] The Ministry of Agriculture has since imported low-grade sugar from Guatemala, and later Guyana, to meet domestic consumption.

This is the predictable result of economies marked by the hegemony of circulation over production and the primacy of populism. The historic tendency has been to maintain sugar production, once guaranteed market access is assured. Declining production and quota levels have seen the domestic bourgeoisie purchasing and/or turning arable lands into real estate holdings. In the post-independence interim, the state had run the sugar industry on palliatives -- i.e. international quota levels, price arrangements and market guarantees. It took care of mass unemployment, generated foreign exchange, and therefore facilitated the regime consolidation interests of state-managers. The international activities of Tate and Lyle, and of Gulf and Western -- transnational sugar producers involved in Caribbean sugar production -- were ignored. Since the 1970s, these transnationals have been at the forefront in the development of cane-sugar substitutes and related technologies. While state managers failed to read these economic omens, the domestic bourgeoisie remained aloof or discouraged about the idea of developing alternative agro-industries.

The problem is even more manifest in the banana industry. This commodity accounts for 50% of Windward Islands export earnings and 70% for Dominica. The industry employs mainly small farmers, in plots ranging from 0.5 to 40 hectares, and as much as 30% of the labour force.[46] In some cases, the gains made in the sale of this commodity `have been made at a cost of quality and productivity, [with] marginal lands being put into circulation'.[47] Caribbean leaders and technocrats complain today that growing international reciprocity threatens the socio-economic future of these countries.[48] But it is not the stipulations of GATT (1994) and the expiring Lome IV measures (1999) that should be derailed Caribbean ruling classes during the windfall banana years (1980-henceforth) failed to carry out any industrialisation of agriculture. It is not that state managers were unaware of the dangers of mono-crop dependence, for the idea of agricultural diversification was discussed from as early as 1968.[49] But the task of effective diversification was not a mere technical one, it was a question of political choice. Developing a viable agro-industrial complex demanded large scale capital investments and a critical mass of professional and technical personnel. Given these requirements, the newly independent (populist) states found themselves unprepared to undertake this task, and ill-disposed to engage the coalitional support of a domestic white elite whose capital interests responded to the logic of circulation.

Now that growing international reciprocity means that there are no other places left in which to hide (i.e. protective markets), the various island-states are forced to reconsider the question of restructuring the agricultural sector. However, the task is greater given the absence of research and development capabilities in most of the territories; the retreat of the domestic bourgeoisie from agricultural production and; advances in biotechnology. Indeed, primary agricultural commodities are being undermined by genetic engineering activities. As Brown and Tiffen (1992) note:

> It gives manufacturers much greater flexibility in their choice of primary commodity inputs. The days of relying on one or two sources for primary products are over. For example, cocoa beans, palm oil, beet or cane to manufacture cocoa, margarine or sugar -- all these can be switched and substituted whenever the supply of one primary commodity fails and prices rise [p. 33].

<u>The Mercantile Sector and Capital Inflows</u>

In the immediate post-independence order, colonial merchant capital was reinvigorated principally because the new political class forged a stable (ruling) alliance with the traditional elite, preserving old trading monopolies and corporate-commercial hierarchies, while extending the scope of commercial enterprise with the growth of tourism and other services. Recall that in Chapter Two, I explained that the bases of power for Commonwealth Caribbean regimes did not lie in capitalist intensification (i.e. industrialisation or export manufactures), but in the stability that commercial patterns of wealth accumulation promised and delivered. Of course the end result was the regime consolidation that the new political class sought. Equally crucial to the general political-economic stability of the region, however, was the specific combination of global structural forces at that conjuncture. Statism was accepted internationally and ideologically as the route to achieving the Keynesian goal of growth with equity; the Cold War alliance system provided a facility with which Caribbean states could barter allegiance in exchange for cash and other benefits; non-reciprocal trading arrangements were on offer to the region; primary commodities were fetching reasonable prices; and low-interest international loans were easily available. Given this balance of global socio-political forces, national viability in the Caribbean became increasingly less dependent on the success of industrialisation efforts. In Dominica, Grenada, and St. Vincent, for instance, (these represent the extreme cases of primary-commodity dependency) it was unfortunate, but not necessarily surprising, that state managers continued to shy away from promoting the growth of manufacturing or agro-industries, for international price and market conditions for cash-crops had been stable, secure, and guaranteed by various agreements (i.e. various Lome agreements, and the Banana Protocol). In the final analysis, it was against this international backdrop that investment throughout the Caribbean continued to be ploughed into the non-productive sector. National viability was thus perched precariously on the narrow base of merchant capital's specialisations, and on the preservation of existing relations in the international political economy. We can look empirically at capital inflows and investment patterns to bring out these points more clearly.

Table V below reveals that there has been a net decline in foreign capital inflows after 1984. In most cases, foreign investment never exceeded 10 per cent of all investment in Caribbean economies. And overall investment performance grew weaker in the 1980s relative to the preceding decade. While declining capital inflows and capital formation represented a systemic feature of the wider global debt crisis[50] that bloomed in the early `eighties, Tables VI and VII raise questions as to whether balance-of-payments problems were caused purely by exogenous shocks or by the impact of such shocks on structurally weak economies. Here these tables empirically point to how investment acted to bolster the mercantile specialisations in the region's economies.

Table V

Direct Capital Flows to the Caribbean (US $ million)

	1981	1982	1983	1984	1985	1986
Multilateral Loans	486.9	528.0	554.7	248.6	284.3	2.8
Bilateral Loans	535.9	577.9	323.9	385.6	116.4	36.0
Grants	295.1	283.4	184.1	293.3	378.0	355.7
Private Credits	172.1	170.7	154.5	15.7	219.8	162.1
Total Credits	1490.0	1560.0	1217.2	943.0	998.5	556.6
Interest Paid	392.0	438.5	518.9	524.9	587.0	652.8
Net Flows	1098.0	1121.5	698.3	418.1	411.5	-96.2

Source: A World Bank Country Study Caribbean Countries, 1988.

Table VI

Fixed Capital Formation: Comparisons

	Period	Cumulative Fixed Capital Formation, (millions of local currency)	Buildings (% of fixed capital formation)
Bahamas	1980-86	2,147	51
Barbados	1974-89	5,918	69
Dominica	1977-84	3,210	27
Jamaica	1977-84	7,825	52
St. Vincent	1977-84	470	68
Trinidad	1966-85	39,503	53

Source: Worrell (1993).

Table VII: Investment Ratios (Average for the Period, %)

	Investment/GDP		FDI/Investment	
	Period	Average	Period	Average
Antigua	1977-86	33	1977-86	21
Bahamas	1977-83	15	1977-86	5
Barbados	1972-86	23	1972-86	7
Belize	1977-84	24	n.a	n.a
Dominica	1977-84	30	n.a	n.a
Grenada	1980-86	35	1980-86	7
Guyana	1977-86	22	1977-86	1
Jamaica	1963-87	20	1963-87	3
St. Kitts	1977-84	34	n.a	n.a
St. Lucia	1977-84	34	1977-84	57
St. Vincent	1977-84	33	1977-84	1
Trinidad	1960-87	25	1960-87	19

Source: Worrell (1993).

As can be seen, investment in the Caribbean has been too heavily concentrated in the nontradable sector. This is so particularly in building construction where over 50 per cent of investment was ploughed into this area. Much of the remaining investment went towards other construction, machinery for cooling and refrigeration, transport equipment, etc.. Indeed, the proportion of investment that financed additional capacity for earning foreign exchange was insufficient. It can be argued that since foreign investment represented a miniscule percentage of all investment (1970-1985), a large part of the blame for the regional hegemony of circulation over production, must rest with domestic capitalists and the state managers. Foreign investment, as pointed out in Chapter Two, has been largely involved in the construction of hotels, mineral-extraction activities, export agriculture and to a lesser extent, screwdriver assembly and data processing operations. The wealthy elite, as a settled propertied and trading class, avoided any projects with a long and costly gestation period, and instead responded to the logic of circulation. Therefore it was not surprising to discover that relative to the manufacturing sector, the average size of investment by firms reporting to the Barbados Statistical Service (1987) was only US$ 75,000.[51] Neither was state power used (by heavily statist Jamaica, Grenada, and Guyana especially) in any sustained, coherent, or concerted way to promote the productive investment of politically generated wealth. After all, national development based on economic stability and redistribution (1960-1980s) did not require the state to facilitate the movement of indigenous capital out of circulation and into production. Thus it is not surprising that Anthony Wood's (1994) recent findings revealed that the groups most commonly rationed in Barbados and other Eastern Caribbean countries 'are small-scale, more innovative manufacturers, non-traditional agriculture, etc. areas with high growth potential.'[52]

This reflexive response to a commercial impulse has had dire consequences on those depressed economies in the region that went on to suffer multiple devaluations (i.e. Trinidad and Tobago, Jamaica, and Guyana). Take the case of Jamaica for instance. In September 1990, Jamaica adopted a floating exchange rate regime in order to support export-orientation and to stem the haemorrhaging of foreign dollars by the 'black market'. However, the performance of the economy did not match optimistic expectations. As Bennett (1994) points out, the period from September 1990 through to April 1992 was characterised by erratic currency inflows and periodic sharp currency devaluations.[53] He notes that the major players in the foreign exchange market, i.e. the financial institutions and commercial business enterprises, behaved in a manner that **greatly contributed** to the collapse of the market.[54] They withdrew from the Jamaican dollar market and placed their profits and savings in foreign currency accounts (referred to as 'A' accounts). Attempts to control the exchange rate were subsequently abandoned in June 1993. By December, the exchange had depreciated beyond the level prevailing the introduction of this initiative. Although Bennett does not explicitly single out any one social group given that indeterminate sums of monies from both the official and informal economy were placed in `A' accounts, it is reasonable to suggest that local merchant capitalists figured prominently in this (retreating) activity. This can be inferred from Anthony Wood's findings on the oligopolistic structure of financial systems in the Caribbean.[55] A point he stresses is that collaterisable wealth is very limited in these societies and is largely restricted to the commercial oligarchy.

Throughout the region, over-investment in the non-tradable sector produced the following destabilising effects: high import bills, inflation, exhaustion of foreign reserves, and devaluation of currencies or their values. This is the likely end-result once state direction is not geared towards inducing domestic and foreign capital to increase the rate of investment in exports and manufacturing capacity. Because regime-consolidation interests took precedence over developmental planning, loans and monies earned did not sufficiently go towards extending favourable treatment to fledgling non-traditional export companies. The merchant capital community consequently remained buoyed for they did not suffer punitive consequences for their activities (e.g. an increased tax burden on profits earned from nontradables; tax sparing for export-based companies; removal of interest rate subsidies for non-tradables; a credit squeeze on the distributive sector, etc.). Indeed, an accurate account of the Caribbean's debt-crisis in the 1980s must not halt at global factors like the meteoric rise in interest rates and the two oil shocks as *per* Kathy MacAffee (1991); it ought to critically note the region's high `capacity for indebtedness' given the dominance of circulation over production in these parts.

Conclusion: The Caribbean and 21st Century Capitalism

The national option in the Caribbean is quickly reaching its limits in contemporary capitalism. Watson (1994) makes a similar point. However, I do not share the emphasis Watson places on this `age of global capital' and how `decisionmaking power [is shifting] away from its national base'.[56] This aspect of his argument seems to imply that governments are irreversibly losing the vestiges of unchecked economic sovereignty. But how do we conceptualise processes of ascent in light of such conclusions? What is left of the role of the state as `historical animator' during key moments when a structural opportunity for graduation arises? I do not agree that it applies for countries at the periphery, or for all countries in general, that power is inexorably being drained off in favour of transnational capital. As I indicated in the previous chapter, we should not underestimate the extent to which the state can reverse the process of liberalisation for its own economy once it is faced with a severe foreign exchange crisis. That said, my argument on the decline of the national option is rooted squarely on how the specific combination of forces in the international political economy has undermined crucial pillars that propped up Caribbean national development strategies. To be sure, restructuring global capitalism presents a challenge to all capital-seeking countries.

At every `tier' in the world system pyramid, the requirements for `graduation' are undergoing change. Core governments are forced to put in place CIM-driven technologies and regionalise the production base. This is at the risk of inviting a social backlash, as declining employment levels become intolerable. Ascendant states like those in Northeast Asia are confronted with the challenge of grappling with a changed geo-political environment[57] and ongoing technological change associated with the backbone of their industrial future -- the micro-electronics revolution. Eventual coreness is not assured for they `unlike the Japanese of twenty years ago, are chasing a target that is moving away from them at an ever increasing rate'.[58]

The modern periphery in this equation is presented with a mixed bag. Those that are likely to become part of, or are already part of a mega-bloc formation are faced with a structural opportunity to deepen their political-economic linkages with the hegemon and other countries in the area.[59] Countries in Central Asia, the Middle East and Africa, are not currently part of any emerging core-led bloc strategies, and while capital will still tap these areas for possible gains, they are at risk of trade and investment diversion away from their economies. Ascent for modern peripheral states/regions present greater challenges. Traditional notions of comparative advantage in the areas of cheap unskilled labour, raw materials and resource abundance are becoming no longer operative in a world where the most basic raw material is information. Drucker (1994) notes `that how well an industry, a country does in acquiring and applying knowledge will become the key competitive factor...[for] [t]here will be no "poor" countries [in the future] only ignorant countries' [i.e. the `ignorant' will **be** the `poor'].[60]

This is a challenge that presents itself acutely to Commonwealth Caribbean territories. The national development paradigm that rested on expansion of the commercial sphere domestically and reliance on prevailing international arrangements, is no longer assured. Before this time, the deepening of the process of capital accumulation was never treated as an urgent priority. The world seemed generous to the region in terms of its export-market provisions and international lines of credit. Strategies of accumulation were thus directed towards building up power over resources (to facilitate patronage distribution) rather than increasing their productivity. By the 1980s, the international consensus was shifting towards trade liberalisation and `open' economies. Infant industry arguments and expropriation policies gave way to neo-liberal requirements. By the 1990s, it became apparent that the post-1966 reforms and retooling efforts occurring at the productive base of the world economy would have a real effect on the viability of the Caribbean's thirty year development paradigms. As capital inflows dwindled, low-tech cheap labour options became uncertain, and liberalisation gathered momentum, regimes resorted to fiscal and taxation manipulation to woo foreign capital and to stave off an economic collapse. Currently, each Caribbean country is using exchange rates, interest rates and balanced trade as the means to induce competitiveness for national products and services in the international market. However, such macro-economic strategies, cheapening of labour, further exploitation of resources, and the adoption of modern management practices, have not proved, singly or in combination, to be particularly satisfactory in stimulating and maintaining successful export orientation. Here, the advice of technocrats and multi-lateral institutions have been largely heeded, but to no avail. The answer certainly does not lie in simple macro-economic adjustments, since these alone do not guarantee economic success. The answer lies in a complete overhaul of the development paradigms in the region.

The industries, technologies and comparative advantage that brought each individual territory to the present juncture are now inadequate to place them in a competitive mode for the coming century. Commodity by commodity, sector by sector, the ground rules that governed their sustainability and Caribbean political-economic decision-making, are being undermined by changing technologies, falling prices, and expiring non-reciprocal trading arrangements. Nevertheless, old strategies are still being pursued since state managers continue to promote their national sites as a cheap labour platform for international investment. Indeed, many of the solutions on offer include retiring behind neo-autarkic policies or adjusting wage levels. For example, Pastor and Fletcher (1991) speak of exporting behind barriers and guaranteed markets, and they call on the U.S. to increase Caribbean access to its market for sugar, steel and textiles.[61] Their analysis however, mis-reads the current complexion of international trading relations, and the implications of the global restructuring process. Worrell (in Wen and Sengupta, 1991) argues that identifying areas of comparative advantage to produce and export at internationally competitive prices is the key to attracting foreign capital to the Caribbean. Brewster (in Wen and Sengupta, 1991) and McIntyre (1994) call for vigorous export promotion policies, adding the need for changes in real wages, organisation and management. Each of these recommendations fails to acknowledge the blight of poor state planning, and the absence of an innovative capitalist class rooted in modern science, industry, and technology. Even as they each acknowledge the need for `intensified' levels of foreign investment, they wrongly assume that such investment will be automatically forthcoming once export platforms based on low-technology and low-wages are maintained and expanded.

But from as early as 1985, the signals were already clear. Foreign capital demanded more than just `cheap labour'. If one examines the way in which CBI/936 monies were allocated, it was clear that Puerto Rican-based U.S. electronics and clothing firms were uninterested in simple, low-wage comparative advantages. The preference for Jamaica, Haiti and the Dominican Republic should not be seen as proof of the intrinsic merit of offering cheap wages. CBI/936 capital was interested in these countries insofar as they each formed part of an `attractive package' that integrated the benefits of low-wage operations **with** the high-tech, tax-advantaged Puerto Rico.

Today low wages alone do not determine international competitiveness; unit costs of production do. Crawford (1994, p.32) puts it succinctly when she states:

The foundation of a state's economic strength and ability to compete internationally is no longer sought in the promotion of heavy industries that depend on relatively simple technology and a large unskilled labour force. It is sought instead in knowledge-based production that relies on a cadre of highly trained engineers and a smaller, technologically sophisticated production workforce in all sectors of the economy. A country's ability to compete internationally lies [now] in its capacity to absorb new technologies into the production process in all sectors and apply them efficiently. Other factor-endowments like *raw materials* and *cheap labour* are *less important* in creating competitive advantage and determining the total cost of production. [emphasis in the original].

In the Caribbean, the global trends articulate with a region balkanised with economies individually lacking scale and scope. While this seemed of minor consequence in the last few decades, it manifests itself in acute ways in the present conjuncture. The necessary dense frameworks of science, technology, industry, capital, entrepreneurship, and skilled labour on which future economic viability rests are not in place in the individual territories. Long accustomed to protectionism/preferences, the state and the domestic bourgeoisie remained insulated from the harshness of the world market. Regional free trade arrangements (i.e. Caricom) was promoted to assuage the concerns of a fledgling manufacturing class whose indigenous products competed with the dizzying variety that merchants imported from Europe and North America. The argument was that entrepreneurs must seek survival by projecting their efforts at capturing a sizeable share of the regional market. Non-traditional manufacturing, like regionalism, was a matter of low priority when national viability appeared most certain. The dilemma each Caribbean country faces can be even better understood if the following question is asked against the backdrop of the region's postcolonial experience: **Under what conditions** will the Caribbean's ruling classes use state power to promote the expansion and reproduction of capital? I would suggest that it is only when **existing** forms of wealth accumulation reach the stage where they cannot guarantee or sustain coalition building that cleavages within the ruling class would become apparent. These cleavages could create the space for a programme that prioritises non-traditional export-led development. Indeed, the internal relations within the ruling coalitions have been under strain in recent years as structural forces within the international political economy reconfigured. The ending of the Cold War, the move towards reciprocity in world trade, the decline of low-tech cheap labour options, and the decreasing inflows of foreign capital forces Caribbean state managers to pay closer attention to foreign exchange-earning potentialities as the basis for their own future political survival. The future for each country now crucially depends on the growth and competitiveness of an innovative class of exporters. Given each country's limited resources and common predicament, I would argue that they will be on better ground pursuing recovery through a deeper form of regionalisation. This is the **space** for state capacity to be enhanced, for a new industrial class to emerge, and for competitive advantage to be realised *vis-à-vis* AFTA-entry.

Chapter Four Endnotes

[1] This followed a meteoric rise in interest rates after 1979. For a chronology of the debt-crisis see, J. Williamson (ed.), Latin American Adjustment: How Much Has Happened? 1990. See also, O. Jefferson, 'A Note on the External Debt of the English-Speaking Caribbean', G. Beckford and N. Girvan (eds.) op. cit., 1989.

[2] Ibid.: p.183-184.

[3] See Executive Summary: Decision of Heads of Government, May 1994. A Summary Report Prepared by the Caricom Secretariat. The Report points to the 'Indicated Option' of Caribbean Heads of Government *vis-à-vis* N/AFTA:

On balance, and taking into account the timing factor, it emerges that seeking accession to NAFTA, or its alternative arrangement of an FTA with the US, is a durable defensive strategy for the countries to espouse. CARICOM states must continually seek niches in as many export markets as possible in order to sustain production and employment [ibid.: p.v].

[4] Personal Interviews with Dr. Keith Worrell of Caribbean Development Bank, Tuesday 1 Nov. 1994; and Mr. Arleigh Sobers of the Caribbean Tourist Organisation, Monday, 31 Oct. 1994. I examine the tourist and services sector in Chapter Six. Here I concentrate on Caribbean leading export goods because of the policy shift towards export-orientation in the late 'eighties.

[5] See A. McIntyre, 'An Analysis of Quantitative Estimates of the Trade and Investment Impact of NAFTA', a Report prepared for the Caricom Secretariat, 1994, p.7. See also, page 6.

[6] Ibid.: p.5. McIntyre points out that Caribbean exports of labour intensive manufactures grew by 22% between 1980-1992. Also that these labour-intensive goods increased their share of total exports from 5.6% in 1980 to 30% in 1992. In short, these manufactures grew by 23.9 % while total exports grew by only 8.8%.

[7] The Canada/U.S. Free Trade Area (CUSFTA) signed in 1989, aims to remove all tariffs within ten years (1989-1999). The North Atlantic Free Trade Agreement signed in 1993 between these two countries and Mexico began tariff eliminations in January 1994 on most textiles and apparels, with the most sensitive items and other sectors having deadlines that run to 2008. Lome IV talks featured the EU stressing the need for structural adjustment and export orientation in ACP countries. This was an indication of the growing consensus between the EU and relevant Bretton Woods institutions on the need for freer trade. Overall the GATT Agreement 1994 guarantees:

i) the reduction of tariffs on a phased basis to an extent where tariffs will no longer be a major obstacle to the movement of goods. Developed countries agreed to implement general tariff cuts of up to 40 % between the entry into force of the World Trade Organisation (1/1/95) and 1999-2004. With an average MFN tariff rate in the U.S. of about 7%, implementation of the 40% reduction will result in a general average tariff of just over 4%;

ii) a progressive reduction in non-tariff barriers, export subsidies and other distortions to trade; and

iii) the quota regimes will be replaced by tariffs to be cut by 2/0.5% per year over the next few years.

See the North American Free Trade Agreement, 1993; and Advisory Committee on Trade Policy and Negotiations (ACTPN), The Uruguay Round of Multilateral Trade Negotiations, a Report of the Industry Policy Advisory Committee (IPAC) presented to President Clinton, n.p. January, 1994.

[8] See Summit of the Americas Declaration of Principles. Partnership for Development and Prosperity: Democracy, Free Trade and Sustainable Development in the Americas, signed 11 December 1994, by thirty-four Caribbean/Latin American nations, USA and Canada in Miami.

[9] See In Focus, GATT Newsletter, No. 104, December, 1993.

[10] Between 1980 and 1982, the price of aluminium was halved to US $ 0.40 cents per pound, only slowly recovering to half the 1970's level in real terms by 1987. It peaked in 1990 to US $ 0.90 cents per pound and subsequently dropped again. See The Financial Times, 3 April 1990.

[11] With declining export earnings, Trinidad's balance-of-payments deficit soared from 1% of GDP in 1985 to 12% in 1986. Foreign reserves dwindled from US $3.2 billion in 1982 (13 months' imports) to about US $81 million in 1987 (1 month's imports). Guyana's scheduled debt service stood at 93% of exports and about 209% of government central revenues in 1987. Jamaica in 1987 had a debt service ratio of 48%. See World Bank, Caribbean Countries: Economic Situation, Regional Issues and Capital Flows, op. cit., p. 46, 50, 61.

[12] Jamaica experienced severe election violence in 1980, as fears grew amongst Peoples National Party (PNP) supporters that acquired benefits, jobs, etc., meted out by the Manley-led PNP regime might be overturned by a victorious Seaga-led Jamaica Labour Party (JLP). As it turned out the JLP won the election and the harshness of the IMF measures was exacted on PNP-created parastatals and jobs. Guyana's social fabric was also under strain, largely as a result of ethnic tensions between Caribbean-East Indians and Caribbean-Africans mirrored in the phenotypical make-up of the ruling ('black') Peoples National Congress (PNC) and the ('brown') Peoples Progressive Party (PPP). In Trinidad and Tobago, the prevailing socio-economic malaise generated an (election-demanding) coup in 1990. Parliament was stormed and the ruling National Alliance for Reconstruction (NAR) was forced at gun point to agree to a general election in 90 days. An amnesty-backed surrender followed and while Prime Minister Robinson ignored the 90-day stipulation, his party could not prevent a landslide victory of the Opposition party, the Peoples National Movement (PNM) in 1992. For more on the coup, see S. Ryan, The Muslimeen Grab for Power: Race, Religion and Revolution in Trinidad and Tobago, 1991. On Jamaica's privatisation experience and other related matters, see G. E. Mills, 'Privatization in Jamaica, and Trinidad and Tobago', in V. V. Romanadhan (ed.), Privatization in Developing Countries, 1989.

[13] See the report, 'Jamaica Puts Cap on Salaries', The Daily Nation, Tuesday 11 November 1994, p.9.

[14] Brown and Tiffen speak of a 5% to 12% increase in demand by ASEAN countries between 1987 and 1988. South Korea's consumption grew by 19%; Thailand and Taiwan, by 15%. See M. B. Brown and P. Tiffen Shortchanged: Africa and World Trade, 1992, p.93.

[15] There are no up-to-date figures on Trinidad's export performance in petroleum products, but McIntyre's 'Report' points out that between 1988-1990 the Caribbean Basin petroleum products sector recorded US $559.6 million in export sales to the U.S. This was higher than Mexico's for the same period (US$306.3 million). Trinidad's oil exports are second to Venezuela's in the Caribbean Basin.

[16] These include certain leather, rubber, plastic gloves; canned tuna; luggage, handbags and goods; watches and watch parts. See U.S. Department of Commerce, 1991 Guidebook: Caribbean Basin Initiative, 1990.

[17] See World Bank Caribbean Countries op. cit., p.5.

[18] For more on the Multifibre Agreement and other related matters, see D. Tussie The Less Developed Countries and the World Trading System: A Challenge to the GATT, 1987. See especially Chapter 4, 'The Multifibre Agreement: Origins and Consequences', pp.64-103.

[19] The phasing-out of the MFA envisages four steps:

1) On the date of entry into force of the WTO each Member shall integrate into GATT 1994, not less than 16% of the total volume of imports in 1990 of the products in the Annex to the Agreement.

2) By the 37th month of the Agreement, the figure should reach at least 17%.

3) By the 85th month, the figure should be around 18%.

4) By the 121st month, 'the textiles and clothing sector shall stand integrated into GATT 1994, all restrictions under the Agreement having been eliminated'.

By 2004, all MFA and non-MFA restrictions would have been removed. See *Executive Summary* op. cit., p.121.

[20] This improves the accuracy in repetitive production of particular shapes and patterns.

[21] See H. A. Watson (ed.) Caribbean in Global Political Economy op. cit., p.78. He cites a U.N. Report entitled, Global Outlook 2000: An Economic, Social, and Environmental Perspective.

[22] The Heckscher-Ohlin principle states that advantage arises from the different relative factor endowments of the countries trading. A country will export these commodities that are intensive (i.e. capital-intensive or labour-intensive) in the factor in which it is most well endowed. The principle was put forward by E. F. Heckscher in 1919 and reprinted in Readings in the Theory of International Trade (1949). It was refined by B. Ohlin in his 1933 work, Interregional and International Trade. See G. Bannock, R. E. Baxter, and E. Davis, Dictionary of Economics, 1987, p.187.

[23] The Caribbean sub-region presently receives foreign investment in offshore data processing (also discussed in Chapter 6) and in the assembly and manufacture of garments, footwear, electrical and electronic equipment, toys and other goods for export. The package offered to foreign investors include low labour costs, freedom from foreign exchange controls and bureaucratic restrictions, the promise of exemption from all taxes, including taxes on profits and taxes on imports of equipment, raw materials and intermediate goods used in production for export.

[24] This Act (1956) allows approved companies a holiday from taxes on profits and dividends as well as exemption from duties on capital goods and other imported raw materials.

[25] This plant coils wire for transformers and electrical motors.

[26] Housing assistance represents one form of subsidy. For an expansive account of government subsidies, see Klak (1991). Klak measures subsidies as the the cost difference between government programmes and private market offerings. Costs for industries in EFZs are compared to those outside of them, both in the Caribbean and the United States. See T. Klak, 'Analysis of Government Mortgage Records: Insights for State Theory and Housing Policy with reference to Jamaica', in A. G. Tipple and K. G. Willis (eds.), Housing the Poor in the Developing World: Methods of Analysis, Case Studies and Policy, 1991, pp.96-112.

[27] Personal Interview (94-11-01) with Mr. Anthony Hinckson, Manufacturing Administrator of Juman's Garment Factory Limited, Barbados.

[28] St. Lucia has been successful in encouraging backward linkages through the provision of incentives to local suppliers of the export processing companies. The result is that most processing companies purchase all their requirements of paperboard boxes from a local factory, Windward Islands Packing Company Limited whose main product is banana cartons. Polythene packaging material is also purchased locally. Again all this is possible because the government encourages local businesses to sell goods and services to these export-companies without first obtaining an export licence. Jamaica, by contrast, confines export processors to economic enclaves where virtually all material inputs are imported. This has been the result because a local business can only supply export-processing companies with a product or a service if it is a registered exporter. This process involves obtaining a tax compliance certificate **each month** -- itself stamped by six different agencies. This information was drawn largely from an ECLAC report. See U.N. Economic Commission for Latin America and the Caribbean Report, Export Processing in the Caribbean: Lessons from Four Case Studies, 1994.

The four countries examined were Trinidad and Tobago, St. Lucia, Jamaica, and the Dominican Republic.

[29] Interview with Anthony Hinckson op. cit..

[30] For more on this, see P. Steel, The Caribbean Clothing Industry: The United States and Far East Connection, 1988.

[31] See R. Schware 'Software Industry Entry Strategies for Developing Countries: A "Walking on Two Legs" Proposition', World Development, Vol. 20, No. 2, pp.143-164.

[32] My immediate focus here is in the area of packaged products.

[33] See The Electronics Magazine, 20 August 1991. p.131.

[34] Todd notes that Bell Northern Research Laboratories along with government R&D infrastructures have managed to attract manufacturing enterprises like DEC, Metel, and Northern Telecom to enter the micro-electronics industry. See D. Todd, The World Electronics Industry, 1990, p.197.

[35] This is quoted from the ECLAC Report op. cit.

[36] See the report by the Central Bank of Barbados, Economic and Financial Statistics, April, 1991.

[37] See D. Hemlock, 'Antigua Computer Plant Closes as Work Shifts to Hong Kong', Caribbean Business Report 1988, p.6.

[38] Jamaican entrepreneurs own nearly half the export processing establishments but the scale of their operations is smaller on average than foreign-owned companies.

[39] The companies listed by the Barbados Investment and Development Corporation are Assembled Products Limited (APL), Caribbean Services Incorporated (locally-owned); Bel-Tronics, Inter Cable Communications (ICC) Security Systems Limited (Canadian); C.T. Gamble Industries Limited, Galt Limited, O.K. Components Limited, Tansitor Barbados Limited, Electronic Devices Limited (USA); Crompton Modutec, International Resistive Company (IRC) Barbados Limited (European); and Clifford Electronics (joint ownership, Barbados 50%/U.S. 50%).

[40] Quoted from the ECLAC Report op. cit.

[41] See H. Watson, 'The United States-Canada Free Trade Agreement, Semiconductors, and a Case Study from Barbados', in H. A. Watson (ed.), op. cit., pp. 127-146. See especially pages 139-144.

[42] Ibid.: p.141.

[43] For example, in 1980-1981, the U.S. imported about 5 million short tons of sugar from abroad; by 1987, it was reduced to 1 million short tons. See World Bank Caribbean Countries op. cit., p.5.

[44] For a detailed account of this, see R. Pastor and R. Fletcher, 'Twenty-first Century Challenges for the Caribbean and the United States: Toward a New Horizon', in J. Dominguez, R. Pastor, and R. D. Worrell (eds.), Democracy in the Caribbean: Political, Economic and Social Perspectives, 1993, pp.255-276. p.265.

[45] The sugar industry in Barbados is in the hands of Booker Tate. At the urgings of the IMF, the AMC and the Agricultural Credit Trust have been created in 1991 to manage and finance the ailing sugar industry.

[46] See T. Harker, 'Caribbean Economic Performance in the 1990s: Implications for Future Policy', in H. Watson (ed.), op. cit., pp.9-27.

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[47] Ibid.: p.22.

[48] See Executive Summary op. cit., p.30. They note that:

[T]he small size of the arable land area available in each of the countries and the system of landholding, which attaches importance to small farms, put regional agriculture at a cost and price disadvantage which is further exacerbated by the stronger research and other infrastructure support which the industrialized countries can provide to their farmers. Agriculturalists fear that Caribbean agriculture will be decimated and note that the sector is a large employer of labour, contributes to environmental protection and is important in maintaining social stability.

[49] Before the signing of the Treaty of Chaguaramas (1968) marking the formation of the Caribbean Free Trade Area (precursor to Caricom), Caribbean leaders had expressed a concern over the need to diversify agricultural production.

[50] The global debt crisis that affected most low-accumulation economies (i.e. most Second World and Third World countries) came about following the price explosions of the two oil shocks, and the post-1979 meteoric rise in interest rates on international lending capital.

[51] See Barbados Statistical Service, 'Survey of Industrial Establishments', Government Information Service, 1987. (The table was dated 1 January 1980.)

[52] See A. Wood, 'Improving the Contribution of Finance to the Growth Process in Barbados: Is Financial Liberalisation a Desirable Option?' Social and Economic Studies, Vol. 43, No. 4, December, 1994, pp.1-19. p.7.

[53] See K. M. Bennett 'The Jamaican Foreign Exchange Market: Lessons From the Experience with a Floating Exchange Rate Regime and the Abolition of Exchange Controls', Social and Economic Studies, Vol. 43, No. 4, 1994, pp.37-61. p.67.

[54] Ibid. Other reasons that Bennett cited were the speculative behaviour of and competitive bidding for foreign exchange between commercial banks, and the failure of the government to use the Bank of Jamaica to regulate this activity and mobilise local foreign currency account holders to support the external financial needs of the country at a stable price.

[55] Wood uses evidence from Barbados, Jamaica and Bermuda to make his point. See A. Wood 'Improving the Contribution of Finance' op. cit.

[56] See H. A. Watson, 'Beyond Nationalism: Caribbean Options under Global Capitalism', in H. A. Watson (eds.) op cit., pp.225-231.

[57] That is, the end of Cold War largesse and associated U.S. complicity.

[58] See M. Bernard and J. Ravenhill 'Beyond Product Cycles and Flying Geese' op. cit., p.195. Also see, W. Bello and S. Rosenfeld, Dragons in Distress: Asia's Miracle Economies in Crisis, 1984.

[59] The re-division of the world into blocs could be seen in the following: U.S./Canada--Latin America and the Caribbean (AFTA); Japan/South Korea/Taiwan--ASEAN countries (this acknowledges the Taiwan-Singapore-South China interconnections as explained by Bernard and Ravenhill); and Germany/EU sphere. See Gills and Rocamora 'Low Intensity Democracy' op. cit., p.513; M. Bernard and J. Ravenhill 'Beyond Product Cycles and Flying Geese' op. cit., p.171-172 and; A. Payne 'U.S. Hegemony and the Reconfiguration of the Caribbean' op. cit..

[60] See P. F. Drucker 'The Age of Social Transformation' op. cit., p.67-68.

[61] See R. Pastor and R. Fletcher, 'The Caribbean in the 21st Century' op. cit., p.101-103.

CHAPTER FIVE

N/AFTA AND THE NEW ARTICULATION IN THE AMERICAS: 'RE-COLONISATION' OR STRUCTURAL OPPORTUNITY?

In Chapter One I suggested that upward mobility is possible provided that a state/region is presented with a structural opportunity. In this context, I referred to countries in the Americas and pointed to the current N/AFTA process as carrying a transformative dialectic in its wake. From this point of view, a hemispheric-wide free trade area opens up possibilities for trade expansion and investment; internal restructuring; and deeper forms of regional (political-economic) collaboration. This chapter seeks to expand upon this view by looking more squarely at the NAFTA process and its current impact on member-states. Although caution is required when examining still unfolding scenarios, the Americas' sphere is too important for analysis to wait on events. In any case, there is sufficient evidence, both 'on the ground' and within the Agreements,[1] to refute the contention that the reconfiguring Americas redounds to the singular benefit of the regional hegemon (i.e. USA) alone.

This argument is made against the backdrop of various views expressed by Caribbean academics, policy-makers, non-governmental organisations (NGOs), and grassroots activists, relative to N/AFTA and the Caribbean. Opinions range from an optimistic view of the unfolding process, to overt suspicion of U.S. intent. State managers generally see the proposed 2005 hemispheric-wide free trade area as 'the tide that can lift these small boats', i.e. all the separate Caribbean island economies.[2] This optimism stems from a perceived prospect of increased foreign investment. It appears that Caribbean state managers see AFTA only in the light of propping up their individual economies and arresting their declining national incomes. A broader cross-section of opinion-makers, however, does not reveal the same optimism of state managers. On the contrary, it depicts AFTA as a portending disaster for the entire region.[3] From this point of view, N/AFTA is yet another internationally binding mechanism which seeks to ensure that the region is further exploited, to the singular benefit of the North. A consequent `recolonisation' thesis has emerged. I present below a fuller explication of this thesis.

These varying perceptions are too one-sided. Most analysts/commentators have shied away from delving into the specifics of the Agreement(s) (or talks) and the early (empirical) effects on the countries and sectors involved.[4] Nevertheless, the opinions expressed speak to a crisis/opportunity conundrum that Latin American and Caribbean (LAC) countries face relative to the erosion of non-reciprocity and tighter liberalisation rules.

It is important to recognise that the Americas represent a political geography marked by countries at **different** levels of economic development, with **different** cultural hybrids, and **different** levels of social/class development. AFTA-entry requirements, heightened trading competition, and varying investment-creation levels will likely combine to produce `winners' and `losers' when the dust is cleared. Some will derive accumulation-benefits and surpluses in the FTA; others may be plunged further into socio-economic crisis. But the determination of success or failure will largely depend on how the state(s) exploits potential benefits from trade-creation and whether it can sufficiently attract and influence foreign investors and their investment-behaviour. Conventional wisdom holds that the U.S. stands to singularly benefit, but I contend that N/AFTA thus far has not been **unidirectional** both in terms of its shaping and its benefits.

Much of the discussion and debate so far fails to adequately acknowledge that NAFTA and its expansion take the form of **negotiations**, i.e. mainly how the transition to free trade should be managed. AFTA (2005) is **not** a *fait accompli*. Rather, it is a process in the making which countries in the Americas can affect, provided that they are prepared to bargain and lobby with clear goals in view. A structural opportunity, behind the challenge, awaits the states/regions of the western hemisphere. Much of the outcome will be politically determined and cannot be entirely `read off' from existing economic structures and relationships.

N/AFTA: Caribbean Responses and Perceptions

The uncertainty surrounding the NAFTA process, prior to the Miami Summit (December, 1994), provided space for speculation and debate concerning its likely impact on the region. At the state and policy-making levels, a variety of responses abound. Initially, the CUSFTA, signed in 1989, was viewed in official policy-making circles as evidence of a U.S. attempt to construct a North American fortress along the lines perceived of the Single European Market (SEM) of 1992.[5] This was seen as yet another example of the `decline in historical commitments by metropolitan powers to the Caribbean region'. The region was `now under serious threat from loss of interest' and was being prepared `for life without [market] preferences' or previous aid levels.[6] By 1994, with NAFTA fully formed, the Caricom Secretariat advised Heads of Government `that [they]...be aware that issues of security and morality, which were material factors influencing the aid and investment flows which they received in the past, no longer carry significant weight in today's world.'[7]

In the years since the CUSFTA was formed, Caribbean leaders expressed real fears and concerns about losing preferential market access, concessions and other advantages, first to a perceived North American bloc, and then to Mexico when CUSFTA became NAFTA in 1993. Two principal actions were undertaken. First, Caricom governments moved to sign framework agreements with the U.S. in July 1991, soon after the latter declared an interest in constructing an Enterprise of the Americas (EAI). NAFTA was now lauded by Caribbean Heads `as being an important first step for the ...realization of the full economic potential for the entire hemisphere.'[8]

Second, the region, collectively under Caricom, sought to negotiate NAFTA parity for the CBI. A contradiction was manifest in these responses. Despite officially supporting the EAI liberalisation arrangement, primacy was placed on the politics of preferences-retention under the CBI.

The threat posed by Mexico's imminent accession to NAFTA received considerable attention in the public domain. To be sure, other countries, like those in Northeast Asia believed that they too were at risk of losing market share and investment to Mexico.[9] Before the Agreement was signed, Jamaica's Ambassador to the U.S., Richard L. Bernal, addressed the House Ways and Means Committee on Trade, outlining Jamaican and Caricom anxieties over Mexico's accession into NAFTA:

The draft NAFTA could put Jamaica and other CBI countries at a disadvantage in terms of access to the US markets as it provides Mexico with removal of tariffs and quotas over specified adjustment periods. This would inadvertently create a situation in which Mexico, which already has inexpensive labor, cheap energy, lower transportation cost and economies of scale, would now have a further advantage over the CBI countries.[10]

He added that it was likely to lead to `trade diversion', `investment diversion', `relocation of productive capacity' and `contraction of economic activity'. To support his contentions, he cited a U.S. *International Trade Commission's Report entitled*, `Potential Effects of a North American Free Trade Agreement in Apparel Investments in CBERA Countries' which concluded that `a NAFTA will introduce incentives that will tend to favor apparel investment shifts away from the CBERA countries to Mexico."[11]

However, pursuing CBI parity instead of rigourously considering a regional strategy and approach to NAFTA was tantamount to `shooting at the wrong target'. Nicholls (1994) in particular argues that NAFTA-accession should have had fullest priority in the Caribbean, thereby providing investors with `much more incentives to invest in CARICOM'.[12] The one-way free trade accord that underpins the CBI faces extinction, he continued. He further notes that given the pace of the hemispheric arrangements `scarce skills [ought to be used] more efficiently [with] focus on NAFTA docking, and not NAFTA parity'. In any case, it is quite odd that Caribbean Heads feel able to negotiate NAFTA parity for CBI under **purely U.S. domestic legislation** as opposed to channelling their energies in meaningful negotiations for limited protection of key sectors under AFTA. Parity negotiations could likely degenerate into a `take it or leave it' scenario. AFTA negotiations on the other hand provide leeway for possibilities of concessional bargaining.

It is clear therefore that there is a degree of ambivalence and naiveté at the state level *vis-à-vis* N/AFTA. The best-of-all-possible worlds for state managers and some policy-makers appear to be AFTA-entry for any possible investment and creation benefits, **and** maintenance of all non-reciprocal arrangements (i.e. `having your cake and eating it too'). Perhaps this attidude is best captured in a 1992 address by the Deputy Prime Minister of St. Vincent and the Grenadines, Allan Cruickshank.[13] He points to the `dangers' of the EAI for the region by stating that:

> St. Vincent and the Grenadines as well as the other Caricom countries are in the process of attempting to stimulate regional production to make it more competitive regionally and internationally. The Common External Tariff with all its problems was introduced for this purpose [i.e. in January, 1992]. Should we then drastically reduce or eliminate tariffs to allow uninhibited access of similar primary agricultural and processed products into our markets? Wouldn't this then defeat the objectives which we are pursuing?

Yet he also states: `We fully support closer economic cooperation among countries in the hemisphere, however, we have to ensure that our ability as a people to produce is not any way stifled by any agreement that we adhere to.' A contradiction becomes apparent in his concluding appeal on behalf of the insulated forces from within the domestic bourgeoisie: `Perhaps this is the opportune moment for me to issue a call to our powerful northern neighbours to begin to examine the possibilities of a Lome-type agreement [i.e. preferences-centred] with our countries...' Crucially, Caribbean state managers seem to miss the point that full trade liberalisation, according to the terms of the recent GATT-Agreement, is timetabled to come about globally by 2008 anyway.

On the other hand, some technocrats and academics/policy-makers argue that the NAFTA is likely to have `minimal effects on the Caribbean region'.[14] Deputy Governor of the Central Bank of Barbados, Dr. Delisle Worrell, notes that `NAFTA will have no effect on bauxite, sugar, bananas, oil, electronics and information services'. Only clothing manufacturing in Jamaica and `one or two' other Caribbean countries will be affected, he adds. This dovetails with Arthur McIntyre's (1994) projection that `90% of the trade loss will occur in Jamaica as Jamaica is the only important clothing exporter to the US market in CARICOM."[15] This explains why Jamaica has spearheaded a NAFTA-CBI parity approach, for provisions under the CBI guarantee special market access to the U.S for clothes made largely out of U.S. fabric. Generally, both McIntyre and Worrell could agree that `the projected export displacement for CARICOM as a result of NAFTA [could] range from U.S. $5.0 million (low case scenario) to U.S. $7.5 million (high case scenario)."[16]

Worrell and McIntyre's static trade projections and quantitative estimates are useful insofar as they serve to debunk the view held in some quarters of a NAFTA-induced trade-diversion of immense proportions. Two other factors support this side of their argument. First, existing tariff barriers to the U.S. market are already quite low. Indeed, Hosten-Craig (1994) notes that some firms in Canada ignored the CUSFTA preferences, because the paperwork to qualify for reduced tariff-status was more expensive than paying the accustomed minimum duty.[17] Second, the successful GATT Agreement (1994) includes an agenda for global tariff and non-tariff reductions.

However, it is because Worrell and McIntyre fail to sufficiently bring GATT and CIM-related matters into their discussions, that a view of status-quo retention prevails. Put another way, the enhanced conditions for global competitiveness, of which NAFTA is only a part, requires a rethinking of development strategies both at the level of the nation-state and at the regional level (Caricom). Although Worrell and McIntyre call for an increase in productivity, improved marketing, and tighter fiscal discipline, they do not speak of the limitations of primary commodity-based development, or cheap wage/low technology strategies for attracting investment and earning revenues. Instead, they give the overwhelming impression of the need for better `management of the **individual** economies'.

At a recent regional symposium, the Chief Executive Officer of the Caribbean Association of Industry and Commerce, Pat Thompson, echoing Worrell and McIntyre, assumed ranges of choice and manoeuvrability within **each** country on the question of enhancing competitiveness.[18] He maintains that AFTA-docking is not the issue, the real one being:

> [H]ow can we best assure, in carefully chosen groups of products or services, in which we have or can reasonably hope to attain some comparative, economic advantage, positions which are internationally competitive, for the production and sale of such goods and the provision of such services?[19]

In this sense, the N/AFTA process is seen as *another minor exogenous irritant, the* effects of which can be easily overcome by sound domestic management. Lobbying Washington for relief is also seen as a way to cushion the effects of liberalisation. Indeed, following the efforts of Central American negotiators, Caribbean officials, and CEPAL, the communique issued at the end of the Americas Trade Summit in Denver, June 1995 noted: `A more generalized lowering of trade barriers might disadvantage smaller economies....[and so there is a need] for transitional measures...It is possible that smaller economies would get special financial aid to help adjustment.'

On the investment-diversion side of the debate, there is widespread agreement that if NAFTA remains a 'three-country club', the British Caribbean will lose investment capital to Mexico. McIntyre (1994, p.19) for example argues that: 'The removal of regulatory barriers against foreign firms in Mexico and expectations of higher growth [could] result in new investment going to Mexico that might have come to CARICOM in the absence of NAFTA.' Again the clothing sector is estimated to suffer this diversion of investment. McIntyre in particular outlines this by pointing to the cost-benefits of investing in Mexico under NAFTA (see Table I). [I discuss this and other factors below.]

Table I

Factors Influencing U.S. Approval Investment in Mexico under NAFTA

Favouring Mexican Investment	**Not Favouring Mexican Investment from U.S. (and other countries)**
Cost savings from duty elimination: #Provides one-time increase in Mexican apparel favouring cost competitiveness. #Provides one-time decline in cost of Mexican assembly, including direct labour, relative to CBI countries. **Opportunities for:** #Vertical integration #Economies of scale. **Elimination of quotas:** #Provides increased access to US market for quota-bound items. **Improved Mexican Investment Climate** Projected macroeconomic effects: #Reduced Mexican Inflation #Improved economic growth in Mexico.	Projected appreciation/depreciation in peso value vis-a-vis the dollar. Changes in rules of origin (i.e. higher North American content). Political and social instability.

Source: Drawn largely from the McIntyre Report (1994, p.20).

The worry about investment diversion away from the Caribbean is however, inappropriately placed at the door of NAFTA. In the present global context, productive capital, left to strict market forces, will not rush to the Caribbean -- in any case.

As the previous chapter pointed out, attracting foreign capital has gone beyond simply presenting one's site as a low tech/low wage basic skilled platform. Cheap skilled labour, semi-automated infrastructures, and the existence of economies of scale and scope are the new alluring factors for capital in today's high-tech world. The countries that are marrying macroeconomic reforms with a retooling/reskilling drive as part of an overall cost-reduction industrial strategy are on better ground for attracting global sources of finance. Merely making piece-meal concessions to neo-liberalism while ignoring the need to improve the knowledge-infrastructure of industries and services will not result in increased direct foreign investment (DFI) inflows to the region. Nor will it create a viable competitive economic platform.

It would appear that in focusing only on NAFTA, and not the **new demands** of global competition, that a trick has been played on many Caribbean observers. The initiation of NAFTA has seen Mexico being injected with huge investment or financial support funds. But this is the continuation of a trend that started since the mid-1980s. The point of investment-diversion *vis-à-vis* Mexico should take into account the importance of Mexico's domestic reforms; its retooling efforts; its proactive response to the U.S.-declared EAI; the supportive role of the U.S.; and the `bandwagon effect'[20] stimulated by Mexico's enhanced profile during and since the NAFTA talks. I discuss these factors below, but the main point can be gleaned from a recent report. A recent U.N. Economic Commission of Latin America and the Caribbean (ECLAC, 1990) report noted that in the 1980s, Cuba, Mexico and Costa Rica primarily had taken steps to promote R&D structures linking teaching, research, consulting services, informatics, and contracts to the development of new industries and products.[21] As will be pointed out, investment was therefore drawn to Mexico, largely because of its reforms and retooling programme. NAFTA simply reinforced this trend.

Within Caribbean discussions, the repeated call for improved competitiveness and sound public economic management assumes a wide range of choice and manoeuvrability within the current national development paradigms. As I previously argued however, the `national option' has reached its limits within the political economy of the English-speaking Caribbean. In any case, solving the perceived problem of poor economic management alone cannot bring about the economic recovery required. This is because the region's economic problems go beyond the question of economic management styles and how a regime cushions itself against `exogenous' circumstances.

The Recolonisation Thesis: A Critique

Addo (1991), Beckles (1991), and Duncan (1994; 1995) amongst others, address the reconfiguring Americas against the backdrop of the ongoing restructuring of the global political economy. They use a framework that builds on the post-Columbus `continuity of imperialism' narrative.[22] The overwhelming argument they advance is that N/AFTA represents yet another `neo-colonial' structure guaranteed to keep the Caribbean and wider Americas in a perpetual peripheral status.

Addo (1991, p.11) broadly contends that recent trends and developments before and since the end of the Cold War `point in the opposite direction [for the Third World]...away from the fullness of transformational times'. They each surmise that the Caribbean stands at the brink of becoming `recolonised' for `global capitalism has finally come into its own with the unimaginable confidence that it always claimed to be its own.'[23]

There are many strands to the recolonisation thesis. Generally, the view is that the context for understanding the present world order rests with the emergence of capitalism, the end of formal colonialism, and the rise of neo-colonialist structures since 1945. The argument maintains that since 1500, surpluses have continually `leaked' from the Third World `to make the centre of world-capitalism'. And that colonial domination and subordination largely facilitated this process until 1945. This dovetails with the arguments of *dependentistas* and other structuralists. Addo notes that a key issue for core powers after 1945 was `how to lead the so-called backward societies...into the comity of "civilized" nations' without reverting to formal empire/colony relations [p.16]. Global structures and augmented processes were thus put in place, he argues.[24] Duncan (1994) argues that these international regulating mechanisms arose as a way of `continuing with colonial rule' in a world in which overt colonialism lost its legitimacy. Beckles (1991) insinuates that in recent times it has become clear that these institutions ensure the `ever-increasing efficiency' of the extraction of surplus from the Third World to the benefit of the First World.

McAffee (1991) elaborates, stating that **more capital leaves** the Caribbean region for debt-repayments and profit-repatriations **than is received** from international lending institutions and investors. Duncan (1995) reiterates this point by noting that core countries control these international lending institutions since voting power is on the basis of `unequal distribution of economic resources'. The Paris and London Clubs, GATT, and core-led Free Trade Agreements act as suporting agencies of recolonisation, he adds. He contends further that: `These are [all] backed up by institutions of war such as NATO out-of-area deployment intended to secure poor countries' resources any time they are needed by the rich countries' [p.34]. All of this is underpinned by the vigourous insistence of those who manage the Bretton Woods institutions that the Third World must follow development models which `continue to bring little relief' to the poor.

With reference to the Caribbean within the recolonisation designs, Duncan observes that:

> The Caribbean has been a losing region for some time but this is made more patent to our political leaders with the languishing, and eventual non-renewal of the LOME agreement, the challenge which NAFTA poses to an already ineffective CBI and...CARIBCAN. The trading arrangements in GATT, NAFTA, [and] with IFIs which insist upon complete liberalization, deregulation and privatisation have served to reinforce the vulnerability of Caribbean economies and societies, their increasing marginalisation, and their virtual `confinement' to certain de-limited economic activities [p.35].

Raghavan (1991) likewise earlier argued that `recolonisation' is at the heart of the new neo-liberal conditions aimed at maximising the freedom of the TNCs. He opined that GATT (1994) and a hemispheric FTA will leave the economies of the peripheral states in the Americas wide open. Maximally, Latin American and Caribbean governments would be unable to apply restrictive regulations in economic activities such as mining and manufacturing, services such as banking, insurance, transport, wholesale and retail trade, and professional services such as audit, advertising and legal practices. This view is supported by Duncan (1994) who contends that AFTA (2005) will mean `that in return for access for an additional handful of goods in the U.S.market, the Caribbean states will open theirs without let or hindrance to the thousands of highly competitive goods and services offered by U.S. corporations -- a blatantly unfair exchange' [p.14].

Addo (1991, p.19) maintains that the unfolding world order will be managed by core powers acting as `a veritable Board of Directors, a commanding corporate superintendent of the Global Capitalist Enterprise...It will not be a nervous bi-polarity but a confident concert of multiple powers, each operating its traditional sphere of influence...' Belle (1995) in turn predicts that AFTA (2005) cannot possibly be the hoped for *kairos*[25] for the British Caribbean since its terms and conditions will

subordinate the region to further surplus extraction and penetration by the regional hegemon.[26]

The `recolonisation' thesis therefore, renders the region impotent to effect any change in the allegedly unalterable direction of further exploitation by the core. While these scholars adequately remind Caribbeanists of the existence and continuity of core-periphery relations in the world system, they miss the point that there are nevertheless significant uncertainties inherent in the dynamic of hegemonic rivalry and interstate competition.[27] In this light, it will appear that these scholars and others have been intensely at work on a limited conception of the problem. By underemphasising domestic levels of analysis and focusing intently on international factors, they have defined global structures and processes since 1945 in the wrong context of a **singular, united conspiracy** of the `North' against the `South'. The argument, followed to its logical conclusion, seems to suggest that core powers are searching for the best possible form of governance or of global community -- one skewed in its favour and away from the transformation fortunes of the modern periphery.

The subtleties and dynamism that is central to interstate relations is submerged in this outlook. Indeed, it disagrees with, but shares a similar linear understanding of the world system as Fukuyama (1990) and others who advance an `end-of-history' thesis.[28] While Fukuyama speaks of a universalised `end of history' on convenient Western socio-cultural terms, recolonisation theorists, employing a limited 500-year capitalist historicism, seem to declare an **end of movement** in the political economy of the world system. Under Eurocentric capitalism, as the logic goes, the Caribbean and the wider Third World will remain permanently dominated and exploited until the web of centre-periphery relations is broken.

Understanding the subtleties of the world system are important. The dialectic of the rise and fall of states is such that core powers, while needing peripheries in order to reap surplus benefits,[29] need also to avoid pauperising (all) the states therein. It is simply bad economics (and politics) by a regional hegemon to exploit by completely pauperising the lesser states. Theoretically, a measure of economic well-being must be enjoyed by a sizeable consumer mass in the periphery, partly in order for there to be a market for the hegemon's exported consumer durables. Without this it makes little sense to suggest that the Mexican-Canada-U.S. free trade area -- with its combined GDP of US$6.3 trillion and population of 363 million -- provides the U.S. with greater profit-extraction potential. Sufficient wealth must be generated in Mexico (and Canada) for the grandiose plans to be successful. By extension, sufficient economic growth must occur within the unfolding global order, in order for core countries and TNCs to enjoy the fruits of open, liberalised markets.

Balassa (1989), Brautigam (1994) and other neoclassical scholars consistently argue that all countries can realise some benefits from participating in a liberal international economy. This is partly true, but as suggested in Chapter One, core-periphery relations and exploitation do also occur. Nevertheless, it is worth retrieving those aspects of the neo-classical framework that speak to the idea of 'mutual benefit' in order to suggest that for some countries in the periphery, TNC investment activity can be mutually beneficial under favourable geopolitical, market and state-bargaining conditions. An aspirant country, it can be argued, can likely seize the ostensible opportunity, created in the wake of the modern core's need to regionalise production networks, to attract foreign investment, encourage some transfer of technology and boost its exports. The bleak picture painted by recolonisation theorists of complete subordination to the core, leaves no room for either the likelihood of economic success amongst a few countries, or for independent state action to limit the excesses of core power designs. (In short, it is a dialogue of defeatism.)

In addition, the recolonisation thesis overstates the level of cooperation among core countries in this hegemonic deconsolidation phase. Many scholars contend that core-core competition for hegemony usually has operated against the backdrop of cooperation, consent and rivalry.[30] However, there remain too many forces at work for the levels of cooperation to be without friction, and more importantly, to guarantee the 'North', perpetual success. In any case, a tightly integrated capitalist world committed to the unfettered circulation of goods and services, requires great levels of international regulation and interstate cooperation. But contra Addo, Duncan and others, I would argue that this is not a likely precursor to a core 'interlocking directorship', or the creation of a global overarching bourgeoisie. While the parameters of interstate competition may be agreed upon, each state, core and peripheral, seeks to manipulate global market conditions to its advantage. Periodic conflicts therefore remains a likely outcome in this politics. Indeed, Liberman (1996) argues that notwithstanding the trends toward global interdependence, control over economic resources is still a key source of power. Expansion, he contends, can still in fact provide rewards to aggressor nations. In this light, Liberman is prepared to argue that the international system is more war-prone than many optimists claim.

Varying perceptions of the likely impact of N/AFTA on the Caribbean continue to abound, but these views do need to be anchored by closer empirical examination of the sectors, industries, and firms involved. To demonstrate the point that N/AFTA presents a structural opportunity, I look at NAFTA's impact thus far on Canada and particularly, on Mexico. Here I contend that contrary to the prevailing view, the U.S. alone does not stand to benefit from the new hemispheric arrangements.

NAFTA-The Real Beneficiaries: Measuring the Impact

During and after the CUSFTA and NAFTA talks, some opinion-makers in Canada and Mexico raised concerns similar to those in the Caribbean, of an expected 'clobbering' by U.S. TNCs, or of economic decline.[31] In the U.S. on the other hand, fears centred on the potential loss of jobs for lower-skilled workers, a group that has already suffered large economic losses following the application of computer-related processes to manufacturing. Overall, there is a growing consensus within the U.S. bourgeoisie that a hemispheric-wide FTA will be good for American competitiveness. Some policy-makers, however, note that not every American will gain since there will be important distributional consequences.[32] They argue that although better-skilled workers will stand to gain relative to their lesser-skilled counterparts, the U.S. economy will benefit overall from a large trade surplus over other countries in the hemisphere, mostly in the area of capital goods exports. In this regard, the official policy position of the Clinton Administration has been to remain committed to the agenda set out in the Summit of the Americas Action Plan. Although the pace for creating a hemispheric free trade zone was slowed down by concerns raised by labour union officials of the Democratic Party, protectionist elements within U.S. society, and bureaucratic misgivings raised by some Congressmen, the Clinton Administration pressed ahead with the Trade Ministerial meetings of the Summit of the Americas throughout 1995.[33] U.S. Secretary of State (1995) Warren Christopher recently referred to AFTA 2005 as part of 'America's opportunity', and reiterates that the free trade bloc will not represent an attempt to construct a 'fortress America'. As he explains:

> At bottom, U.S. security depends on a strong economy. And in today's global economy, America's economic well-being increasingly depends on our ability to open foreign markets and promote free trade and investment... We will ensure that our regional leadership reinforces global open trade.[34]

On closer analysis, contrary to expectations neither the CUSFTA (1989-1993) nor the NAFTA (1994-present) produced a clear winner. U.S. trade and economic dominance over Canada and Mexico[35] provided U.S. negotiators with some leverage on key issues, but neither Agreement was skewed to the singular benefit of the U.S.. Select Mexican, U.S. and Canadian firms and sectors, have been afforded a timetabled space for manoeuvre and re-tooling. This was the result of arduous negotiations and considerable concessional bargaining.

Major Provisions of the NAFTA Agreement[36]

The North American Free Trade Agreement 1994, aims at reducing and ultimately eliminating most of the remaining barriers to trade and investment in Canada, Mexico and the United States. The principles of the Agreement are set out in two Volumes and the provisions relating to the phasing-out of tariffs and non-tariff barriers are laid out in three Schedules. The obligations of the Parties are covered in the following subject areas:

- Trade in Goods;
- Technical Barriers to Trade;
- Government Procurement;
- Investment, Services and Related Matters;
- Intellectual Property;
- Administrative and Institutional Provisions;
- Exceptions, Accession and Final Provisions.

There is little doubt that the NAFTA goes beyond previous U.S.-centric designs, like the Alliance for Progress,[37] the CBI, or Canada's CARIBCAN. These were/are unilateral agreements, not secured by a treaty, and hence were subject to unilateral changes. The NAFTA, in contrast, binds all Parties to a liberalisation agenda. Article 2205 states:

A Party may withdraw from the Agreement six months after it provides written notice of withdrawal to the other Parties. If a Party withdraws, the Agreement shall remain in force for the remaining Parties.

In this context, Caribbean Heads of government recently noted that: `The underlying philosophy and principles...seem to emanate from concerns of the dominant party, the U.S., to spread its economic ideology and pursue the market interests of its large corporations.'[38] However, neoliberal forces have not completely got their way. Influential U.S., Canadian, and Mexican groups and NGOs managed to get three areas brought under the NAFTA following its signing in December 1993 [Rupert, 1995]. These three areas relate to Emergency Action or Import Surges, Environmental Cooperation, and Labour Cooperation. This is an indication of how effective bargaining can be deployed to beneficially influence outcomes in the interest(s) of a group, actor or sector. A brief look at the staging categories in the NAFTA text, and the list of sensitive products decided upon by the three Parties reinforces the point about the importance of bargaining.

The centre-piece of trade in goods is the stage by stage process for tariff elimination under Article 302. Within the framework, five categories of items are identified. Goods classified in staging categories `A' and `D' will be free of duty as at 1 January 1994. Duties on goods in staging category `B' in a Party's Schedule will be removed in five equal annual stages beginning on 1 January 1994, with such goods reaching duty-free status by 1 January 1998. Duties on goods in staging category `C' are to be removed in ten equal annual stages ending effective 1 January 2003. There is also a `C+' staging category where duties are to be removed in fifteen equal annual stages beginning from 1 January 1994 and ending 1 January 2008. Certain steps were however taken to arrive at a *consensus regarding trade in goods. An extensive reading* of this Article (302) provides some detail as to the sensitive industries/products of the three Parties (see Table II).

Canada managed to exclude the Dairy Sector from the Agreement. All Parties restrict the export of logs of all species, but Canada managed to control exports of fish and liquor. The Salinas government reserves the right, in relation to Mexican vessels, to perform authorised services under its General Ways of Communication Act. The two other Parties also permit Mexico the option of adopting and maintaining duties and taxes on the exports of specified basic food products and their ingredients.

It is evident that all three Parties made use of the longer phasing-out categories in order to facilitate adjustment within sensitive sectors/industries.[39] For example, each Party utilises `C' in the arrangements on textiles and apparel goods. Canada utilises the `C' category as well for its pharmaceutical industry. The U.S. brings under this category its dairy sector, and aspects of its iron and steel sectors. The U.S. applied category `C+' for its seasonal vegetables, some fruit juices and waterproof goods and sportswear.

Table II

Provisional NAFTA List of Sensitive Products

Agriculture and Agro-Industries	Manufacturing
Poultry and cured meats.	Products of Building Industry: Cement, blocks and tiles; Fittings (doors, windows, etc.); Paints, roofing materials.
Dairy industry, including eggs.	Iron, Steel, Oil: Billets, re-bars, wirerods; Fabrication; Crude oil; and select petro-chemicals.
Winter vegetables (including those used as inputs to industry).	Soaps and detergents.
Horticulture.	Fertilisers.
Citrus industry.	Automotive Components: Batteries, mufflers, tyres, etc..
Cocoa and Coffee.	Furniture.
Rice Industry.	Textiles and Garments including footwear.
Oils and Fats	
Food and Snacks: Sugar and chocolate confectionery; Pasta and bakery products.	
Beverages (alcoholic and non-alcoholic).	

Source: Drawn from Article 302 of the signed NAFTA (1993) text.

A significant provision of the NAFTA, (addressed as well in GATT 1994) relates to the removal of non-tariff barriers to trade. McAffee (1991) makes the point that the Caribbean could benefit from more trade revenues if U.S. and Canadian non-tariff barriers to trade are removed. She contends that arbitrary changes in standards of health, quality, and the content of goods, combined to frustrate LAC exports to the U.S. and Canada under the CBI and CARIBCAN. Indeed, forms of contingent protection -- e.g. anti-dumping and countervailing duties -- abound in the trade relations between developed and developing countries. GATT attempts in the Kennedy Round (1960s) and the Tokyo Round (late 1970s) to curb the growth of these practices were ineffective. Despite new efforts to reduce their impact under GATT 1994, non-tariff barriers erected by core countries are likely to continue working against the interests of lesser players. This is so because the litigation involved in securing justice against these unfair protectionist measures is often too costly and time-consuming. In broad terms, NAFTA urges the Parties to work towards the complete elimination of domestic support systems, thereby minimising trade-distorting or production effects. Article 705 in particular, provides for the multilateral elimination of export subsidies for agricultural goods, and deems it 'inappropriate for a Party to provide an export subsidy for goods exported to another Party'. Under Chapter Nineteen, a Dispute Settlement mechanism has been set up to review existing national laws. The GATT requirement that allows for a country to use its national laws to levy an anti-dumping duty 'on imports that cause or threaten to cause material injury'[40] reads similar to provisions under Chapter Eight of the NAFTA. However, any individual or company affected by a ruling can ask for a review of the decision by this tri-national panel. Decisions of the panel can be appealed against by any one of the governments, to an Extraordinary Challenge Committee, with the complete litigation process not expected to exceed eight months. Although NAFTA goes beyond the GATT in the area of arbitration settlement, the extent to which rules will truly be binding remains an open question.[41]

Under NAFTA Rules of Origin, a good qualifies as originating in a Party's territory only if it satisfies one of the following criteria:

a) The Wholly Produced Rule

i) It is wholly produced or obtained entirely in the territory of one or more of the Parties.
ii) It is produced entirely in the territory of one or more of the Parties exclusively from original materials.

b) The Tariff-Shift Rule

All non-NAFTA inputs must be in a different tariff classification from the final product. That is, the non-NAFTA input must be in a different Harmonised (Tariff) Shedule (H.S.) Chapter, heading or tariff item number.[42]

c) The Value Content Rule

Where the good is produced entirely in the territory of one or more of the Parties, but one or more of the originating materials used in its production does not undergo a change in tariff classification, then the Regional Value Content[43] indicated by one of the following methods will be the qualifying criterion:

i) Not less than 60% by the Transaction Value Method.
ii) Not less than 50% by the Net Cost Method.

Put simply, a good can only qualify as original if it is wholly produced by any one or more of the signatories to NAFTA. If a good cannot meet the applicable tariff-shift rule, it must seek to qualify under the value-content rule of 60%. The Origin Rules are further elaborated in Annex 401 and Volume II of the Agreement where attempts were made to minimise ambiguity and introduce transparency in the regulations. (The implications of these origin rules for contracting Parties are discussed later.)

Chapter Ten of the Agreement identifies limitations on government procurement practices, which for countries like Mexico and those in LAC, long constituted a medium for influencing sectoral development. The major obligations which the Parties assume in respect of procurement of goods and services by government enterprises are:

Non-discrimination between the Parties.

i) A Party must accord treatment no less favourable to the goods and suppliers of another Party than its own goods and supplies.

ii) Parties are prohibited from adopting procurement processes specifically designed to encourage local development, improve balance of payments accounts, impose requirements of local content, licensing of technology, investment, counter-trade or other similar requirements.

Considerable detail is also placed on rules relating to Tendering Procedures; Qualification of Suppliers; Selective Tendering Procedures; Time Limits for Tendering and Delivery; Tender Documentation, Negotiation, Disciplines and Submission; Receipt and Opening of Tenders; and Awarding of Contracts.

Further encroachment on domestic state management is captured in Chapter Eleven, on the rights of investors. Expropriation, nationalisation, or any such domestic government action calculated to constrain the activities of TNCs, are outlawed. These stipulations appear quite `strong' and in this sense partly justify the view by Caribbean Heads that the Agreement is in accordance with U.S. TNC interests. But, as I point out immediately below, a new form of state dynamism is going to be required to offset or reduce the impact of these stipulations. Under Chapter Eleven, Parties assume the following obligations:

i) No less favourable treatment than that accorded to domestic investors, in respect of establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of investments.

ii) Full protection and fair and equitable treatment of an investor of another Party in accordance with international law.

iii) No Party may impose any of the following requirements in connection with the establishment, acquisition, expansion, management, conduct or operation of an investment or investor of another Party in its territory:

- to export a given level or percentage of goods or services;
- to achieve a given level or percentage of domestic content;
- to purchase, use or accord a preference to goods or services produced in its territory, or to purchase goods or services from persons in its territory;
- to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment;
- to restrict sales of goods or services in its territory that such investment produces by relating such areas to volume or value of its exports or foreign exchange earnings;
- to transfer technology, a production process or other proprietary knowledge to a person in its territory, except in specifically defined circumstances;
- to act as exclusive supplier of goods or services to a specific region or world market.

There are also complementary rules governing the smooth transfer of returns accruing to investments, compensation from any expropriation, and settlement of disputes and arbitration. Apart from these, Chapter Seventeen obliges each Party `[t]o provide in its territory to the nationals of another Party adequate and effective protection and enforcement of intellectual property rights...' Each Party is also required to ensure that adequate enforcement procedures are available under its domestic law in respect of Copyright, Sound Recordings, Encrypted Program-Carrying Satellite Signals, Trademarks, Patents, Layout Designs of Semi-conductor Integrated Circuits, Trade Secrets and Industrial Designs. This list in effect represented that brought before the Uruguay Round by the U.S. For most of the duration of the Round, trade-related aspects of intellectual property (TRIPS) was one of the seven problem areas frustrating a GATT settlement.[44] In the NAFTA-talks, the U.S. sought to safeguard itself with the passage of TRIPS and TRIMS *(trade-related investment measures). Like Mexico,* other expected signatories will be obliged under AFTA to revise its laws and guarantees to intellectual property owners. Although there is no *a priori* guarantee that a developing country will benefit from strengthening its system of protection of IPRs, the risk of trade retaliation, and the need to attract foreign direct investment, will likely move LAC countries in the required direction. Important side-agreements were also reached in the NAFTA. Agreements on Environmental and Labour Cooperation outline the obligations of signatories. These include compliance, on the part of Parties, to environmental laws and policies, as well as cooperation with each other on labour matters.

Overall, the measures above resonate with the new economic orthodoxy. At bottom, N/AFTA, like the GATT (1994) and other internationally binding mechanisms, seek to steer the economic role of the state and the public sector away from the interventionism and overt protectionism of the 1960s and 1970s. Chile, Brazil and Caribbean countries, as was the case with Mexico, will be required to conform to the neo-liberal ethos underlying the NAFTA text, as a condition for negotiation talks. This means that independent state action must take on **other forms**. There is indeed a need for LAC countries to embrace at least some of the economic agenda of 'opening up' to regional (and global) capitalist market forces. This is at least a minimal requirement of foreign capital and is at the heart of what is required if a country is to increase its foreign exchange earning capacity. However, bargaining for space and manoeuvrability in sensitive sectors and industries; providing the rules, infrastructure, and the incentives for these areas; creating policy networks with firms and their associations, science, intermediary institutions and NGOs -- these all must constitute the **new** forms of state action in the AFTA-entry years and beyond. While complying with new global expectations and norms as it relates to opening the national economy, aspirant countries must simultaneously seek to enhance national economic competitiveness, particularly the strategic necessity to autonomously develop innovative technologies. This will depend of course on the quality of the country's scientific foundation and government industrial policies.

Reviewing U.S. Interests

Some observers have argued that on the surface it does appear that U.S. interests are strongly served in the Agreement. Such a view is not entirely off the mark. A few examples can illustrate the point.

Prior to NAFTA, Mexico's restrictive import licensing regime constituted the largest barrier to U.S. farm exports. These were removed effective 1 January 1994. Other Mexican import quotas on pharmaceutical inputs and a variety of used equipment, such as computers, tractors, and industrial machinery are to be phased-out over the next ten years. NAFTA also opens new markets for U.S. services providers. Under the NAFTA Agreement, U.S. service firms can serve Mexican and Canadian customers either by establishing local facilities[45] or providing cross-border services.[46] This means that Mexico's US $330 billion financial services market is open to U.S. banking and securities firms [Waverman, 1994]. NAFTA also eliminates restrictions against U.S. ownership and provision of services in the $3.5 billion Mexican insurance market. This means that U.S. firms with existing joint ventures in Mexico will be able to obtain as much as 100-percent ownership by 1996. New U.S. entrants with an interest in an existing Mexican firm may become majority owners as early as 1998, and 100 percent owners by the year 2000.

The NAFTA Agreement follows the CUSFTA and keeps open the Canadian services market to U.S. services providers. In 1991, U.S. services exports to Canada reached $18 billion, more than double the level in 1987. CUSFTA had covered over 150 service sectors, but NAFTA has improved the CUSFTA Services Chapter, extending coverage to **all** sectors of Canada's $285 billion services market [Hosten-

Craig, 1994]. NAFTA further enables U.S. firms to operate state-of-the-art, private intra-corporate communications throughout North America and Mexico. This is because the Agreement eliminates all investment and other restrictions on packet-switched services, effective 1 January 1995.

It is clear from all of the above that the Americas, by 2005 and beyond, will reflect a tightly drawn political-economic web. The level of integration portended by NAFTA can be observed in many areas: trade, cross-border investment, services, land transport, and the unification of financial markets. The point can be seen even more clearly if one examines NAFTA's expected impact in one area; i.e. land transport. Nearly 90 percent of U.S. trade with Mexico is shipped by land. The Agreement permits U.S. trucking companies to carry international cargo to the Mexican states contiguous to the United States by 31 December 1995, and to have cross-border access to **all** of Mexico by the end of 1999. In addition, it provides U.S charter and tour bus operators full and immediate access to the cross-border market. U.S. regular bus route companies are scheduled to gain full cross-border access to both Canada and Mexico by the end of 1996. It is also worth noting that the NAFTA Agreement opens the Mexican market permanently for U.S. railroads, and for U.S. and Canadian investment and operating access to port facilities.

It is not unreasonable to suggest that the U.S. is likely to gain as well from the opening up of government procurement markets. There are no foreseeable loopholes in this aspect of the Agreement. Each Party is required to establish procedures to notify all NAFTA suppliers of procurement opportunities, allowing them to compete on an equal footing with domestic bidders for contracts. There is also in place a bid challenge mechanism that will give a bidder from any of the Parties the right to challenge both contract tendering and awards. Under NAFTA, Canada is required to open its procurement market beyond both the level of the CUSFTA and the offer it made in the GATT Government Procurement Code re-negotiations [Waverman, 1994].

Canada adds coverage to three new entities (the Departments of Transportation, Communications and Fisheries); service and construction contracts; and some important government entities (e.g. the Canadian Mint).

In the intellectual property rights (IPRs) area, the U.S. stands to gain from the rules regarding patent protection. In 1991, the U.S exported US$5.3 billion worth of high-technology goods to Mexico and $15.8 billion to Canada.[47] These goods, which included computers, microelectronics, aerospace equipment, chemicals, pharmaceuticals, scientific instruments, and machine tools, are R&D-intensive and depend on strong patent protection.

A source of gain to U.S. businesses lies with the following reasonable assumption: to the extent that free trade in the Americas could contribute to a major expansion of the signatories' economies and an increase in their incomes, they would be in a position to buy more U.S. exports. A brief look at the import profile of say, Canada, Mexico, Chile, Brazil, and the Commonwealth Caribbean, would suggest that the best foreign market for U.S. exports would become even better.

Overall, the falling barriers to trade and investment will likely see the Americas (circa 2020), resembling a largely North America-centric integrated inner structure bearing the mark of an international (interstate) economic complex. Certainly a larger **home base** (i.e. in the Americas) could enhance the ability of North American firms to export into the increasingly competitive world market. It would also enhance their ability to compete in their home markets with imports from overseas countries. This is the regional complex that the U.S. especially needs if it is to achieve price-competitiveness, innovation, and export-competitiveness *vis-à-vis* its core rivals.

In this sense it is plausible to suggest that this marks a shift by the U.S. towards a Japanese-like model of regional industrialisation [Cumings, 1987]. Bernard and

Ravenhill (1995) point out that Japan from the mid-1980s has been building on its previous attempts to **facilitate the growth of the region** (i.e. Northeast and Southeast Asia) in order to increase its price-competitiveness and to escape the destabilising effects of an appreciating yen. Indeed, the search by Japanese capital for low cost production centres has been an important determinant of growth in the East Asian NICs. Throughout the 1980s however, land and labour shortages resulted in steady increases in rents and wages in these countries. Japanese capital began to search for cheaper Asian production centres as the South Korean and Taiwanese currencies appreciated against the dollar. As product assembly sites, China, Vietnam, Malaysia, and Thailand are interlinked into a Pacific economic structure that is principally set by the expansion of Japanese foreign investment, and operationalised by an expanding web of Japanese TNC subsidiaries [Drifte, 1996]. The U.S. on the other hand was predominantly occupied with Cold War concerns for most of the post-war years. The Americas consequently suffered from benign neglect. To be sure, the regional hegemonic order primarily addressed security concerns, i.e. related to containing the spread of communism in the isthmus. In light of the new standards for global competition, its growing trade deficit, and other geostrategic concerns, the U.S. since the CBI years, has been forced to rethink and reshape its relations with countries in its hemisphere. But this is not a `master plan' that will work against the interests of **all** AFTA participants. The evidence thus far indicates that the current reconfiguring process has been one that the U.S. has failed to rig to its absolute benefit.

<u>Canada Since 1989</u>

Canada, based on all conventional data, is considered a core country. In Chapter One, I referred to the uneven levels of development in the periphery in order to point to the dangers of treating the Third World as a homogenous bloc. Canada, convesely, is not a high flier within the core, nor a serious contender for world (system) wide hegemony. In the Americas, it is overshadowed by its immediate neighbour south of the Canadian border. U.S. capital dominates economic activity in Canada, and while 80% of U.S. trade is **outside** of the North American sphere, 80% of Canada's trade is with a **single** country, i.e. the U.S. Nevertheless, it is too simplistic to treat Canada's hegemonic fortunes as entirely separate from the U.S. The U.S and Canadian economies are highly integrated, political sovereignties notwithstanding. Canada's case is one of (inter?)dependence and development. Indeed, Clarkson (1982) observes that Canada's extensive trade with the U.S. covers intermediate goods (imports), machinery (exports), and finished goods. He also notes the high degree of integration in Canadian and U.S. financial services -- i.e. banking, stock exchange, and central bank activities. He surmises that the levels of integration are such that the Canadian government has limited room for exercising national sovereignty in the sphere of macroeconomic policy and very little at the micro-economic level [p.187]. Apart from the high concentration of finance and production by U.S. and Canadian capital, Clarkson notes that in the military-industrial sphere there is near complete dependence on the U.S. weapons systems and considerable integration into the U.S. military command.[48]

Canada's political economy, however, has been undergoing wrenching changes in the wake of the restructuring of global capitalism. Its weak secondary manufacturing sector is forced to redress its domestic market-orientation and its tendency to generate high costs in production runs [Borodayevsky, 1987]. Its manufacturing sector has not yet been able to exploit CIM technologies required for industry-specific international competitiveness. The reasons for this are complex, but are related to the role played by the bourgeoisie and the state in the 1970s and 1980s, following the world economic downturn.

Briefly, Canada's comparative advantage rested in various areas like forest products, food products, energy, basic metals, minerals, grains and fish. Biotechnology and other technologies, and the collapse of oil prices in the 1980s led to economic instability as new materials replaced many of Canada's exports. While the state and internationalised sections of the bourgeoisie (some U.S. and Canadian capitalists) grappled with problems associated with restructuring, the local bourgeoisie and influential interest groups remained largely divided over the question of U.S. dominance in the Canadian corporate sphere [Hosten-Craig, 1994]. Strong calls for protectionist measures were made. The divisions amongst the bourgeoisie and a consequently strident NGO community combined to immobilise the state relative to addressing domestic factors inhibiting industrial competitiveness.[49] In light of these constraints, the state postponed decisive action and encouraged further levels of FDI in its nascent micro-electronic industries and moved to set up incubation centres or 'science parks' to improve R&D.[50]

By 1987, the results of this strategy were mixed. Canada had developed an electronics industry where 90% of its computers were exported. But domestically, nearly all computers in use were imported. High R&D costs and lack of price-competitiveness encouraged locals to purchase U.S. and Japanese equivalents. Overall, in Canada's microelectronics industries, there is little R&D infrastructure, relatively limited content in production and a limited domestic market that virtually rules out the option of increasing the value-added by moving towards automation and robotics.[51] The result was that by the late 1980s, the state along with a small section of the bourgeoisie resolved that Canada's industrial future depended on the very links it could continue to make with the U.S. Hosten-Craig points to the increased levels of direct FDI from Japan and parts of Asia after 1987 and intimates that it corresponded with the state's interest in constructing a U.S.-Canadian 'continental economy'.

By the late 1980s therefore, three interrelated factors prompted the Canadian government to pursue a free trade agreement with the U.S. One: there was a growing realisation among the business community, academics and politicians that Canadian manufacturing faced an uphill struggle to achieve large-scale, efficient production without access to a large market. Two: the ongoing restructuring of global capitalism was not only alterring the character of industrial production (i.e. by the application of computer-related technologies and reforms in management structures) but future international trading relationships remained uncertain in light of the difficulties of the then protracted GATT Uruguay Round. And three: there was a fear that protectionism in the United States may gather political momentum redounding to the ill-fortune of Canadian trade.

This last point is of particular importance, for while the Kennedy and Tokyo Rounds negotiated the downward movement of tariff rates, advanced countries (including Canada) acted to formalise and tighten trade remedy laws and procedures designed to protect domestic industries. Faced with a rising trade deficit, the U.S. in the 1980s imposed *Buy America* provisions at the federal and state levels; exacted countervailing duties (CVDs) on select Canadian exports; presaged similar action in 1986 for Canadian lumber imports; and it threatened **unilateral changes** in the rules of the game by citing a few industry practices by South Korea and Japan as 'unfair' under Super 301, or the Omnibus Trade and Competitiveness Act (1988).[52] CVD actions and the threat thereof were particular causes for concern in Canada, for the very existence of a mandatory, legalistic, quasi-judicial process of investigating imports was seen as a significant deterrent to trade because of its potential use as a form of harassment. In short then, the Canadian government's desire for a FTA was spirited by a hope for a better trading relationship, and propelled by a fear that things might get worse without major new initiatives.

James F. Kellerher, then Canada's Minister of International Trade, confirms this when he stated:

> The interdependence of Canada-U.S. economies is already at an advanced stage and...the absence of formal bilateral arrangements impedes the development of a more competitive economy and therefore erodes our capacity to pursue Canadian development and exercise Canadian influence internationally.[53]

Two arduous years of negotiations followed before consensus was reached by the U.S. and Canadian negotiators on the terms and conditions of the CUSFTA. Although it may be too early to provide an authoritative assessment of the impact of both CUSFTA and NAFTA on Canada's economic fortunes, early indicators point to some measure of recovery in particular sectors. Most importantly, it is the high technology industries that have fared the best from the CUSFTA.

Canada, recognising the growth potential of its telecommunications sector, for example, moved successfully to get this sector excluded from the Agreement. Referred to by the Canadian negotiators as `cultural industries', entrepreneurs involved in the activities below have been protected from the liberalisation thrust of the NAFTA:

i) publication, distribution, sale of books, magazines, periodicals, newspapers, etc.;

ii) production, distribution, sale or exhibition of films or video recordings;

iii) productions of audio or video music recordings;

iv) publication and distribution or sale of music in print or machine readable form; and

v) radio communications in which transmissions are intended for direct reception by the general public, and all radio, television and cable broadcasting.[54]

The post-CUSFTA increase in trade surpluses for the telecommunications sector represented a windfall revenue for Canadian firms. Exports of telecommunications equipment and parts which stood at US$40 million in 1990, rose to US$180 million in 1992.[55]

The trade balance in motor vehicle parts has also improved. In 1990, exports of motor vehicle parts stood at $109.4 million; by 1992 the figure reached $157.6

million. In the wider manufacturing sector, the results have been mixed. Hosten-Craig (1994) notes that some success has been experienced by a few Canadian companies. She refers to Bombardier Incorporated of Montreal, and MKS Incorporated of Waterloo, Ontario, as two such succesful companies since the signing of the CUSFTA. Bombardier Inc. has recently secured a large contract of over $160 million to make aircraft parts for the Boeing Company of Seattle, while MKS Inc., a computer software company with annual sales of over $7 million, now `develops, manufactures and markets the latest in computer software technology' [p.4]. A consequence of this is that since the 1989 Agreement, Waterloo's international profile has been improving to the point where it `is fast becoming a centre for Canadian technology...spurred by research and development at three local universities' [p.4]. Hosten-Craig also points to gains made in the services sector, particularly those services directly related to computers, management, consulting and advertising.

Since 1989, Canada has also enjoyed a favourable agricultural trade balance with the United States. Canada's agricultural imports **from the the U.S.** increased by 27 percent, from $3.6 billion in 1989 to $4.6 billion in 1990. However U.S. agricultural imports from Canada for the same period was **greater**. In 1989 it was $4.4 billion; by 1990, it stood at $5.8 billion dollars -- an increase of 32 percent.[56] Following these gains, a trade specialist was to add: `If it were not for the FTA we would still be in a recession. The U.S. economy has helped to pull us out of recession.'[57]

However, while there has been some recovery, it has been matched by continuing job losses in the manufacturing sector. The question is whether this is the result of CUSFTA and NAFTA, or the direct effect of continuous industrial restructuring.

Hosten-Craig partly answers this by noting that Canada's competitiveness as a high wage area critically depends `on [its] quality control, leading edge technology and skilled workers' [p.4]. This, she explains, accounts for Canada's post-CUSFTA successes, and the increasing levels of FDI from the U.S. and Asia. Canadian industries, like their U.S. counterparts, continue to streamline their operations and contract-out specialised forms of work previously done in-house, in order to keep costs down. As one commentator confirms:

We have held our share of the U.S. market and increased the share of the Canadian market. But industries have been rationalizing. What has driven the companies to rationalize is the information revolution. You are able to do more with fewer middle managers, as a result of the computer based technologies.[58]

Another Canadian business official adds:

Free trade with the U.S. has been positive for many Canadian companies and industries, even though in some sectors it has accelerated the *often painful but* necessary process of industrial restructuring and adjustment.[59]

Perhaps the view that the post-1989 hemispheric trading arrangements have `accelerated' the restructuring process is an accurate one. Since signing the NAFTA, Hosten-Craig and Waverman note that some plants in Ontario and Detroit closed and subsequently reopened just north of the Mexican border and in the *maquiladoras*. Waverman in particular points to Canadian plant closures and their relocation to the southern USA, where skills are of the same quality but cheaper than in the northern USA or Canada.

The manufacturing job decline indeed generated a social climate of hostility towards the NAFTA. This trilateral arrangement was seen in some quarters as a further threat to jobs in all sectors. In this regard, NGOs waged a battle to bring environment and employment standards into the talks in order to minimise the threat of plant relocations to Mexico.[60] Canadian state officials, in the thick of these debates, continually stressed that there were potential benefits in broadening the CUSFTA. The argument was that not only was NAFTA bringing a third-party into the framework, but the accord aimed to **immediately** lower duties by 50% on over 9000 tariff items.

This was an opportunity that the Canadian state managers wished to grasp. Despite the preliminary successes in select sectors since the CUSFTA, the Canadian economy was still suffering from its accustomed structural weakness, i.e. its extremely heavy trade reliance on the U.S. market. NAFTA exposed(s) Canada to a new player, with 86 million people, some 57% of whom are under 30 years of age. In Mexico, the opportunities for Canadian business will be in supplying public infrastructure, telecommunications, pollution control, and the like. Hosten-Craig notes that already Canadian companies such as Bombardier Inc. and the Bank of Nova Scotia have taken decisions affecting either investment or operations in Mexico [p.10]. In the area of government procured services, NAFTA also expands the range of opportunities available to Canada. CUSFTA did not see Canada's range to the U.S. market expand, for U.S. *Buy America* provisions still applied on transit and highway projects.

In real trade terms, Canada's commodity goods trade to Mexico before 1991 averaged only 1% of all its exports worldwide.[61] But during the first four months of 1992, as NAFTA negotiations served as a free advertisement of Mexico's consumer market potential, Canada increased its trade there by 76 percent. Since the talks, Canadian businesses continue to declare an interest in increasing linkages with Mexico.[62]

Canadian free trade coalition interests see the expanding NAFTA process as a way to diversify its trade dependence on the U.S. Indeed, it was through the urgings of Canadian negotiators -- **not the U.S.** -- that an Accession Clause was included in the text of the Agreement.[63] This also reflected in part an ongoing effort by state officials to re-address Canada's foreign policy towards LAC countries. Two steps were taken. One: a deliberate effort was made to transform what was formerly a US/Mexico FTA proposal, into a NAFTA project, open to the hemisphere, and guided by multilateral diplomacy rather than by multiple U.S.-FTAs. Two: Canada moved to become a member of the Organisation of American States in order that it may exercise greater influence on developments in the hemisphere. The view expressed by the former Canadian Prime Minister (1990), Joe Clark, was that Canada needed to `find a home in the Americas'.[64]

Apart from Canada's increasing interest and prospects in the Americas, the preliminary gains it has thus far recorded since the CUSFTA gives the lie to the view that the U.S. alone has benefited and will likely continue to singularly benefit from the evolving hemispheric-wide process. At the very least, one ought to recognise that Canada's industrial future *vis-à-vis* its core rivals critically depends on this hemispheric integration process and the gains it can make as a services provider and telecommunications exporter.

The Political Economy of Mexico within the NAFTA Conjuncture

In this section, I present a fuller picture of Mexico's pre- and post-NAFTA experience. This is because Mexico, like other LAC countries, is a low-accumulation social formation. Like most others in the region, it is saddled with a high debt service burden, it has been pursuing a policy of economic liberalisation since the 1980s, and it has discovered that IMF/World Bank measures provide no guarantees of success. Mexico's experience with NAFTA is therefore of importance for lesser players in the region. What is demonstrated is that the NAFTA process has not been marked by a zero-sum distribution of benefits favouring a North American core over an ill-fated peripheral state. Indeed, the reconfiguring of the Americas is turning out to be too complex and subtle a process to be presumed to be known in advance without actually investigating concrete particulars.

Mexico's recent economic history can be characterised as one of fluctuating fortunes. Import-substitution led development between 1950 and 1970 led to rapid industrialisation of the economy. The state largely played the central role in these efforts, and while this was in keeping with the political tradition of *caudillismo* or 'bossism', there was a determination in the Cardenas years (1960s) to improve Mexico's ranking through a form of 'economic nationalism'. Expropriations and other restrictions of foreign control of industry were carried out against U.S. and other multinational companies. From 1950 to 1970, the economy grew annually at a rate of 3 to 4 percent as the state restricted imports of goods domestically produced. However, this growth ended in the mid-1970s with the flight of foreign capital (following the expropriations), and the overall downturn in the world economy [Bosworth *et al*, 1992].

The oil-boom years (1978-1981) produced a cash windfall which in turn maintained the buoyancy of the Mexican economy. The state in these years improved its assembly-plant infrastructure, particularly in the automotive and electrical machinery sectors. The levels of expenditure reflected an expectation of sustained high oil prices and continued access to international loan-capital. By early 1982, a combination of factors produced a severe crisis in its balance-of-payments position. These included high levels of state corruption, fiscal mismanagement, the oil-price collapse and the insufficiency of its 'self-reliant' economic strategy.[65] Devaluation and financial chaos resulted as the external debt rose from a manageable 30 percent of GDP in 1981, to 63 percent in 1983. By 1982, interest alone on the external debt absorbed half of Mexico's export revenue.[66]

Under President Miguel de la Madrid (1982-88), the government adopted austerity measures that included reductions in agricultural subsidies and cuts to health, housing, education, and other social services. Mexico's declared debt default brought the purveyors of neo-liberalism into action. The IMF and the World Bank together undertook the role of ensuring international commercial stability by combining stabilisation loans with policy-based structural and sectoral adjustment for debt-recipient countries. For Mexico, the recipe for economic recovery rested with the implementation of a structural adjustment programme to complement earlier domestic austerity measures. Public sector retrenchment, currency devaluation and wage controls were to relieve the state and capital of `unnecessary' expense and improve Mexico's export competitiveness. As IMF officials often imply in their advice to other contracting Third World countries, economic renewal is automatic once such measures are undertaken.

Contra the admonitions of the IMF and other technocrats however, I would argue otherwise. I suggest that in the absence of a structural opportunity, macro-economic reforms alone do not bring about **economic reactivation** beyond at best, fluctuations along a recovery trend line. The period 1982-1988 in the case of Mexico illustrates this point.

Some trade recovery did occur between 1983 and 1985. Mexico's merchandise trade balance with the U.S. switched from a deficit of US$3.8 billion to a surplus of $13.8 billion.[67] The government used these revenues to expand the *maquiladora* sector. But because two-thirds of all Mexican trade was absorbed by the U.S., its fortunes suffered another setback as the years 1986-1991 saw its imports of U.S. products increase at an annual rate of 22 percent while its exports rose only by 13 per cent (see Table III). By 1991, the U.S. had a trade surplus with Mexico totalling $1.6 billion. Only the petroleum goods sector and (select) electrical goods recorded trade surpluses (see Tables III and IV).

Mexico has had to walk the tightrope of trying to attract foreign capital by liberalising ownership controls and expanding its *maquiladora* programme, while boosting its trade performance. This was problematic given that the erstwhile *maquiladora* improvements served to absorb the bulk of imports, particularly in U.S. industrial supplies. To offset this, Mexico would have needed to attract more investment and expand its trade by additionally pursuing **alternative markets**. Without these, the austerity measures and the IMF/World Bank policy adjustments could not bear fruit. As Gabriel and Macdonald (1994) point out, these reforms on their own were instead serving to create extreme conditions of poverty, hunger, and unemployment among large sections of the population.[68]

Table III

U.S. Merchandise Trade with Mexico, 1985-1991 (U.S.$millions)

	Exports		Imports		Trade Balance	
	1985	1991	1985	1991	1985	1991
Foods, feed, and beverages	1,117	2,585	1,792	2,802	--675	--217
Petroleum	--	--	7,838	4,688	--7,838	--4,688
Industrial supplies (except petroleum)	4,096	8,935	1,859	3,103	2,237	5,832
Capital goods (except automotives)	4,538	11,304	2,957	6,135	1,581	5,169
Automotive vehicles, parts, and engines	1,974	5,363	2,830	7,857	--856	--2,494
Consumer goods (nonfood)	684	3,425	1,278	5,342	--594	--1,917
Other goods	977	1,525	550	1,599	427	--74
Total	**13,386**	**33,137**	**19,104**	**31,526**	**--5,719**	**1,611**

Source: Bosworth, Lawrence and Lustig (1992, p.6).

Table IV

The Thirty Leading Mexican Exports to the U.S. 1992 (1988-1990 export value. US.$million)

DESCRIPTION	MEXICO
Crude petroleum	4023.6
Electrical power machinery	1542.3
Other electrical machinery	1167.3
Fresh vegetables	740.2
Clothing, not fur	607.9
Furniture	524.4
Fresh fish	325.3
Petroleum products	306.3
Coffee	286.9
Fresh fruit & nuts	244.5
Toys, sporting goods	234.3
Alcoholic beverages	227.8
Articles of paper	192.2
Inorganic elements	169.0
Organic chemicals	146.4
Articles of plastic	143.0
Fruit, preserved, processed	133.9
Non-ferrous base metal ores	81.9
Manufactured wood	79.6
Other crude minerals	74.8
Non-ferrous metal	69.9
Gold/jewelry articles	53.8
Textile yarn & thread	52.7
Crude materials	48.3
Sugar & honey	37.6
Iron & steel shapes	28.3
Tobacco (unmanufactured)	15.3
Fertilizers (manufactured	10.2
Tobacco (manufactured)	4.6
Meat (fresh, chilled, frozen)	1.2

Source: Drawn from Hutchinson and Schumacher (1993).[69]

Pastor and Wise (1994) note that nevertheless the government remained committed to an outward-looking economic programme rather than a neo-autarkic strategy of `self-reliance' or `economic nationalism'. As they neatly put it, the `antiprotectionist leanings of Presidents de la Madrid and Salinas merged well with the preexisting mindset of the internationalist faction of the Mexican business community' [p.469]. It is not therefore surprising to learn that **it was President Salinas' government that initiated the NAFTA negotiations and not Washington** [ibid.: p.471]. This is important, for it clearly demonstrates that while the reconfiguration of the Americas is driven forward by the wider phenomenon of U.S. hegemonic slippage, its unfolding is not being solely determined by the U.S..

Originally, Salinas had agreed to bilateral free trade talks with the U.S. (1990), but by 1991, he became interested in a trilateral accord that included Canada. As 1992 approached, **both** Mexico and Canada saw NAFTA, not as a three country club, but as a club that should be open to players in the hemisphere. This was contrary to what some U.S. officials had envisaged, for a hemispheric-wide FTA was originally foreseen to take the shape of multiple U.S. bilateral FTAs with select states in the Americas.[70] The urgings of Salinas, Canadian anxieties, and select domestic lobbying pressure, have combined to make the U.S.-envisioned EAI take the form first, of a trilateral approach under NAFTA, and since 1994, a multilateral one (AFTA) to be coordinated by the OAS.[71]

Mexican Negotiation and Bargaining

Mexico's development aspirations were rekindled in the late 1980s, following increases in foreign direct investment and growing U.S. interest in the region. Bosworth *et al* (1992) point out that the inflow of capital increased from $500 million in 1985 to $2.8 billion in 1990. By the beginning of 1992, U.S., German and Asian investment reached a cumulative amount of US$33 billion [p.7]. Liberalisation of foreign ownership controls, and U.S./Mexico free trade talks combined to send positive signals to foreign investors interested in its denationalised education sector, newspapers, and financial services.

A strategy for upward mobility became clear in the NAFTA talks. The Mexican state was interested in expanding its *maquiladora* programme; promoting Cancun as a services and tourist haven; maintaining its trade and other advantages in petroleum goods; and pursuing new alternative markets for its overall trade.

Salinas enlisted the services of trade specialists with knowledge of U.S. and Canadian tariff and non-tariff barriers to trade and the technicalities of the CUSFTA [Martin, 1993]. These specialists, along with select policy-makers, lobbied for the (indefinite/temporary) retention of certain barriers to trade and investment in key sectors.

Overall, NAFTA commits Mexico to a trade liberalisation programme that makes it difficult for future governments to reverse the present course and turn back toward economic nationalism. The Agreement, as broadly outlined earlier, guarantees that half of the products the U.S. exports to Mexico will achieve duty-free status by 1 January 1994. By 1999, this duty-free net would have covered two-thirds of all U.S. exports to Mexico. NAFTA eliminates discriminatory restrictions on U.S. sales to and investments in the Mexican market for enhanced telecommunications services and equipment. Its Government Procurement Chapter improves procurement procedures; and cross-border access to all of Mexico is scheduled to end by 1999. US/Canadian negotiators also managed to outlaw the demand for 'performance requirements' on foreign companies. While these terms and conditions of the Agreement will redound to the benefit of U.S. and Canadian TNCs and capital goods industries, 'some very clever politicking'[72] on the part of Mexico created some space for exacting benefits. For example, the NAFTA Agreement recognises GATT provisions with respect to prohibitions and restrictions on trade in energy and basic petrochemicals, and forbids export taxes. However, tough bargaining resulted in the Parties (i.e. U.S. and Canada) recognising Mexico's rights under its Constitution to introduce special measures in this sector. Thus, Mexico reserves to itself the following strategic activities:

i) exploration and exploitation of crude oil and natural gas, refining and processing, etc., production of basic petrochemicals, their feedstocks and pipelines;

ii) foreign trade, transportation, storage, distribution of crude oil, natural and artificial gas, and basic petrochemicals.

Further, Mexico may restrict the granting of import and export licences for the sole purpose of reserving foreign trade to itself in goods such as:

i) Petroleum oils and oils obtained from bituminous minerals, crude.

ii) Petroleum oils etc.; other than crude.

iii) Petroleum gases and other gaseous hydrocarbons.

Petrochemicals and crude petroleum constituted leading foreign exchange earners for Mexico (see Table IV), hence the government was unwilling to relinquish these sectors to neo-liberal requirements.

In the talks concerning agriculture, the U.S. sought to limit the imports of `sugar and syrup goods' by way of maintaining quota restrictions similar to those under the CBI. These restrictions were imposed by the U.S. throughout the 1980s to allow its light beverage and confectionary industries to take advantage of new biotechnological discoveries and research. The 1990s is witnessing a changeover from sugar to high-fructose sweeteners (HFS) and other substitutes in the Coca-Cola, Pepsi-Cola and other light beverage industries [Brown and Tiffen, 1992]. Since the CBI is a unilateral trade policy, Mexico and other beneficiary countries could do nothing except clamour for the reversal of the U.S quota-restriction policy. The large rural Indian community have suffered most from cuts in agricultural subsidies and the liberalisation of agricultural trade. A cut-back in sugar-cane production caused by an ever-contracting U.S. market could lead to higher unemployment in rural Mexico with severe social consequences. In the NAFTA talks, the state and the negotiators were spirited to arrest such a scenario. A consensus was reached between the U.S. and Mexico in the NAFTA. They have entered into an arrangement for trade in sugar and syrup goods whereby Mexico is guaranteed quotas into the U.S. market ranging from 7,255 metric tons initially, to 150,000 metric tons by the seventh year (2001), rising by 10% annually thereafter. The revenue-earning effect of this for Mexico may be negligible if U.S. (and other) consumers grow to firmly accept and acquire a taste for artificially sweetened products. But the socio-political effects of this arrangement may be beneficial to the state's efforts at maintaining social peace.

While Mexico's negotiators largely accepted the liberalisation terms of the Agreement, they managed to secure `more time for compliance [to sections of the Government Procurement Chapter], including lodgement of its full [services] exclusion list, because [it] does not yet have the required structures in place to discharge the obligations in this area'.[73]

Since the passage of the NAFTA, Mexico's *maquiladora* programme has been expanding as some Canadian and U.S. firms have relocated to those nearest the U.S/Mexican border [Gabriel and Macdonald, 1994]. As it stands, Mexican *maquiladoras* offer capital a low-wage-productivity mix. Marchand (1994) points out that these were made cheaper as the state in the 1980s drew more women into the sector. Others see the recent relocations as forecasting the eventual creation of a `giant maquiladora...[based on the expansion of] female-dominated, labour intensive, low-wage, transnational-owned industry throughout the territory of Mexico.'[74] Martin (1993), however, does not make such a dire forecast. He points to other drawbacks of the maquiladora system, namely, the use of few local components and the consequent lack of job-creation in Mexican supplier industries. However, he takes on board the growing trends since the mid-1980s, and concludes that even though it has been slow, `[m]aquiladoras are changing. Many are hiring more men, moving to interior locations, and producing more sophisticated products with better-educated workers' [p.119].

Indeed, it seems that President Salinas' government understood the limitations of offering capital a cheap wage/low-skilled/cheap transport `package'. He himself advanced the view that this traditional form of an EPZ was `a necessary first step' in the eventual modernisation of Mexican industry, `leading to more value added industrialisation...based on higher levels of technology and increasingly skilled labour'.[75] In this, it will appear that the PRI government recognises that offering better skills could attract more investment, and increase the prospects of a transfer of technology or techniques. Upgrading the skills of the *maquiladora* labour force is an optimum strategy in light of GATT and NAFTA prohibitions on the `rights' of states to exact `transfer of technology or export performance' criteria/demands on foreign companies. But this is not to suggest that the task of upgrading the skills of the labour force is a simple one for the Mexican state. The difficulty for the Mexican government will be how to maintain wage differentials for re-skilled *maquiladora* workers *vis-à-vis* their U.S. and Canadian counterparts. Currently, foreign investors enjoy the low production costs in Mexico, particularly the low labour costs which are eight times lower than in the southern U.S..

The unfolding integration dynamic in the Americas is being exploited fairly well by Mexico. While it negotiated a trilateral Agreement with the U.S. and Canada, it mounted similar efforts with its Latin American neighbours. The Tuxtla Gutierrez Agreements of January 1991 between Mexico and Central America, for the establishment of a FTA, were initiated by the Salinas government. In August 1992, a multilateral framework was signed agreeing to a trade liberalisation programme between Mexico and Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.[76] Apart from this, Mexico engaged in bilateral free trade talks with individual Central American countries. This process has been largely overtaken by developments since

December 1994 (re. Summit of the Americas Action Plan 2005). However, in May 1994, after three years of negotiation, Mexico managed to clinch a Mexico-Costa Rica Free Trade Agreement. Accordingly, 8,300 products between both countries were made duty-free on 1 January 1995, with another 540 goods earmarked for tariff-free status in another five years (2000). By 2005, 690 other products would have also reached duty-free status. David Lewis (1994), upon observing the successful completion of a complex trade agreement between these two Latin American countries, remarked:

> Because of the vast and comprehensive coverage of all trade and investment issues this agreement is seen as one of the most advanced trade agreements between any Latin American countries.[77]

The aim of these efforts is clear. The Mexican government perceives that NAFTA will present benefits and losses. Benefits in the sense of attracting investment, technological expertise, and some market opportunities; and losses by way of a reinforcement of its trade deficit with the U.S. as liberalisation rules tighten. Indeed, since the NAFTA, the U.S. has maintained its trade surplus through continued exports of capital goods like aerospace equipment, semiconductors, computers, medical devices, rail locomotives, telecommunications and electronic equipment. The U.S. also managed to achieve new export increases in auto parts, machine tools, and paper products as a result of the tariff reductions in January 1994 [Waverman, 1994]. A recent UN/FAO Report adds as well that:

> Mexico is now one of the United States' largest and fastest growing high-value agricultural markets, about 70 percent of all U.S. agricultural sales to Mexico being high-value products. Commodities like meat and poultry, horticultural products, dairy products, and snack food are leading and expanding exports to Mexico. NAFTA will facilitate U.S. food processing affiliates sales in Mexico which grew over 20 percent a year in both 1990 and 1991.[78]

Contra the 'recolonisation' advocates, this does not mean that NAFTA represents an unfair deal for Mexico. Indeed 'fair' trade deals are not guided by a 50-50 base line arrangement. NAFTA advertises Mexico's investment prospects, creates the conditions for increased U.S. investment and financial 'bail-out',[79] and fosters investment and business linkages with Canada. These are advantages that cannot be easily quantified. In any case, **access** to global sources of finance and technology is the bald essential of graduation. What Mexico needs, and what it has sought to do, is to export to other untapped markets in the hemisphere in order to cushion the effects of a trade deficit with the United States. This explains the reasons behind Mexico's interest in establishing FTAs with other countries in the Americas.[80] Lewis (1994) points out that trade between Mexico and Costa Rica stood at US $215 million in 1993, and that this is now expected to 'double within five years'.[81] Mexico's urgency in signing other FTAs or encouraging a hemispheric-wide arrangement is not therefore surprising. The Mexican Commerce Secretary, Jaime Serra Puche, adequately puts it this way, given the uncertain distributional and beneficial consequences: 'expanding NAFTA is the natural thing to do and defining the process is now a priority'.[82]

In 1992, the Economic Strategy Institute (ESI) undertook studies of the likely positives and negatives NAFTA will produce for Mexico and the U.S.[83] Numerous calculations and assumptions regarding capital output ratios, price sensitivities, current and potential investment, and tariff-reduction cost-benefits were carried out in order to compile tables on incremental gains and losses for U.S. and Mexican export industries. Here, a caveat is required. While the tabular findings confirm my point that NAFTA is not unidirectional in terms of benefits and losses, it must be noted that the ESI experts assumed that NAFTA would have remained a trilateral arrangement. The impact of *AFTA (2005)*, or even *Chile's likely accession in 1997* was not considered.

Tables V, VI and VII accurately reflect what is occurring at the present time. As pointed out earlier, NAFTA has initially increased U.S. exports to Mexico. For example, U.S. auto exports to Mexico have increased rapidly since 1 January 1994, reflecting the elimination of Mexican restrictions.[84] Mexican exports to the U.S. have also improved however, following recent substantial investments in new auto production facilities there. This is not surprising, for in the thick of the NAFTA talks, (Mexican-based) Nissan and Volkswagen announced investment plans that clearly targeted the North American market rather than the accustomed Mexican domestic market [Bosworth *et al*, 1992]. Nevertheless, the ESI experts expect that the early NAFTA years will see an overall net new U.S. export manufactures totalling $10 billion in revenue. Mexico's new manufactured exports will total roughly $8 billion. They expect that announced large investment in state-of-the-art auto plants, and garment assembly operations, will result in a rise in net Mexican exports of autos and auto parts and apparel goods.

I would argue that even in the short term where the U.S. is calculated to be gaining, NAFTA is amounting to half a loaf from the U.S. viewpoint. Tariffs and export requirements are being eliminated, but within largely a ten to fifteen year period. Therefore, even though the tariff, quota, and content rules of the deal improve the prospects of U.S. exporters, the complex timetabling will not allow them to fully **exploit** their competitive capability for some time. For example, tough rules of origin currently favour U.S. producers (60% North American content requirement), over Asian or other producers. However, in the Agreement, Mexico has managed to secure a ten year arrangement requiring `producers in Mexico to use about 34% Mexican parts, increasing this percentage in proportion to any increase in their imports of autos or parts'.[85] By 2004, this requirement is to be dropped entirely. This means that North American, Asian and European producers in the short term will be faced with measures that restrain attempts to access the cheapest quality materials neccessary for price-competitiveness. In all likelihood, they will consequently purchase Mexican built parts.

Table V

Trade Impact of NAFTA on Mexico and USA (net incremental trade impact in billions of dollars)

	1994	1998	2002
1) Net incremental U.S. Manufacturing Exports to Mexico (low to high range)	9.7 to 10.1	20.6 to 21.6	25.7 to 26.2
2) Net Incremental Mexican Manufacturing Exports to the U.S.	8.1 to 8.4	20.8 to 22.8	39.5 to 43.5
3) Subtotal of Net Increase of U.S. Manufacturing Exports to Mexico (line 1 minus line 2)	1.3 to 2.0	--2.2 to 0.8	--17.8 to --13.3
4) Net Incremental increase of U.S. Exports to Mexico in Agriculture/Services* (low to high range)	0 to 1.0	1.0 to 3.0	3.0 to 5.0
5) Subtotal of Net Incremental U.S. Exports to Mexico (line 3 plus line 4)	1.3 to 3.0	--1.2 to 3.8	--14.8 to --8.3
6) Net Trade diversion (low to high range)**	1.5 to 2.5	4.0 to 5.0	6.0 to 7.0
7) NAFTA impact on Overall U.S. Trade Balance (line 5 plus line 6)	2.8 to 5.5	2.8 to 8.8	--8.8 to --1.3
NAFTA Impact on U.S. Jobs (25,000 jobs per billion dollars)	70,000 to 137,500 jobs gained	70,000 to 220,000 jobs gained	32,500 to 220,000 jobs lost

*Includes repatriation of profits on U.S. investments in Mexico.
** U.S. imports from elsewhere displaced by imports from Mexico.
Source: Economic Strategy Institute Report (1992b: p. 21).

Table VI

Sectoral Impact of NAFTA on Mexican Manufacturing*
(net new Mexican exports in billions of dollars)

	1994	1998	2002
Motor Vehicles	1.9	6.7	9.6
Auto Parts	4.6	7.2	9.1
Poultry Processing	0.0	0.3	1.5
Meat Processing	0.0	0.7	7.3
Apparel	1.0	2.4	3.1
Textiles	0.2	0.6	1.1
Telecommunications equipment	0.05	0.4	0.9
Computers	0.1	0.4	0.9
Other Manufacturing	0.2 to 0.5	2.1 to 4.1	6.0 to 10.0
TOTAL	8.1 to 8.4	20.8 to 22.8	39.5 to 43.5

*In net incremental gains.

Table VII

Sectoral Impact of NAFTA on U.S. Manufacturing*
(net new U.S. exports in billions of dollars)

	1994	1998	2002
Motor Vehicles	1.7	3.1	4.8
Auto Parts	3.5	7 3	6.2
Poultry Processing	0.0	0.02	--0.08
Meat Processing	0.0	0.5	4.4
Apparel	0.7	1.4	1.4
Textiles	0.1	0.5	0.6
Telecommunications Equipment	1.1	2.2	2.3
Computers	0.2	1.5	3.4
Capital Equipment	1.8	2.1	2.1
Other Manufacturing	0.6 to 1.0	2.0 to 3.0	0.5 to 1.0
TOTAL	9.7 to 10.1	20.6 to 21.6	25.7 to 26.2

*In net incremental gains.
Sources: Cohen (1992a) and Economic Strategy Institute (1992b: p.22).

Another example is in the flat glass industry. While Mexico's Vitros Group of Monterey, a world leading producer, will benefit from a high tariff wall that will be graduately phased out in 10 years, U.S. flat glass producers with low U.S. tariffs will find it difficult for some time to enter the Mexican market. A situation is therefore created where Vitros is able to export and make acquisitions in the U.S. market, while U.S. flat glass producers are handicapped by the provisions of the deal.[86]

The ESI analysts estimate that after the first five years of the NAFTA, **the balance of advantage will gradually swing to Mexico**. By the year 2002, as a result of capital investments in this period, Mexico is estimated to reverse its trade deficit with the U.S., resulting in a loss of 220,000 U.S. jobs. Mexico's trade surplus with the U.S. is calculated to reach almost US$9 billion. Added-production capacity in Mexico is expected to boost Mexican exports in autos and auto parts, petrochemical products and textile goods. In addition, they note that by such time Mexican-based industry will be using more domestically made parts, components and capital equipment, the result being a reduction in Mexican imports of U.S. capital goods. Even within the short-term, as a recent World Trade Report revealed, Mexican export trade to the U.S. has improved fairly significantly since the reduction of duties in 1994 and 1995 (see Table VIII).

Martin (1993) had argued that even in the absence of substantial export sales, Mexico was likely to gain the most from the NAFTA in real terms over the short-term. This confirms my point about the dangers in looking at the question of `fairness' in trade agreements in simple 50-50 base-line terms. Martin explains that comparatively a 1996 U.S. trade balance of $8 billion to $12 billion with high job creation levels (115, 000 to 175, 000 jobs) will be of little significance to a U.S. economy that exports goods and services worth $500 billion annually and imports almost $600 billion annually. On the other hand, a net improvement of $7 billion to $8 billion in Mexico's trade balance is far more significant in an economy where exports are worth $33 billion and imports $31 billion.

Table VIII

Leading U.S. Imports From Mexico 1993-1995

($million dollars)

COMMODITY	Jan-March 1993	Jan-March 1994	Jan-March 1995
Electrical	2, 514	3, 171	4,051
Motor Vehicles	1, 241	1, 567	2, 194
Machinery	837	1, 263	1, 544
Oil, mineral fuel, etc.	1, 136	1, 094	1, 409
Vegetables	466	509	598
Woven & Knit Apparel	280	353	562
Medical Equipment	272	434	525
Iron,steel, aluminum, copper	166	218	409
Furniture and Bedding	252	322	340
Spices, Coffee and Tea	90	126	287
Live Animals	105	118	202
Iron or Steel Products	111	130	170
Plastic	84	109	144
Toys & Sports Equip.	75	96	129
Edible Fruit and Nuts	109	90	122
Glass	57	78	105
Paper, Paperboard	26	29	99
Fish & Seafood	49	64	92
Beverages	63	67	91

Source: Global Trade Information Services (1995).

These overall projections are supported by Erzan and Yeats (1992) in their study of N/AFTA's likely impact on eleven LAC countries, including Mexico. Mexico and Brazil are estimated to be the ones to appropriate 90% of the overall trade expansion associated with the formation of FTAs between the select LAC countries and the U.S. As economies of scale and scope, these two are forecasted to benefit most from foreign investment, relocations, and assembly-line improvements. Yeats (1989) refers to Mexico's and Brazil's cheap labour, low transportation costs, R&D infrastructure, and the training of its engineers and scientists as key factors that will serve to attract foreign investment under a hemispheric-wide FTA.[87]

In sum, NAFTA will help Mexico lock in recent market-oriented reforms and sustain the influx of foreign capital that is needed to upgrade lagging sectors, particularly, transportation, finance, and agriculture. The Mexican government did not have to use a 50-50 base line in order to secure a 'fair' deal in the NAFTA negotiations, it simply had to lobby for space and manoeuvrability in its sensitive sectors and industries. In the AFTA scenario, Mexico could run a trade deficit for years or decades financed by foreign investors building up the country's infrastructure and productive capacity, much as the United States did in the late 19th century and South Korea did in the 1960s and 1970s.

However, there is a danger in overestimating Mexico's benefits from the Agreement. The prospect of growth in the Mexican economy is not an *a priori* given. The single most likely factor to undermine Mexican state strategies rest with its unstable social equilibrium. The burden of adjustment since the 1980s has been falling on women, the youth, the aged and the large rural population. The spectre of 'adjustment fatigue' is real given the recent reports on social disquiet. Gabriel and Macdonald (1994) make the point that internal class and ethnic tensions could likely turn Mexico from a potential winner in the region, to a loser.

Mexico's eventual success is certainly not assured. On the very day that NAFTA went into effect, a Zapatista-led social rebellion occurred. Gabriel and Macdonald note that the Mayan Indians in Chiapas and other parts of rural Mexico disproportionately felt the impact of Presidents de la Madrid and Salinas' austerity measures. They add that the IMF/World Bank measures combined to reinforce poverty along class and ethnic lines. As they explain, 'half of the food purchased is consumed by the top 15 percent of the population while the poorest third of the population consume 10 percent' [p.545].

Indeed, a form of `market Stalinism'[88] seems to be the emerging pattern of governance following the transitional costs of restructuring. Government crackdown on protesting groups is becoming commonplace, as unemployment, inflation, and displacement combine to heighten opposition from various sections within civil society. The EZLN or the Zapatista National Liberation Army have likened the liberalisation rules under the (GATT and) NAFTA to a `death sentence' -- `one passed on the indigenous population, ...threaten[ing] to destroy their means of survival and culture'.[89] While Salinas has moved to secure a truce with the EZLN, both he and his recent successor, Ernesto Zedillo, seek to enforce a `reign of terror' in order to achieve social calm. Referring to a February 1995 crackdown, Mexican parliamentarians, Carlota Botey and Edgar Sanchez Ramirez confirm that:

Campesinos and indigenous people have been tortured and assassinated. People have been detained without proof; soldiers have raped young indigenous women, and mothers have been threatened with the murder of their children. The [P]resident, as the great Inquisitor, accuses, judges, and condemns, as in a dictatorship. Access to the [Chiapas] zone has been denied...to priests, international human rights organizations, observers, and media...The economic crisis in Mexico is structural and definitive. The 50 billion dollar loan which has been negotiated will only enrich more than 24 billionaires and their associates on Wall Street. Mexico will never be able to pay back a debt of this size.[90]

Salinas' flight from Mexico in February 1994 was a reflection in part of the growing social instability, and the level of corruption within the authoritarian PRI regime. As a recent newspaper report alluded, `the Attorney-General is currently investigating what he believes are close links between Mexican cocaine cartels and senior PRI officials.'[91] These rumours, the instability, and Mexico's recent peso devaluation and stockmarket crash in December 1994, have resulted in even more capital flight.[92] The international rescue package negotiated by President Clinton's administration demonstrates the U.S. commitment to Mexico's reforms, but it cannot alone guarantee social cohesion. Zedillo's recent emergency austerity plan (March, 1995) has only resulted in soaring interest rates and unrest among the middle classes. Numerous demonstrations continue to take place involving broad sections of the populace, e.g. `farmers, labourers, shopkeepers, businessmen, lawyers and accountants'.[93]

These recent developments are inherently problematic and fraught with peril. The state is undergoing stress as it is pulled from above and below. While the Mexican state formalises the integration of its economy within the North American and wider America's sphere, a rural majority appears to be fighting for autonomy and popular sovereignty. Zapatista and Chiapas unrest could likely lead to nationalist/separatist convulsions. This problem is not peculiar to Mexico alone of course. Most Third World countries and former Eastern Europe economies have experienced severe difficulties in implementing economic liberalisation programmes [Killick and Commander, 1988]. Dismantling the welfare state and opening up to international economic forces, under conditions of limited develoment, institutional stagnation, and material scarcity, have created a much more complex set of contigencies than those envisaged by neoliberals. Unlike export-led industrialisation, import substitution programmes did not require governments to hold down wages or discourage social spending. The link between the political goal of nation-building and economic policy was clear as regimes sought to guarantee popular welfare or live up to revolutionary pacts. With the decline of external capital inflows, the game of `opening up' began, undoing in the process, the compromises that etatisme struck with irreconcilable private and collective interests (i.e. un/employed labour, capital, consumers, etc.). The hope has been that economic liberalisation would act quickly to overcome economic crises and foster long-term growth. But undoing welfare state structures that previously served as an answer to distributional dilemmas and replacing it with notions of `sacrifice and adjustment' can in some cases lead to the collapse of social cohesion.

The danger clouds that loom large over Mexico's future threaten to undermine the opportunities that NAFTA has presented. However, analysis simply cannot reduce Mexico's current economic woes to `NAFTA', or even the liberalisation measures. It must be borne in mind that Mexico has received neo-liberal therapy for fifteen years prior to NAFTA, and short of attracting speculative capital, the Mexican economy was marked more by low investment, low consumption and low output. N/AFTA presents Mexico with an opportunity to catalyse, solidify and intensify forces that could transform its economy. It may, however, be hobbled by seething problems relating to its social economy, neglected for too long by a PRI government that ignores the need to strive for broad social participation and/or consensus as key to the way forward.[94] When weighed in the balance, success or failure in Mexico will depend on 1) continued U.S. geostrategic, economic, and hegemonic motives that are propelling the reconfiguration of the hemisphere, 2) the politics and institutional capacity of the state and, 3) the prospects for increased social justice and democratisation in Mexico -- especially regarding the long neglected rural population.

Conclusion

Close empirical examination of the CUSFTA and NAFTA negotiations, their exact terms and conditions, and the actual results thus far, contradict the conventional view that the reconfiguring of the Americas is redounding to the singular benefit of the U.S. Indeed, for all signatories, NAFTA was about governmental perceptions of national interest. The zero-sum view of recolonisation, expressed by some Caribbeanists, is more guided by ideology than scientific analysis. There is no telling what can occur in the hemisphere if select investment-recipient states direct their economies to exploiting trade-creation opportunities. The roles played by Mexico, Canada and select NGOs in the CUSFTA and NAFTA demonstrate that Washington in fact has **not** simply `had its own way' in shaping the hemispheric process.

Therefore, there is little concrete evidence to refute the contention that the radical restructuring of the Americas geography carries in its wake a development structural opportunity. A single statistic can partly illustrate the point. Before 1994, intra-Americas trade (outside of direct trade to the U.S. and Canada) stood between 1% and 5% of all trade for each country in the hemisphere.[95] The U.S. attempt to restructure its core-periphery relationship in the Americas creates an ostensible opportunity for LAC countries to reduce their heavy trade dependence on the U.S. and to pursue greater intra-hemispheric trade. One should not underestimate the dynamics involved in trade-creation, investment-creation, and increased cross-border business. As the case of Japan in East Asia suggests, U.S. `hegemonic influence' (*via* the N/AFTA process) **can** be the `engine of growth' for the Americas. Indeed, the U.S. has never extended its influence on the Americas (i.e. in trade, investment, growth and competitiveness) in such a pro-active way before.[96] The current historical moment is therefore crucial for aspirant states in the western hemisphere.

The transformation and reordering of the Americas are processes that are ever-driven forward by two separate but interrelated regional processes. First, by the consequences of increased competition and the U.S. attempts to address its trade deficit with Germany, Japan and the East Asian NICs. And second, by the need for Washington to structure a regional hegemonic order that moves beyond the security imperative of the Cold War era. The new agenda is based on economic liberalisation, `democracy', and a new security network covering drugs, money-laundering, and disaster-relief. N/AFTA represents the most tangible sign of the hemispheric restructuring process underway. U.S. and Canadian capital have begun to access low cost production centres in order to achieve price-competitiveness in their exports. In the trilateral Agreement, the U.S. has gained substantial revenues from the sale of capital goods, while Canada has began to gain a sizeable share of both the U.S. and Mexican market in the area of telecommunications exports. But the crucial thing for both Canada and Mexico is that the N/AFTA process provides them with the opportunity to diversify their trade dependence away from the U.S. In the case of Mexico, the record of economic liberalisation prior to the NAFTA was unflattering, for Mexico's high debt-service ratio could not be alleviated given its heavy trade dependence on the U.S. Eversince the much publicised NAFTA-talks, FDI inflows into Mexico have increased, and the prospect of newer markets in the western hemisphere appears real. For Mexico, N/AFTA presents a structural opportunity for ascent *via* restructuring into a high-tech, higher skill niche, and increasing its exports to new markets in the region.

Some writers, however, have cast a dire forecast for the British Caribbean. From this point of view, old-style statism is in retreat as the end of non-reciprocity (together with economic liberal reforms and approaching AFTA-rules) delivers these economies more and more to the sway of market forces. With weak state and institutional capacities, and little geo-political significance when compared to larger territories closer to mainland USA, each Commonwealth Caribbean country faces a bleak future whether inside, or outside of AFTA. The argument is compelling and while it helps to substantiate my argument for deeper regionalisation in the next chapter, I am not persuaded that independent state action is *especially precluded for* Caribbean countries in this neo-liberal age. I have argued instead that independent state action can take on other forms, i.e. a `new interventionism' of positive assistance measures (e.g. export programmes, R&D policies, industry extension services and other forms of assistance, and intelligent regulation) to help assuage disaffected manufacturers, as well as to help them restructure. On a theoretical level, the concept of `embedded' state autonomy introduced by Peter Evans (in Haggard and Kaufman, 1987, pp.139-181), is useful in explaining how supposedly weak states can act assertively to shape national development goals. The crucial point is that state authority and assertive state policy making can be achieved on the basis of particular state elites forging **alliances** with given factions in society. When the full force of this point is registered, it is clear that Caribbean concerns about neoliberal AFTA rules, the pace of liberalisation, and the curtailment of old-style interventionism beg an essential question that is fundamental to the nature of the region's political economy: To what extent is the ruling alliance between the state and merchant capital efficacious or suitable at this time when export-orientation forms the central plank of each country's economic programme? The structural weakness of the Caribbean sub-region, I would argue, is largely the result of such an alliance, and this is made worse by small-scale economies, limited bureaucratic capacities, and an absence of a critical mass of talent. Some of these obstacles can be overcome by a deeper form of regionalisation; but structural recovery will depend on how the region politically addresses itself to AFTA and towards efforts at engendering the rise of a new economic class. At bottom, the Caribbean's transformational fortunes will hinge on how the region bargains throughout the AFTA process, and how the state and social forces respond to the challenges.

Chapter Five Endnotes

[1] I refer to the Canada-United States Free Trade Agreement (effective, 1989), the North American Free Trade Agreement (effective, 1994), and the Summit of the Americas Declaration of Principles 1994 (establishing negotiations for an Americas Free Trade Area by 2005).

[2] Quoted from the speech delivered by the Prime Minister of Barbados, Hon. Owen S. Arthur, at the Summit of the Americas in Miami (December, 1994).

[3] This view is expressed in various ways by academics and especially by select Caribbean NGOs under the umbrella organisation, the Caribbean Policy Development Centre. Formed in 1991, the affiliate NGO members include the Association for Caribbean Economists, Association of Development Agencies (Jamaica), Association of National Development Agencies (Belize), Caribbean Association for Feminist Research and Action, Caribbean Association of Media Workers, Caribbean Conference of Churches, Caribbean Conservation Association, Caribbean Federation of Youth, Caribbean Human Rights Network, Caribbean Network for Integrated Rural Development, Caribbean Organisation of Indigenous People, Caribbean People Development Agency, Centro de Investigacion Economica del Carib, Coordinadora Regional de Investigaciones Economicas y Sociales, Eastern Caribbean Popular Theatre Organisation, Haitian Association of Voluntary Agencies, Inter-Agency Group of Development Organisations, Puerto Rican Centre for Economic Studies, Trinidad and Tobago Network for the Advancement of Women, Windward Islands Farmers Association, and the Women and Development Unit.

[4] Conversely, many of the quantitative analyses done on the impact and consequences of the NAFTA for member-states, are non-theoretical. To be sure, there is no epistemological pretence since the figures and computations are not set in any concrete paradigmatic framework. However, theory and context are required if these analyses are to be taken beyond the realm of empirical discovery and into the sphere of scientific endeavour. For examples of these quantitative studies, see, E. Rodriguez, 'Central America: Common Market, Trade Liberalization, and Trade Agreements', a Research paper, 1993. Also, see D. E. Lewis, 'Assessment and Review of the Central American Negotiations Towards the NAFTA and Their Possible Implications for CARICOM Trade Negotiation Initiatives', a Study prepared for the Caricom Secretariat, June, 1994; R. Hinajosa-Ojeda, J. Lewis, and S. Robinson, 'Regional Integration in Greater North America: NAFTA, Central America and the Caribbean', a Research and Commissioned Study, 1994; A. Yeats 'Caribbean Countries Export Prospects: What are the Implications of NAFTA and the Uruguay Round?' a Commissioned Research paper, 1993; and R. Erzan and A. Yeats, Free Trade Agreements with the United States: What's In It for Latin America? 1992.

[5] For a discussion of the official view of CUSFTA, see N. C. Duncan, 'Changes in International Relations: Challenges and Options for the Caribbean', in L. Searwar (ed.) Diplomacy for Survival op. cit., pp.19-37, especially p.29, and pp.31-32.

[6] See A. P. Gonzales, 'World Restructuring and Caribbean Economic Diplomacy' in L. Seawar (ed.) Diplomacy for Survival op. cit., pp.1-18. p.4.

[7] See Executive Summary: Decision of Heads of Government op. cit., p.xi.

[8] Statement by Richard L. Bernal Before the House Ways and Means Subcommittee on Trade, Jamaican Ambassador to the U.S., North American Free Trade Hearing. Tuesday 22 September 1992. (page one of speech transcript.)

[9] See 'Fundamentals of Korea's New Diplomacy', Korean Focus, Vol. 1, No. 3, 1993, pp.95-108. Transcript of a speech made by Foreign Affairs Minister Han Sung-joo on 31 May 1993. Referring to the SEM and the expanding NAFTA, the Foreign Minister pointed to the potential for investment-diversion and increased competition from advantaged states and concluded that 'East Asia is standing at a crossroads' [p.103]. See also, H. Seung, 'Tasks for Korean Economic Diplomacy', Korean Focus,

Vol., No. 2, 1993, pp.29-51; and M. Chung-in, 'Globalization: Challenges and Strategies', Korean Focus, Vol. 3, No. 3, 1995, pp.62-77.

[10] See the statement by Richard L. Bernal op. cit., p.3.

[11] Ibid.: p.4.

[12] Refer to, Sir Neville Nicholls, 'CARICOM and NAFTA: Shooting at Wrong Target?' a speech delivered at the Barbados Branch of the International Fiscal Association two-day seminar entitled, Parity with NAFTA and Other Trade Opportunities and Challenges Confronting the Caribbean, 1994.

[13] See 'Address by Hon. Allan Cruickshank to the Symposium On The Enterprise of the Americas Initiative', 9 July 1992.

[14] See '"Minimal" Effects on Region from NAFTA', in The Daily Nation, 22 February 1994, p.25. This newspaper reports on a speech given by Deputy Governor of the Central Bank of Barbados, Dr. Delisle Worrell, at the Berger Paints' Annual Caribbean Marketing Conference, Heywoods Hotel, Barbados (21 February 1994).

[15] See A. McIntyre, 'An Analysis of Quantitative Estimates of the Trade and Investment Impact of NAFTA' op. cit., p.17.

[16] Ibid.: p.17.

[17] See J. Hosten-Craig, 'CARICOM Countries and the NAFTA: A Canadian Perspective', a Commissioned Study prepared for the Caricom Secretariat, 1994.

[18] See Transcript of speech by Mr. P. A. Thompson, Chief Executive Officer of the Caribbean Association of Industry and Commerce. His speech entitled, 'NAFTA from a CAIC Perspective', was presented at a regional symposium entitled Breaking Down Trade Barriers to Achieve Global Competitiveness held 16-18 May 1994, at the Grand Barbados Hotel.

[19] Ibid.: p.6 in speech transcript.

[20] This term is borrowed from Susan S. Collins who argues that it remains difficult to understand how some developing countries may implement significant domestic adjustments similar to other countries, and still not attract DFI. By juxtaposing Bolivia (unsuccessful) and Mexico (successful) circa 1985-1990, she illustrates her point. She notes that liberal economists tend to ignore that '[i]nvestment may well be characterised by bandwagon and other effects'. See 'Comment by Susan S. Collins', in B. P. Bosworth, R. Z. Lawrence, and N. Lustig (eds.), NAFTA- Assessing the Impact, 1992, pp.235-37. p.236.

[21] See CEPAL U.N. Economic Commission for Latin America and the Caribbean, Changing Production Patterns with Equity: An Integrated Approach, 1990, p.121.

[22] As indicated in Chapter One, I do not wholeheartedly accept the 500-year thesis on capitalism. Other scholars remind us that the story of 'imperialism' extends backward for many millennia.

[23] See H. Addo, 'The New World Order and the Prospects for Global Social Justice: A Third World Perspective', a Paper, 1991, p.18-19.

[24] That is, the International Bank for Reconstruction and Development, the United Nations Organisation, the International Monetary Fund and the Generalised Agreement on Trade and Tariffs.

[25] Understood by the Braudel time-conceptualising 'school' as the 'right historical moment'.

[26] Personal Interviews and discussions in the winter of 1994-95 with Dr. George Belle of the Department of Government, Sociology and Social Work, UWI.

[27] History demonstrates that the competition among states for surplus imposes limits on the free-will possibilities of all states, core and peripheral. This is precisely why 'rise' and 'fall' occurs, for success or long-term success neither is assured nor guaranteed. See P. Kennedy, The Rise and Fall of the Great Powers, 1987.

[28] For a reading on the end-of-history thesis, see F. Fukuyama, 'The End of History Debate', Dialogue, Vol. 89, No. 3, 1990, p.8-13; and F. Fukuyama, The End of History and the Last Man, 1992. Fukuyama refers to the end of the Cold War, the triumph of neo-liberalism and information technologies as finally bringing about a 'capitalist universality'. In his view, universal history is finally created as the 'civilisation gap closes'. Reading Fukuyama, Europe and North America become the (self-acclaimed) custodians of future world-history.

[29] That is in exports of capital and consumer goods, services and plant relocations.

[30] See for example, the views of D. Snidal, 'The Limits of Hegemonic Stability Theory', International Organization, No. 39, 1985, pp.579-614; C. Chase-Dunn, Global Formation: Structures of the World-Economy, 1989; and D. Rapkin (ed.), World Leadership and Hegemony, 1990.
They point out that the levels of cooperation currently noted are not unique first instances in world history, for cooperation is one of the mechanisms required to order hegemonic succession and interstate relations. However, they agree that improvements in weapons-systems in core states serve to discourage territorial aggression and the elimination of other states as an option for hegemonic ascendancy. Chase-Dunn argues that in a world of multiple sovereignties, conquering markets, and fortifying the advanced capacity of weapons-systems are crucial to the question of hegemonic succession.

[31] Senior Economist and Policy Analyst at North South Institute, Ottawa, Ann Weston, believed that the CUSFTA was leading to increased dependence on the U.S. market. Audrey McLaughlin, leader of the New Democratic Party, lamented the disappearance of 500,000 Canadian manufacturing jobs since CUSFTA and NAFTA were formed. For a presentation of the above views, see J. Hosten-Craig 'CARICOM Countries and the NAFTA: A Canadian Perspective' op. cit., p.7. Shirley Carr, President of the Canadian Labour Congress, in an interview reported by the Canadian press, opposed the CUSFTA stating: 'It is in the interest of the United States to try to take over Canada. It has always been, ever since Canada was first formed.... They want to disrupt and disturb everything we have and bring us down to their level.' Quoted from P. Wonnacott, 'The United States and Canada: The Quest for Free Trade', Series No. 16, Policy Analyses in International Economics, p.15.

Where Mexico is concerned, Susan Collins (in Bosworth, Lawrence and Lustig NAFTA-Its Impact op. cit., p.237) 'expect[ed] the Mexican peso to sustain a real appreciation as a result of NAFTA' to the detriment of its tourist promotion of Cancun and to the cost of doing business in Mexico. A recent U.N. FAO (1994) Report also expected such, and added that an overvalued peso could 'limit its export capacity in the future [with] rising production costs and necessary and costly infrastructural investments' [p.i.]. As it turned out, the predictions of both Collins, and the technocrats at the U.N. FAO, were off the mark. In December, 1994, Mexico suffered a devaluation of the peso. I discuss this issue later. See United Nations Food and Agricultural Organization, 'Effects of the North American Free Trade Agreement on Caricom Countries Agricultural Exports', 1994.

[32] See the views expressed by Lowell R. Fleischer (Deputy Director of the Washington Office of the Council of Americas), Steven M. Beckman (International Economist based at United Auto Workers) and Peter Hakim (Staff Director of the Inter-American Dialogue) at a CRS seminar on the future of western hemispheric trade relations, November 13 1991. For a collection of these views, see R. J. Ahearn, The Future of Western Hemisphere Trade Relations: Proceedings of a CRS Seminar, 1992.

[33] Questions have been raised about the 'modalities' of hemispheric free trade on three fronts. The matter of how the finance will be raised, administered and distributed to countries who fail to meet the

threshold criteria as promised; the issue of a clear legal framework for binding all Parties or signatories, beyond stated commitments; and the matter of how to protect lower-skilled U.S. jobs from being wholly undercut by lesser-paid workers elsewhere in the hemisphere. For more on these matters, see H. Wiarda, 'U.S.-Latin American Relations After the Miami Summit', Journal of Inter-American Studies and World Affairs, Vol. 37, No. 1, Spring, 1995.

[34] See W. Christopher, 'America's Leadership, America's Opportunity', Foreign Policy, Spring, Number 98, 1995, pp.6-27. p.16, 17.

[35] The combined GDP of the three countries according to 1990 estimates is US$6.3 trillion and the combined population is 363 million. The U.S. alone accounts for 87% of the GDP and 69% of the population. See World Bank World Development Report 1992, 1992.

[36] This is presented with the understanding that the Canada-United States Agreement (1989) was later largely subsumed within the NAFTA text, following three-way negotiations with the main Parties (Mexico, Canada, USA). When speaking of Canada, I may occasionally cite or refer to aspects of the CUSFTA Agreement. Incidentally it is worth noting that in general, NAFTA provisions largely replace parallel sections of the CUSFTA. For instance, while the CUSFTA had a 50% content requirement in its rules of origin, NAFTA replaced it with a 60% content. Also NAFTA contains Chapters not covered by the CUSFTA (e.g. those relating to intellectual property and land transportation). Investment rights are also strengthened. However at no instance was the CUSFTA weakened.

[37] As discussed in Chapter Two, the Alliance for Progress represented an attempt by the U.S. in the early 1960s to address its hegemonic policy towards LAC countries, especially in the wake of the Cuban Revolution, the Cuban Missile Crisis and Soviet influence in the Caribbean basin. Following high-level discusions with leaders in the region, it was agreed that countries will follow certain policy guidelines which included urban and rural development planning, and attention to social objectives. Targets were further agreed upon in the areas of education, housing, health and rural welfare. The U.S. position was that 'progress and welfare' were twin processes needed to combat 'communism'. LAC countries thus received capital transfers in the form of low interest loans and aid from the U.S. government, the World Bank, and the then created Inter-American Development Bank. For more on these and related issues, see C. Sunshine, The Caribbean: Survival, Struggle and Sovereignty, 1988.

[38] See Executive Summary op. cit., p.9.

[39] It is worth noting that there will be complete elimination of duties on trade *between* Canada and the U.S. within ten years from entry into force of the CUSFTA (1989). The NAFTA schedules are not to replace the CUSFTA arrangements between the U.S. and Canada. NAFTA-sensitive industries facing a 2003 and 2008 liberalisation deadline complement similar CUSFTA targets.

[40] Quoted from J. Hosten-Craig 'CARICOM Countries and the NAFTA' op. cit., p.13.

[41] When speaking of arbitration settlement, I refer to anti-dumping and countervailing disputes. Waverman (1994) makes an interesting point on the effectiveness of these rules. He states that before and since the CUSFTA, the U.S. brought cases against Canada invoving pork, softwood and lumber exports. He points out that there has been a recent increase in the number of anti-dumping cases and a similar rise in appeals to decisions by the then bi-national panel (Dispute Settlements). It is therefore plausible to suggest that current attempts to ensure freer trade does not necessarily promise the end of trade impediments. See L. Waverman, 'Post-NAFTA: Can the USA, Canada and Mexico Deepen their Economic Relationships?' a Research Report, 1994.

[42] For example, tableware and kitchenware of wood (H.S. # 4419) made of lumber (H.S. # 4407) imported from outside NAFTA will qualify because the manufacturing process results in the required shift in H.S. headings.

[43] Article 402 of the Agreement explains the Regional Value Content under Transaction Value Method as:

RVC = TV minus VNM multiplied by 100 and divided by TV
where:

RVC is Regional Value Content expressed as a percentage.
TV is Transaction Value of good on FOB basis.
VNM is Value of Non-Originating materials used in production.

Regional Value Content under Net Cost Method is taken as:

RVC = NC minus VNM multiplied by 100 and divided by NC.
where:

NC is Net Cost of the good.
VNM is the Value of Non-Orignating Materials used in production.

For more on the Origin Rules see Article 404, Annex 401, and the first part of Volume II of the NAFTA text.

[44] GATT Director-General, Arthur Dunkel referred to the December 1990 collapse of trade talks, as the result of too many 'substantive questions' and 'problems in a number of areas'. These included agriculture; textiles and clothing; services, such as banking and insurance; rule-making, including subsidies and countervailing duties, rules of origin, anti-dumping, etc.; trade-related investment measures (TRIMS) and trade-related aspects of intellectual property (TRIPS); dispute settlement; and market access, including tariff reduction. See USIA European Correspondent, R. Newmann, 'Uruguay Round Trade Talks Resume, No Deadline Set', Uruguay Round Update, 26 February 1991.

[45] Each Party is to treat each other's services no less favourably than local services firms. See Chapter Eleven of NAFTA.

[46] NAFTA allows firms from any of the Parties to provide services without having to fulfil 'local establishment' requirements. In addition, citizenship requirements for licensing of professionals (i.e. lawyers, doctors, consultants, accountants) will be eliminated.

[47] See World Bank, World Development Report, 1992.

[48] As an example of this, Clarkson refers to Ottawa's failure to adopt an independent military doctrine. See S. Clarkson, Canada and the Reagan Challenge: Crisis in the Canadian-American Relationship, 1982, p.245.

[49] Some of Canada's inhibiting domestic factors cited by an OECD survey are its social-welfare commitments; Canada's wage bill; and the question of upgrading the quality of management personnel. See OECD, Economic Survey Canada, 1983.

[50] For example, Silicon Valley North at Kanata, Ottawa.

[51] For more on this, see the first section of H. A. Watson 'The United States-Canada Free Trade Agreement, Semiconductors, and a Case Study from Barbados', in H. A. Watson (ed.) The Caribbean in the Global Political Economy op. cit., pp.127-146.

[52] For more on the U.S.-Japan/South Korea trade conflict see, Baik Chang Jae, 'Bush Administration's Implementation of the 1988 Trade Act: Implications for Korea-U.S. Trade Negotiations', Korean Social Science Journal, Vol. XX, 1988, pp.29-57.

[53] As quoted by H. A. Watson 'United States-Canada Free Trade Agreement' op. cit., p.130.

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[54] As outlined in Chapter Seventeen of the NAFTA. Incidentally, Canada also described 'sugar and syrup goods' as a sensitive sector along with its dairy sector. Items in these sectors will not be subject to duty reductions.

[55] See J. Hosten-Craig 'CARICOM Countries and the NAFTA: A Canadian Perspective' op. cit..

[56] Evidence drawn from a UNFAO Report, 'Effects of the North American Free Trade Agreement on Caricom Countries Agricultural Exports' op. cit., p.4.

[57] See J. Hosten-Craig op.cit. , p.6. She quotes Gordon Ritchie, a Trade Specialist in Ottawa.

[58] Ibid.: p.6. She quotes Gordon Ritchie.

[59] Ibid.: p.12-13. She quotes Thomas D'Aquino, President of the Business Council on National Issues.

[60] Some Canadian and Mexican NGOs (e.g. National Action Committee on the Status of Women, Red Mexicana de Accion frente al Libre Comercio (RMALCO -- a working class women's group), etc.) managed to forge linkages to bring environmental and labour issues to the forefront during NAFTA negotiations. By such time the debate had shifted from an outright rejection of the trilateral arrangements, to one that inquired into the type of development model Mexico ought to pursue. This model identified environmental standards, democratisation, human rights and 'equitable' North-South relations as the required prerequisites for future developmentalist planning in the hemisphere. Much of this language has been incorporated in the Summit of the Americas Declaration of Principles 1994. For more on the role of Mexican and Canadian NGOs in the NAFTA process, see C. Gabriel and L. Macdonald 'NAFTA, Women and Organising in Canada and Mexico: Forging a "Feminist Internationality"', Millennium: Journal of International Studies, Winter, Vol. 23, No. 3, 1994, pp.535-562.

[61] J. Hosten-Craig op. cit., p.9. She notes that in 1991, Canada exported US$524.5 million goods to Mexico, compared with $141.7 billion worldwide.

[62] Ibid.: p.9-10. The Canadian embassy in Mexico city reports that in 1989, 193 Canadian businesses explored opportunities in the Mexican market. By 1992, the figure reached 1300.

[63] Ibid. Alluded to by Hosten-Craig.

[64] Ibid.: p.30. She quotes former Canadian Prime Minister, Joe Clark.

[65] The changing global political economy by this time meant that the Mexican state and bourgeoisie were forced to rethink its autarkic strategy of 'economic nationalism' based on self-reliance and self-sufficiency. As it was turning out, this strategy was not offering Mexico any viable prospects for international export competitiveness, especially in the wake of unrelenting technological change. Under 'economic nationalism' complacency was engendered; creativity tended to be stifled; and technical skills among the working class were not fostered. As Aganbegyan (1989) explains in another similar context, inward-looking development tends to create a myth even among the most dynamic sections of the bourgeoisie that the world economy is there to be exploited only when the domestic economy cannot meet internal demand. Predictably, a bias against exports was beginning to set in amongst significant sections of the Mexican bourgeoisie. For more on the effects of self-reliant economic strategies, see A. Aganbegyan, Inside Perostroika: The Future of the Soviet Economy, 1989.

[66] See B. P. Bosworth *et al* NAFTA- Assessing the Impact op. cit., p.7.

[67] Ibid.: p.5.

[68] By 1989 'real wages lost some 50 per cent of their purchasing power'. See C. Gabriel and L. Macdonald 'NAFTA, Women and Organising in Canada and Mexico' op.cit., p.541.

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[69] See G. Hutchinson and U. Shumacher, 'NAFTA's Threat to Caribbean Basin Exports: A Revealed Comparative Advantage Approach', a Paper prepared for the Caribbean Studies Association Conference held 24-29 May 1993, Kingston, Jamaica. p. 20.

[70] Some indication of U.S. official thinking can be gleaned froim the following source: R. J. Ahearn, The Future of Western Hemispheric Trade Relations, Proceedings of a CRS Seminar, 7 January 1992. What was envisaged was multiple U.S. FTAs in the hemisphere until it became operationally simple to bind all to an Enterprise of the Americas. Also see, The Economist, Nov. 13 1993, 'Eat Your NAFTA', p.15-16. The editors present the views of Ross Perot and other anti-NAFTA activists, who did not share the optimism of free trade advocates and doubted the U.S. bureaucratic capacity to shape multiple FTAs in the hemisphere.

[71] J. Hosten-Craig (op. cit., p.8) notes that Canadian state officials were concerned about U.S. policy with regards to approaching FTAs with regional partners. This was seen in the original U.S./Mexico free trade talks in 1990, and the 'framework agreements' signed in July 1991 by various LAC countries with the U.S. As she puts it, there were 'fears that the Mexicans would be able to negotiate a better deal than Canada, and the US would be the only North American country to have privileged access to the two other markets.'

[72] See M. Pastor and C. Wise 'The Origins and Sustainability of Mexico's Free Trade Policy', International Organization, No. 3, Summer, 1994, pp.459-489. p.487.

[73] This was duly noted by advisers to Caribbean Heads. See Executive Summary op. cit., p.12.

[74] See C. Gabriel and L. Macdonald 'NAFTA, Women and Organising in Canada and Mexico' op. cit., p.548-549.

[75] Information gleaned from M. H. Marchand 'Gender and the New Regionalism in Latin America', Third World Quarterly, Vol. 15, No. 1, 1994, pp.63-76. Marchand in footote 24 of her article, cites Kathryn Kopinak's arguments against the views of President Salinas.

[76] This framework agreement contains guidelines on unfair trade practices, safeguard clauses, internal taxes, dispute settlement mechanisms, and trade facilitation. It complements commitments made in the Tuxtla Gutierrez Agreements. That is, in the areas of financial cooperation, technical collaboration, investment promotion, and energy supplies. See E. Rodriguez, 'Central America: Common Market, Trade Liberalization, and Trade Agreements', a Research paper, 1993.

[77] See D. E. Lewis, 'Assessment and Review of the Central American Negotiations Towards the NAFTA and Their Possible Implications for Caricom Trade Negotiation Initiatives', a Study prepared for the Caricom Secretariat, May 1994.

[78] See UNFAO Report 'Effects of the North American Free Trade Agreement on Caricom Countries Agricultural Exports' op. cit., p.5.

[79] In March 1995, following the December collapse of the Mexican peso, President Clinton used his authority to gain a US $50 billion 'bail-out' loan from the IMF and other lending agencies. See The Economist, 7 January 1995.

[80] In July 1994, under the leadership of the Caricom Secretariat, Puerto Rico and Mexico, an Association of Caribbean States (ACS) was launched. It is to be a consultative body made up largely of the 34 LAC governments that later attended the Miami Summit. Interestingly, Mr. Arley S. Sobers, of the Caribbean Tourist Organization expresses the view that Mexico's interest was principally fashioned by the desire to promote Cancun as a 'Caribbean' tourist spot. He contends that 'the lure and exotic association with the word "Caribbean" makes for better tourist promotion than "Latin American"', with stereotypes of instability paramount. (Personal Interview, October 31, 1994.)

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[81] Lewis explains that of this figure (i.e. $215 million), $150 million constituted the sum value of Mexican exports to Costa Rica. The latter's exports to Mexico represented the sum value of $65 million. See D. E. Lewis 'Assessment and Review of the Central American Negotiations' op. cit.

[82] See J. Hosten-Craig op. cit., p.17. She refers to the comments made by the Mexican Commerce Secretary in the The Financial Post, 1994.

[83] See Robert Cohen, 'Sectoral Impact of NAFTA', a Commissioned Study, Economic Strategy Institute, 1992a. Also, see Economic Strategy Institute (1992b) 'NAFTA: Making it Better'.

[84] Some of these restrictions included a Mexican auto decree which previously outlined to Ford, Chrysler, General Motors (GM), and others that in order to sell autos in Mexico it was neccessary to produce in Mexico. Ford, Chrysler and GM brach-plants were later established in Mexico but another auto decree stated that they may import some autos into Mexico but only on the condition that, for every $1.00 worth of autos imported, they export $1.75 worth of autos. In this, Mexico assured itself of two things. One, that it will have an auto industry, and two, that it will have a trade surplus in autos and auto parts. NAFTA eliminated most of these restrictions, but Mexico managed to get its requirement liberalised to a ratio of $0.80 cents of exports for every $1.00 of imports. The ratio will gradually decline over ten years to $0.55 cents of exports to every $1.00 of imports. After 10 years the requirement will be dropped.

[85] See Article 302 in the NAFTA text.

[86] See Bosworth *et al* op. cit..

[87] See A. Yeats, Do Caribbean Exporters Pay Higher Freight Costs? World Bank Discussion Papers, No. 62, 1989. Also see R. Hinajosa-Ojeda, J. E. Lewis, and S. Robinson, 'Regional Integration in Greater North America: NAFTA, Central America and the Caribbean', a Research paper, 1994. Hinajosa-Ojeda *et al* use a computable general equilibrium model for analysing the impact of NAFTA on the GDP, exports, imports and exchange rates relative to the U.S., Mexico, Central America and the Caribbean. An important point they make is that one should not underestimate the 'credibility-enhancement' effect NAFTA is having on Mexico. This, they argue, accounts for one of the reasons foreign capital has returned to Mexico in recent times.

[88] That is, a combination of doctrinaire, runaway free market and an illiberal polity. For more on this term see, B. Kagarlitsky, 'The Importance of Being a Marxist', New Left Review, 178, November/December, 1989, p.33.

[89] The EZLN is understood to be the Ejercito Zapatista de Liberacion Nacional. This militant rural-based organisation claim to represent the marginalised mass of Indians in Mexico. On the point of seeing the NAFTA as a 'death sentence', the areas identified as inimical to Mexican Indian interests are those that reinforce liberalise land controls and agricultural trade, and those that enforce cuts in subsidies. See C. Gabriel and L. Macdonald op. cit., p.546.

[90] Message transmitted through the Internet from Mexican Parliamentarians, Carlota Botey and Edgar Sanchez Ramirez. 'Subject: Initiative for Peace in Mexico. Date: 17 February 1995.'

[91] See The Independent, 4 January 1995. 'Disgraced Mexican ex-President "takes flight"', by P. Davidson.

[92] The Economist, 7 January 1995 reports that 'Mr. Zedillo was forced to float the peso, which soon crashed from 3.45 pesos to the dollar on December 19th to 4.67 by Christmas' (and 5.57 on January 4th). Much of the foreign capital that left was 'hot money'. The editors explain that a large proportion of capital inflows over the past few years had been speculative investment in equities or short-term deposits. As they add: 'A large current-account deficit financed by speculative capital leaves an economy exquisitively vulnerable to swings in investor confidence' [p.43].

[93] See The Independent 'Disgraced ex-President "takes flight"' op. cit..

[94] Gabriel and Macdonald (1994) explain that the best example of Mexican state aloofness can be found in its disregard for the prevailing forms of 'internal colonialism' that define the daily experience of the bulk of the population. 'Internal colonialism' is a present-day cultural effect of Spanish colonialism. It is marked by the internal domination and exploitation of indigenous peoples by other local groups (European descendants, and mixed races). See C. Gabriel and L. Macdonald op. cit., p.545.

[95] As noted by R. Erzan and A. Yeats Free Trade Agreements with the United States op. cit.; and A. McIntyre 'An Analysis of Quantitative Estimates of the Trade and Investment Impact of NAFTA' op. cit..

[96] These are complimented, of course, by a series of diverse security issues which include drugs, immigration, the environment, and democracy.

CHAPTER SIX

RECONSTITUTING STATE POWER AT THE REGIONAL LEVEL: THE ROAD TO ACHIEVING ASCENT IN THE NEXT CENTURY

This chapter examines a decision-point between a scenario of standstill and what may be an `idealistic odyssey'. The context of this decision-point is the challenge of AFTA and of achieving global competitiveness in foreign exchange-generating sectors. Ideally, I argue that a regional plan of development should underpin Caribbean negotiations throughout the AFTA process. But the question of Caribbean economic transformation is also one of state management. Thus I contend that Caribbean political-economic union is vital to the region's fortunes especially given the competitive demands **all** states face in late twentieth century capitalism. At present, each Caribbean country must engender the rise of a robust entrepreneurial class while it continues to make neo-liberal adjustments. But this is a task that is beyond the capacities of the individual states given the narrow base of their existing economies and societies. Populist-statism has failed to bring about a deepening of the capital accumulation process in these countries. White economic monopoly and connubial exclusion continue to act to frustrate the rise of a (black/brown) manufacturing class. The `national option' certainly provides no real hope for the structural transformation of these societies As it stands, global competition requires entrepreneurship, cutting-edge research, state of the art economic legislation, and a sound technological base. It also requires a fundamental change in the state's approach to its own functions. It must in effect be developmentalist, serving various roles -- as educator, trainer, research-funder, regulator, rule-setter and infrastructure operator. In light of these requirements, I would recommend that the region deepen its linkages within the world economy through regionalisation, or risk marginalisation or stagnation.

Later in this chapter, I analyse the prospects of tourism and offshore financial services as sectors that are central to the region's transformational prospects under AFTA. However, I emphasise that increased global competition, and the intense international regulatory pressure being exerted on tax havens, demands a coordinated cohesive regional response, as with other spheres of Caribbean developmental activity. Outside the offshore services sector, all other areas of the region's economies are possibly facing imminent collapse because of a decline in commodity earnings, the waiving of non-reciprocal trading arrangements, and the insufficiency of low-tech/cheap labour platforms. While I suggest that a deeper form of regionalism remains the only viable option for the individual countries, I do not argue that a political-economic union **on its own** can effect economic recovery. Instead, my contention is that the present period represents a conjuncturally sensitive moment for the region to harmonise its industrial and development policies. The reconfiguring of the Americas provides a structural opportunity for the Caribbean in which it can make gains in its services sector while seeking to exploit unfolding new trading and business opportunities within the hemisphere as a whole. Certainly, it paves the way for the Caribbean sub-region to reduce its heavy asymmetric trade dependence on North America. It also provides a cushion for the loss of preferential markets in Europe when Lome IV expires in 1999 and the various GATT timetables for compliance with new rules mature.

However, up to the present there appears to be no real commitment to regionalisation, beyond a rather thin rhetoric. There is official, and indeed widespread acknowledgement of the need to deepen the process of regional integration; but state managers wish to do so without ceding any part of their country's national sovereignty. Domestic capitalists in the region declare their support for a Single Economy, a Single Market, and a joint approach to AFTA; but at home they carp about the inability of the state 'to get the economy moving'. Technocrats and advisers submit reports imploring governments to harmonise industrial and development policies; but they generally spurn the idea of regional political unity. In contrast, I contend that ascent (or even future economic viability for the Caribbean) remains a political question first and foremost. This is because the on-going restructuring of global capitalism is making new types of demands on national state functions that are beyond their individual adjustment capability or the resource-base of each separate Caribbean state. The crucial factor of the coming period will be whether the region tries to recoup state power and thus manoeuvrability. If the region wants to avoid the hardening of asymmetries between a dominant core over a subordinate periphery, Caribbean state managers must prepare to use their sovereignty to influence outcomes in their favour in negotiations with International Financial Institutions (IFIs), TNCs, international regulating organisations, and Parties (i.e. contracting states) within AFTA.

Firstly, certain questions arise relative to the issue of a Caribbean-wide response to the unfolding challenges of the evolving world order. If revitalising the development process demands a coherent regional response, what ought to be the `political economy' of Caribbean regionalisation? What is it supposed to achieve? What form should it take and what are the *development prospects for the region*? Technocrats and special committees addressed these and other questions after 1989. By this time there was *considerable concern over the future of preferential agreements* with the EEC/EU, the U.S., and Canada The neo-liberal adjustments of the 1980s did not bring about the expected economic recovery. By the end of the decade, state managers found themselves faced with an expanding labour force and insufficient industrial investment. The prospect of European Union in 1992, and a trading bloc in North America, prompted a renewed look at regional integration. The `Bourne' Report,[1] the Mills *et al* Report,[2] the Ridley Report,[3] and the Report of the Independent West Indian Commission entitled, Time for Action, all highlighted the benefits of resource-pooling and of closer economic integration and spoke of the need for `regional strategies' to tackle global change. The proposals in these reports are, on their own, reasonable and well-intentioned. However, there was too much emphasis on neo-functionalist perspectives. This submerged the need to bring **politics** back into the development agenda in order to achieve the region's goals.

This lacuna really is not surprising, since those that contributed to the preparation of these reports are themselves very experienced in Caribbean public affairs or are close to governments. They are fully familiar with the politics of Caricom; they have at some time defended or created many of the Caricom structures; and thus are sensitive to the recommendations that the Caribbean political leadership will accept or reject. The result is that while the reports present a virtuoso survey of the region and the integration movement since the Treaty of Chaguaramus (1973), they uncritically cling to the neo-functional model of economic community.

Neo-functionalists identify several stages on a continuum to full economic integration and political union. Briefly, these include:

1) The Free Trade Area, where members retain their own tariffs against outsiders while removing them within the area. (In 1968, Caribbean Heads established a Caribbean Free Trade Area that later became a Caribbean Community in 1973.)

2) The Customs Union, where in addition to free trade within the group, common external tariffs are agreed upon and applied to outsiders.

3) The Common Market represents the stage where restrictions are removed on the movement of all factors of production within the grouping.

4) Economic Union is the stage where there is harmonisation of broad national economic policies.

5) Economic Integration goes beyond economic union to include co-ordination of macroeconomic policies such as monetary and fiscal policy. This usually leads to the creation of a Common Currency.

6) Political Union represents the culmination of these various levels of cooperation that would include joint defence, security and foreign policy co-ordination. Each country in the area would come to realise their individual non-viability and would see the mutual benefit of ceding sovereignty to supra-national bodies.

Other corresponding concepts that dovetail with neo-functionalism include those that refer to `regionalism'. Andrew Murrel (1992) uses the term to mean

> a set of policies by one or more states designed to promote the emergence of a cohesive regional unit, which dominates the pattern of relations between the states of that region and the rest of the world, and which forms the organizing basis for policy within the region across a range of issues [p.123].

In this, emphasis is on a policy approach more than common culture or history. In principle there is no particular difficulty with the objectives of either neofunctionalism or regionalism. However, while these may be compatible with the political-economic foundations of European or of ASEAN economies, the Caribbean political economy demands a far more interventionist and guiding mechanism to carry the integration process forward.

A West Indian Commission took up the findings of the aforementioned technical reports and incorporated these with the results of their extensive three-year (1989-1992) investigation of the Caribbean integration process.[4] During these years, Caricom became a subject of lively debate. Public consultations took the Commissioners to all thirteen countries, to the two Associate Member countries (Haiti and the Dominican Republic), and to the West Indian communities in London, Birmingham (U.K.), Montreal, Ottawa, Toronto (Canada), New York, Miami and Washington (USA). In the Caricom region, there were sessions held with ruling and opposition political parties, professional bodies, NGOs, religious groups, businesspersons, farmers, Chambers of Commerce, the media, teachers, academics, students, and groups representing the region's remaining aboriginal people. The response moved the Commissioners to comment:

Nor were individuals slow in voicing their complaints both general and personal. To some the Commission seemed a sort of court of last resort to which they felt able to bring their grievances and frustrations.[5]

Development and integration were the central themes discussed at the various sessions. As the consultative process deepened, it became a regional enquiry into the failings of Caricom, IMF/World Bank measures, and the parliamentary process. However, the Commissioners were to be forever packing their bags for a voyage they refuse to undertake. For while they lamented the distance between Caricom and the 'ordinary people'; the limited intra-Caricom trade; the procedural and bureaucratic layers within Caricom structures; and the political 'separateness' of the region, they stopped short of an examination of the neo-functionalist model of community and the importance of state leadership within the Caribbean context. In short, if the view is that there is an onward decline in governance capacity within each Caribbean country then, there is need for prescribing a reconstitution of state power through a politically strengthened Caricom. Instead, the Commissioners simply declare (on faith as it were) that a single market and a single economy will 'strengthen' integration. In this light, they regard Caricom problems as largely procedural. It was a mistaken view that Caribbean people have lost faith with Caricom because of its slow implementation and legislative machinery. As this logic goes, the tighter the fit between Heads of Government recommendations and Caricom Secretariat responses, the more popular Caricom will become and the easier the region's response to development challenges will be. The Report consequently recommends: creation of a single market and economy; the creation of a common currency; widening the Community to an Association of Caribbean States; improving the 'people' dimension of the development and integration process; and changes to Caricom's institutional structures.

Neo-functionalism, Populism, and Nationalism: Exploring the Link

Perhaps it is true to see Caricom 'as a body that announces, decides and slowly or never implements'.[6] But the central weakness of the integration movement lies with the way a neo-functionalist model of community works in a region in which individual states lack a sufficient base of talent, research, and modern technology.

Ever since the break-up of the West Indies Federation (1958-1962) -- caused by internal political squabbles, the lure of independence, and technical barriers to effective integration[7] -- Caribbean countries have sought to cooperate in various 'functional' activities. These include joint action in tertiary education, social services, meteorological surveillance, media broadcasting, regional air transportation and general institution building. However, there was indefinite postponement on the question of political union. The model preferred by the region's state managers is based largely, but not exclusively, on the Treaty of Rome. This Treaty promotes functional integration in the European community leaving implicit closer political union for a time when integration of policies, institutions and sectors makes it inevitable. Such neo-functionalist principles were at the heart of the Treaty of Chaguaramas. Caribbean Heads and regional technocrats later believed that the creation of a Caribbean Community would lead to the maintenance and enhancement of each country's sovereignty. The strong socio-economic imperatives cited as suggesting closer regionalisation were the region's common history, its common culture, and the extensive network of informal traders across and within the islands. The viability of the independence project seemed assured at the time, since the world remained fairly tolerant to the region's persistent calls for protection, special considerations, aid, trade, and investment support.

The neo-functionalist premises underlying the Treaty of Chaguaramus suggests that when countries integrate key areas of policy, such a process will lead ultimately to integration across a wider range of sectors as interest groups and ordinary people come to depend more on a wider community. Eventually the `tasks and powers of the central institutions are increased...and...integration will gradually encroach on the politically sensitive area where vital interests are at stake', thereby fostering closer political union.[8]

Contrary to the ideals of neo-fuctionalism, the social psychology engendered by a new Caribbean identity has not been sufficient on its own to inspire the progression from technical cooperation to deeper integration. Despite the value of technical activities taking place in health, education, and air transportation, these have not acted to push the Caribbean governments closer to the basic goal of economic integration. Caricom itself since 1973 has become less a focus for regional action on development, and **more a support to national governments**, providing technical assistance upon request, and co-ordinating strategies relevant to such issues like drug trafficking, security, disaster-relief and the Cuban and Haitian question.[9] Indeed, one Prime Minister has noted:

Since the failure of the West Indies Federation, the principle has been to seek unity beginning first with economic cooperation. It is one of the ironies of our integration movement however that, as we have sought closer integration we have achieved greater fragmentation in economic and financial policies.[10]

The nomenclature notwithstanding, Caricom falls short of being either a customs union or a common market. Harker (1994) makes the point that at no time in the period 1973 to 1989 did intra-Caricom trade reach levels above ten per cent of total trade. He adds:

In constant 1975 prices, this trade has not in fact grown since 1976, and a steady decline in the value of trade in current prices was recorded for the period 1982-1987... As economies faced balance of payments problems, they tended to erect trade barriers against non-national producers [p.24].

To be sure, the region's fragmentation is shaped by its external linkages (i.e. foreign business and investment relations, and neoliberal commitments to IFIs) and how these are affected by the perception of competition among Caribbean countries. This is evidenced by the incessant inter-island competition for tourist dollars, offshore business, and investment capital -- actions that frustrate the integration movement. Indeed, as Caricom member-countries moved to adopt IMF/World Bank reforms in the 1980s, bilateral development assistance took even more precedence over the integrity of regional policy. It is not surprising therefore, that they reached an agreement as late as 1991 on a common external tariff and lower intra-regional tariffs.

In the muddle of process, policy, and politics that is Caricom, one thing is clear: the last twenty years or so have not seen the process of integration brought forward. I suggest that the reasons for this poor performance rest with the faulty premises of neo-functionalism and how these act to reinforce the dominance of populist national development strategies. Harker touches on this when he cautions against current integration attempts falling prey to a replay of past initiatives where `[i]ntegration... was...seen as a means to achieve self-sufficiency, and a haven from the rest of the world' [p.25]

So far, the same populist ideals that permeate the individual country nationalisms of the region are the same that drive the Caribbean integration process. This is why it is true to say that Caricom acts as a mere support to national governments rather than as a central pivot of regional economic policy. Indeed, Caricom has come to reflect the limited vision of state managers. This vision I refer to is merely none other than that of `national capitalism' writ large on the Caribbean region. For all the references to the selfish-egoism of Caribbean leaders and their unwillingness to budge on the question of ceding any bits of sovereignty, the interrelationship of charisma, small-scale, and populism **counts more** in understanding why the integration process continues to sputter. These three properties have **hardened** the separate nationalisms in the region, while the neo-functionalist approach to integration serves only to **reinforce** this separateness. It continues to permit state managers to define their interests as local-specific. Populism thus reigns for the central points on the agenda of political thinking, and political action in these countries continue to be the promotion of basic needs strategies, appropriate technologies, small local economies, and political cooperation among classes.

Whenever the question of regional integration arises, the envisaged development plans exclude the issue of politics and governance capacity. The (national) populist strategy of capital accumulation is extended to the wider Caribbean sphere. The onus is on member-countries to promote development strategies oriented towards satisfying the basic needs of the population. Debate is largely on how best to ensure that the region's entrepreneurs meet the goal of producing for the regional market or regional consumers. Consequently, encouragement goes out to industrial companies like Solar Dynamics[11] and Dominica Coconut Products[12] to limit themselves primarily to domestic consumption as the basis of their market. Some of the recommendations in the West Indian Commission Report are reasonable, but since their operationalisation depends upon the *extent to which the neofunctionalist model of* community works, I do not expect, given the region's track record, that these recommendations could elicit new behaviour (i.e. aggressive export-orientation) from among the region's entrepreneurs.

But my point of the interrelationship of charisma, small-scale, and populism needs further exploration. This is necessary if one is to understand the inadequacy of neo-functionalism and the consequent importance of state guidance relative to the question of deepening the process of Caribbean integration.

As indicated in Chapter Two, the introduction of universal franchise and the transfer of constitutional power to locally elected leaders led to a widening and deepening of the connection between populace and government. The Westminster system, from the 1960s, allowed the rural masses (*via* a petit-bourgeois leadership[13]) to challenge the traditionally dominant power structures based on wealth and colour. The white mercantile elite subsequently lost its former political legitimacy. In addition, the Westminster system opened up to the masses such resources as the state could muster for material improvement. Singham (1968) makes the point that the Westminster constitutional system subsequently contributed to the `prevalence of personal government in the Caribbean' and, together with the franchise, increased the political value of each adult.

It is plausible to argue that when charisma and the franchise function in circumstances of small scale and limited resources there tends to be little basis for cultural or organisational mediation between the leader and the electorate. This explains why Caribbean charismatic leaders and their political organisations tend to achieve a high level of penetration into everyday social activity. The political party as well, because of the importance of charismatic politics and individualism, tends to be subject to internal wrangling and defection. The splits that occurred in the 1980s within the New Jewel Movement (NJM) in Grenada, and the Democratic Labour Party (DLP) in Barbados, among others, are evidence of this.

The collapse of the Grenadian socialist experiment (1979-1983) was largely the result of an internal power struggle in the NJM between the popular leader, Maurice Bishop, and Bernard Coard, the deputy leader. As Brian Meeks (1988) indicates, the charge by the Coard faction was that charismatic politics was taking precedence over ideology and policy formulation within the Marxist NJM. Indeed, given the small size of the population (100,000) and the country's limited resource base, it was no surprise that the campaign for popular welfare, mass literacy, and workers' cooperatives came to be associated with the leader himself.[14] The village communities, particularly the districts of Trivoli, Mount Rich, and Sauters where support for the Revolution was strongest; the Rastafarians; and Muslim groups (centred around the rural-based organisation, the St. Patrick's Progressive Youth Council) interpreted government actions through a `Bishop versus private capital and the U.S.' prism.[15] And as Ikael Tafari states, Bishop remained inclined to maintain his `hero status' in order to ward off the leadership challenge from within the party.[16] As it turned out, the Coard faction of the NJM accused Bishop of demagoguery, and ordered the arrest and execution of the ruling government cabinet. The collapse of the NJM regime was swift once word reached Grenadians that `their messiah was dead'.

In 1986, the Democratic Labour Party (DLP) in Barbados suffered from internal wrangling and defection following the death of the popular leader, Errol Barrow. There were divisions within the party over the leadership question, and on the issue of whether the new regime should exercise greater fiscal prudence and reverse popular measures like free electricity, reduced water rates, and the abolition of direct taxes on personal annual income below US$7,500. During the period 1988 to 1994, the Erskine Sandiford Administration lost Cabinet Ministers either through resignation or defection. Apart from referring to Sandiford's `uninspiring leadership style', rebel DLP members singled out the neoliberal austerity programme for its negative impact upon their ability to deliver jobs and continued social services to their constituents. Unless DLP Members of Parliament could be assured that their capacity to deliver `favours' would not be curtailed by budget-consolidation measures, the new `heir' (i.e. Sandiford) could not count on their automatic support.[17] Indeed, one prominent DLP parliamentarian, Dr. Don Blackman, had declined the offer of a particular Ministerial post stating: `it is a half-hour a day job and of no use to my constituents'.[18] Throughout, the Sandiford regime became so preoccupied by considerations of survival in office that the leader appointed as much as 14 of the 18 DLP parliamentarians as Cabinet Ministers.

Indeed, governance structures in the Caribbean are largely hierarchical even as the state-centred matrix is overlain with demands from Chambers of Commerce, trade union chieftains, and fledgling manufacturers. James (1980) and Mandle (1989) note that in Trinidad, Jamaica, and St. Lucia for example, personal contact with the Prime Minister or other high-ranking state executives has been the preferred route for conflict resolution or policy-changes. In the first two decades after independence, these lines of communication worked to the extent that there was resolution of most wage conflicts, the interests of the mercantile elite were served, and some fledgling manufacturers benefited from assistance measures like the provision of credit, and the lowering of duties on imported machinery. But as the financial situation grew worse in the 1980s, populist governments found themselves no longer able to satisfy demands from societal groups, thus seeing legitimacy, support, and governance capacity diminish. In the 1990s alone, there have been historically large civil servant demonstrations in Trinidad, St. Lucia, Jamaica, and Barbados over cuts in salary and social spending, and job lay-offs. And this is despite government assurances and trade union pleas for restraint.

Nevertheless, populist ideology still dominates Caribbean political life today. Ruling regimes encourage and practice (selective) nationalism. All political parties claim not to be anti-bourgeois but at most, anti-oligarchic. They cannot proscribe anti-imperialism since they need the foreign capital. The personal political journey of Michael Manley of Jamaica bears testimony to this.[19] In the period 1972 to 1980, Manley posed as a `defender of the poor' declaring Jamaica a `democratic socialist' country. But, following his return to office in 1988, he was careful to maintain his popularity as champion of the working majority even as he promoted his regime as a capitalist one. Populist ideology reigns over the trade union movement as well. Trade unions, faced with declining membership levels and corresponding loss of prestige and social power, readily accept Income Protocols, and various tripartite arrangements with the government and the private sector; but the leadership still busily presents itself as a maverick, one working in the defence of the employed and unemployed. This has usually resulted in the breaching of previous arrangements/agreements as unions find themselves compelled to lead national strikes and campaigns against neo-liberal reforms [Marshall, 1993]. The white-elite for its part, identifies with populist appeals for racial and class harmony. The import-traders amongst them see a space for their social survival within strategies that promise an expansion of consumption. In this overall socio-political set-up, the political party becomes popular once it promises national development based on the growth of personal consumption, redistribution of income, and the provision or maintenance of welfare services and jobs.[20] Moreover, electoral success becomes possible once a suitably charismatic individual leads the party.

These are the ingredients that shape the complex matrix of relations between the state and the mercantile elite, the fledgling entrepreneurial class, and the urban and rural masses. Given that the mercantile elite lacks an industrial vision, the state substitutes not only as the agent of industrial advance, but as an ally of the labour movement and as the 'organic intellectual' of the middle class and progressive sections of the bourgeoisie. Its economic intervention in fixing prices, expropriating foreign assets, regulating employment conditions and distributing surplus through public spending, might not have been efficiently done, but in these actions the state guaranteed the social reproduction of the various existing class/group distinctions and relations. Of course, by the 1980s, the impression was that there exists a 'separated' state, apart from and above the social forces and conflicts that nourish the dynamics of West Indian society. Accordingly, state-shrinking reforms followed this perception.

The populist culture spawned in this region by such small societies frustrates the deepening of the capital accumulation process because it cannot pave the way for new governance structures to emerge. For example, the neoliberal economic reforms advocated by IFIs are meant to remove the feature of fiscal profligacy that characterised the Caribbean's statist model of capital accumulation. Traditional populism is expected to adapt to and be guided by strict fiscal considerations.[21] While the fiscal base of redistributive programmes is being undermined by IMF stabilisation plans, Caribbean leaders and finance ministers struggle to resist the so-called `populist temptation' -- i.e., the politically expedient but fiscally `irresponsible' tendency to increase government spending to ameliorate the social costs of market reforms. Apparently, they have not been motivated to find other diverse political and economic instruments to mobilise popular sector support. This is because the goal of `national capitalism' with a nominally egalitarian distribution of income contains a message that continues to appeal to labour, the white mercantile elite, the unions, fledgling entrepreneurs, and other subaltern groups. Inflationary wage increases, subsidised consumer goods, and deficit spending -- endemic characteristics found within the political economy of Caribbean populism -- still constitutes central popular measures in annual national budgets and in numerous election manifestos.

However, the irony is that as the socio-economic crisis deepens in the region, the populist project will disintegrate. Deepening despair will undermine and fracture its social base. Put another way, the more it becomes clear that the neoliberal order provides no space for a neo-autarkic development project based on self-reliance, and high personal consumption, the greater the social backlash will be for the ruling regimes. Structural forces therefore dictate that Caribbean Heads have a **limited amount of time** in which to reinvent the region's transformational future. (Indeed, they are likely to face a `legitimacy crisis' in the near future.)

As pointed out in Chapter Three, global restructuring is serving to decompose the international specialisation of countries such as those in the Caribbean that base their development on populist measures that are shored up by exports of (a few) raw materials and labour intensive manufactures. This process is resulting in the region's marginalisation in the new global economic structure. The current evidence points to falling levels of FDI, severe budgetary deficits, high external debts, falling labour productivity relative to technological change, and declining real wages and standard of living afflicting the region. Each Caribbean country lacks dense frameworks of science, technology, industry and capital. Meanwhile, from `above' the IMF/World Bank anti-statist measures conspire to deny an entrepreneurial or even a catalytic role for the state. From `below', the state faces the task of preserving the social fabric at a time of growing unemployment and restlessness, increased NGO pressure,[22] and increased strike activity.[23] Indeed, the thirty-year populist strategy of capital accumulation threatens to come apart at the seams for neo-liberalism leaves insufficient space open for welfare and redistributivist politics.

The time is therefore ripe for the emergence of new forms of governance structures based on a new kind of interaction between the state and societal actors, in horizontal networks. This is because competitive pressures today demand the creation of governance patterns that are capable of shaping an environment that stimulates and supports the quest for competitiveness by entrepreneurs and firms. A `spatial reconstitution of state power' would therefore constitute a strategic and feasible response to the challenges of 21st century capitalism. The following policy-based reasons can begin to illustrate why such a response is necessary at this time.

1) The region's budding manufacturers need a supporting environment of suppliers, research and information-based services. In addition, they should benefit from the competitive pressure provided by other local/regional firms.

2) Since it is the case that the traditional interventionist role of the state is no longer assured, a Caribbean central government (discussed below) will be better able to undertake new forms of interventionism. Apart from extending credit and creating infrastructure, it can act as coordinator, initiator and communicator in policy networks with rising entrepreneurs, their firms and associations, science, academic institutions, and trade unions.

3) There is a need to form viable policy networks away from the traditional clientelistic links, and towards problem-solving and strategy-formulation mechanisms. This is because the objective demands for the development and support of complex entrepreneurial networks, along with specialised institutional clusters, require expert knowledge that is scattered regionally across a variety of governmental, private (local and foreign-owned), and intermediary agencies. Top-down approaches instead are likely to reproduce on a Caribbean-wide scale an incapacity to correct market failures and shape the supply side of nascent local industries and foreign enterprises.

Political Union: Envisaging a Regional Developmental State and Industrial Policy

According to proponents of the neo-functionalist model, joint technical and bargaining processes alone should be sufficient to stimulate and guarantee Caribbean economic recovery. The paradox of the restructuring of global capitalism is that it is precisely at this time of intensifying `complex interdependence' that state-sovereignty represents the last line of defence against subordination by TNCs, IFIs, and (core) hegemonic interests. Neo-functionalism neither works efficiently in the Caribbean nor is it enough to stimulate political-economic viability in the region. I suggest that only a regional(ised) developmental state, with effective levers of state guidance, can implement a new strategy of regional capital accumulation suitable and sufficient for recovery. This is as controversial as it is problematic given the absence of political will and the difficulty in having such views channelled through political avenues.

In this section, I argue that Caribbean political integration is necessary for improving the sub-region's structural position in the international system and in the new mapping of the Americas. Unlike most dependency theorists and neo-liberals, I do not treat a country's economic position in the international division of labour as the only important factor structuring its development possibilities. Instead, by structural position, I mean physical or symbolic status in the global economic division of labour, strategic balance of power, and patterns of political alignment. How effectively a government can attract facilitative foreign factors and negotiate effectively for favourable terms of their entry has to do with its **political, geostrategic, and**

economic position in the world system. In light of the weak bargaining strength of Caribbean governments *vis-à-vis* IFIs and TNCs, the narrow base of the individual economies, their high capacity for indebtedness, and other common structural deficiencies, I argue that political unification of the Commonwealth Caribbean is a necessary first step to improving the region's structural position in the international system. At the very least, the construction of a single government, the merging of the thirteen country bureaucracies, and the pooling of economic resources, skills, and talents can alter the Caribbean's symbolic status and enhance its geostrategic importance in the hemisphere. Structural economic transformation will depend on the degree to which the regional(ised) state can improve the region's export-industrial base and thus exploit the access to new markets that an Americas free trade bloc promises. This implies the need for effective statecraft. The significance of the developmental experience of East Asian countries, and the policy limits to *etatisme* in the current neoliberal period, are important for assessing the possibilities for Caribbean emulation. Certainly it does seem that a combination of plan and market is going to be required if industrial transformation of the Caribbean is to be achieved. This is especially when we consider how the historical legacy of colonialism and the uncertain process of regime consolidation in the decolonisation period provided a berth for the sustenance and expansion of merchant capitalist operations in individual Caribbean countries.

As Chapter Two pointed out, decolonisation in the Caribbean saw power and property separated. Nevertheless, the new political class was structurally dependent upon the continuing vitality and functioning of forms of capital established locally, and upon non-reciprocal trading and other arrangements in the international capitalist economy. State power -- expressed in terms of its organisation within the state apparatus and the needs and interests that it served -- was consequently used to 1) forge a ruling coalition comprising the planter-commercial elite and influential trade union chieftains; 2) to sustain it in the face of challenge; and 3) to secure for the broad working class a larger claim on society's economic surplus. To preserve the coalitional structure of the ruling class and its economic bases, Caribbean regimes shied away from the developmentalist project (i.e. promoting the growth of local industries). The recent changes in the international political economy (e.g. the price-fall of Caribbean cash-crop exports, the onset of the debt crisis, neoliberal demands for free trade, and improving industrial technologies) have forced export-oriented development concerns onto the political agenda. But the sheer enormity of the task given the limited financial resources, the limited economies of scale, and the absence of a critical mass of talents and skills is forcing regimes to reflexively use state power in traditional ways. The only significant difference now is that the goal of industrialisation is being projected more enthusiastically onto the regional Caricom agenda. But this can only be a half-measure, for while I agree that Caribbean economic space is the appropriate scale, I contend that an effective Caribbean industrial export strategy is only possible under the navigation of a single regional developmental state.

The following perspectives provide a theoretical foundation for prescribing a regional(ised) developmental state as necessary for transforming Caribbean economic structures. Earlier in Chapter One, I discussed the debates between various scholarly paradigms on the issue of ascent in the international political economy. It was pointed out that the developmentalist approach tends to portray development as a self-contained process in which different dimensions of capitalist economics, cultural modernisation, and political change produce a self-reinforcing developmental syndrome. Dependency theorists, on the other hand eschew endogenous explanations of (under)development, and contend that the global capitalist system precludes meaningful economic, social and political change in the Third World. The statist approach offers to bridge the gap between developmentalism and *dependencia*. Peter Evans (1979), for example, argues that dependency relationships have not in all cases led to the locking of peripheral societies into an unyielding spiral of exploitation and poverty. Some form of development was still a possibility. But, he adds, it crucially depends on the action of the national state, and the nature of the triadic alliance between the state and indigenous and foreign capital. Evans' view resonates with Gilpin's (1987) contention that comparative advantage in international trade can be manipulated by national development and industrial policies. This directly contravenes the neoclassical prescription that countries should simply hitch their fate to the `magic of the market'. Chalmers Johnson, Stephan Haggard, Zita Onis, Robert Wade and others claim a catalytic and directive role for the state in successful development episodes. As they see it, developmental states are those that exploited the considerable room available for policy choice and conduct. In the area of economic policy-making and management, focus was (and still is) placed on industrial targeting and promotion, Keynesian countercyclical policies, provision of socioeconomic infrastructure, and regulation of TNCs. And in the area of social transformation, the developmental state (itself or *via* public corporations) seeks to mediate relations between economic activities and the general society, such as supporting domestic industrial entrepreneurs and promoting social equity [Evans *et al*, 1985; Freeman, 1989].

My neostructuralist approach dovetails with the statists' view that developing countries are not always hopelessly constrained by oppressive external structural conditions. Recall that *dependentistas* and structuralists tend to treat the following factors as constants: the impact of foreign capital, the influence of TNCs, and the terms of external trade. Within my neostructuralist framework, these are variables that are, at least in principle, subject to the influence of the strength, autonomy, and perspicacity of state authorities, and conditioned by geopolitical and conjunctural circumstances. Certainly, I have found the variegated vision of the statist approach to be far more appealing than the stark contrasts suggested by the developmental and dependency approaches. While it is difficult to disaggregate empirically the economic impact of state policy *vis-à-vis* the other possible determinants of economic growth (i.e. historical legacies, free markets, the role of foreign capital and foreign hegemonic powers, geopolitics, and cultural forms), the weight of circumstantial evidence in the East Asian case suggests that state policy and influence were decisive factors. Therefore, I could agree with the view by White and Wade (in Gray *et al*, 1988, pp.1-29) that `the state [is] the *primum mobile* of socio-economic progress' [p.1]. But the real lesson here is not the feature of dirigisme in East Asian or other cases of ascent. It is the political act of seizing *fortuna*, and the efforts subsequently to engender the rise of an industrial entrepreneurial class that are of central importance to the Caribbean. In a region such as the Anglophone Caribbean, where commerce dominates production, much more is going to be needed for export-led economic recovery other than simply hitching one's fate to the `magic of the market', closer neo-functional regional cooperation, and/or AFTA-accession. Fledgling industrial entrepreneurs need state support and assistance if they are to become successful large-scale exporters. But fostering the rise of an economically influential industrial bourgeoisie would set each government on a collision course with the old capitalist class, with no guarantees as to the outcome of this conflict. As I argue below, a one-nation Caribbean provides greater scope for pursuing the goals of state building and industrial capitalist growth. This is because an increase in economic scale raises the stakes for state managers to risk forging a new ruling coalition with industrial entrepreneurs.

I would envisage that the construction of a regional(ised) developmental state in the Caribbean will be a deeply political and social process. The obstacles to reform are quite formidable. Specific policy innovations, to be effective, require radical institutional changes and to the extent that they challenge the existing configuration of socio-economic power, the reforms face severe **political** challenges. Reform must be guided therefore, in policy terms, by forethought and coordination; in institutional terms, by rationalising and reshaping the Caricom Secretariat and the thirteen country bureaucracies, particularly the various Boards of Trade and Industry; and in the poiltical arena, by shifting the balance of power, both inside and outside the various political parties, towards those groups and strata favouring regional solutions to socio-economic problems. I would recommend a federal union of the Leewards and Windwards territories, Barbados, Trinidad, Jamaica and Guyana. Sir Arthur Lewis had pointed to the cost-benefits involved in having a central government.[24] The centralisation of certain services among the islands, he argued, would open the possibility for attracting more qualified personnel, thus increasing efficiency and hence lowering the cost per unit of civil service work. In this light, he recommended that island governments should reduce their Ministers to two plus one for each 100,000 of population, and also abolish their permanent secretaries. While the Westminster model of open political competition works to increase the political value of each adult in Caribbean small societies and thus cultivates populist overtures from existing regimes, this is a scenario that is less likely in a federal Caribbean setting. I would therefore recommend a continuation with the Westminster model, especially since it has been associated with the political stability and democratic culture of the region. At the attitudinal level, reform must be guided by a reshaping of social attitudes and petty nationalist sentiment. The ideological lure of populist nationalism with its notions of instant relief (e.g. in education, health, jobs, popular welfare) and self-actualisation through the consumption of extra-regional goods, is an obstacle that has to be combated by effective public relations and education campaigns if a Caribbean-wide national ethos is to emerge.

Indeed, the pursuit of developmentalist objectives is only possible if contingencies of Caribbean politics move beyond the populist `stability' project undertaken since the 1960s. Recall that decolonisation in each Caribbean country had unleashed internal struggles for political hegemony, quests for legitimation, and efforts to create internal social bases for regimes. And that the petit-bourgeois political class did not challenge, and for the most part worked to sustain established patterns of local and foreign commercial investment. While foreign capital was later invited to establish a broader footprint in the region's economies (i.e. in mining exploration and offshore assembly production), local (merchant) capital was further permitted to invest in the commercial sphere (i.e. in import-trading, tourism and offshore services, and real estate). This led some analysts of underdevelopment and dependency to argue that formal political independence was an overrated asset, for its potential for affecting change was extremely limited when compared to the power that interests arrayed behind foreign capital could muster in the struggle to preserve the status quo [Beckford, 1971; Thomas, 1988]. But by framing the problem in this way, attention was directed away from the fact that the locus of instrumental control over state power could have been decisive in the Caribbean where the structural dominance of local capital was not assured. However, as it turned out, the leaders who assumed strategic positions in the `new political game' constituted a narrow political elite, insecure in their new power and in their ability to reproduce power already achieved. Put simply, the postcolonial political class did not emerge fully formed at the beginning of the nationalist period. The state was consequently used as a prime resource to consolidate their power. Import-trading was encouraged because it fitted well with government efforts to strengthen the internal revenue base of the state as a basis for carrying out populist measures, distributing patronage, and thus ensuring social stability.

Indeed, the virtual absence of an industrial entrepreneurial sub-group did not make for the classic scenario of state mediation of conflicts between different fractions of capital. Nor was there any contradiction between local and foreign capital. For dependency theorists, tensions arise inevitably as indigenous capitalists find their opportunities crowded out by the conservative material interests of the traditional elite, and the encroaching monopolistic position of foreign capital. In their confrontation with foreign capital and the old domestic capitalist classes, new indigenous entrepreneurs will seek to enlist the support of the state, especially in their struggle to move into the industrial sector. But at the time of independence there were no real struggles of this sort in the Caribbean. However, since then, a fledgling manufacturing group has arisen across the region. But its organisational and lobbying strength is weak relative to the dominance of merchant capitalists in the various Chambers of Commerce and private sector organisations. The Caribbean Association of Industry and Commerce was set up in the 1970s to advise Caribbean governments on the policy needs of the region's businessmen. But policy recommendations since then have been more about clearing obstacles to import trading and regional commercial cross-investment, than about the need for state assistance in product upgrading, technology design, and finding new markets.[25] Today, the irony is that even as Caribbean national governments favour a policy of export-orientation, they have found it politically too risky to alienate the merchant capitalist lobby and begin the task of forging a new ruling coalition with fledgling manufacturers. However, I argue that if this is played out at the regional level, the stakes for success will be considerably raised. A regional(ised) developmental state's room for manoeuvre *vis-à-vis* the merchant capitalist lobby can be greatly enhanced once it seeks to forge links with the region's industrial entrepreneurs involved in light goods manufacturing, the cosmetics industry, and the information processing industry. It should also seek to weaken the combined strength of the traditional elite by forging a strategic alliance with those merchant capitalists involved in export services, i.e., tourism and offshore banking. At present, the national scale provides too narrow a material and social foundation for such state-societal alliances to emerge. The disparate social elements, and the leading elements within the ruling coalition as a whole are staked on expanding the sphere of commercial entreprise, improving the employment prospects of tourism, and maintaining socially ameliorative programmes. This makes pushing a `nurture industrial-capitalism' project at the island-national level too socially disruptive and politically challenging to contemplate.

Certainly, the evidence from many developing countries indicate that export-orientated industrialisation involves more than just policy reforms. It is a politically challenging exercise since it invariably means promoting the rise of a new bourgeoisie, and undercutting lineage and traditional rights of privilege -- all of which threaten the position of old capitalist classes in society. In other words, we need to situate the project of export-orientation at the **centre** of the conflicting goals of state building and capitalist growth. In the Turkish case, the haute bourgeoisie of Jews, Greeks, Armenians, and Europeans that had become entrenched through the successive capitulations of the Ottoman Empire were seen as a threat to Attaturk's nationalist mission and were consequently weeded out and replaced by a Turkish bourgeoisie.[26] The Egyptian, Syrian, Lebanese, Nigerian and Kenyan cases show similar patterns, with the expulsion of the Indian merchant community in Uganda in 1972 being one of the most violent examples.[27] However, the example of Malaysia is of particular relevance to the Caribbean. Here, efforts by the state to promote the rise of a new economic class occurred against the backdrop of ethnic and class differences. But the relationship between national integration and economic policy in the Malaysian case has been marked by relatively stable political institutions and relatively peaceful ethnic relations. In the early 1970s, the Malay-dominated government explicitly tried to create a Bumiputra business elite to compete with the entrenched Chinese and Indian private sector [Jesudason, 1989]. The new economic policy of 1971 aimed to increase the Bumiputra share of commercial and industrial capital to 30% of the total within twenty years. Loans, equity placement, scholarships, and employment were on offer to Malay-entrepreneurs. These policies led to the creation of state-owned companies which were slated to employ, and later be bought by, the Bumiputras. Large-scale privatisation of state-owned industries began in 1986, but preferential policies resulted in the 108-fold increase in Bumiputra corporate equity holdings, compared to the 24-fold increase for other ethnic groups [Chang Onn, 1989]. In sum, the creation of state-owned enterprises and their subsequent privatisation were designed to begat an economically powerful Bumiputra private sector that mirrored the ethnicity of the political leadership and was expected to form a stable base of support. Relative stability accompanied this process because opportunities for industrial entrepreneurial success were provided by state support, Malaysia's economy of scale, and East Asian and Japanese investment. From this example, I would argue that a unified Caribbean national economy is therefore necessary for export-led development because it presents an optimum economic space for facilitating the successful rise of a new bourgeoisie, and in this way it holds the potential for reducing the likely impact of opposition from the old capitalist classes.

In my view, the transition to industrialisation by the Caribbean regional developmental state would have to be based on a sea-change reorientation in economic strategy, one intertwined with considerable change in elite composition. This will imply the need for regime changes which bring into power new elements, for example, economic technocrats, indigenous manufacturers, and progressive intellectuals. These elements are not wedded to the economic or political status quo, and they possess the necessary aptitude for meeting the enduring economic and political challenges. Such a differentiated elite holds the potential for agreeing to a developmentalist ideology that accepts that the state must take a leading role in structuring the economy, targetting sectors, and fostering closer links with civil society. Certainly there is a need for a greater degree of selectivity in establishing a state sector in industry, services, and commercial agriculture. But the experience of *etatisation* in Jamaica, Guyana, and Grenada (i.e. its serious economic costs) should alert a Caribbean central government to the problems of pervasive state controls. Most fundamentally, the attempt should be to establish a guided market in industry, services, and commercial agriculture combining flexible methods of economic management and considerable autonomy for factories, farms, hotels, and service provider firms and banks. Indeed, given the region's need for greater sources of foreign exchange, economic planning should rest centrally on the fragile export manufacturing sectors. Matters such as quality control, design innovation, product upgrading, and prompt delivery should be at centre of policy planning. To be sure, I recommend that the regional(ised) developmental state's mandate should contain the following kernel objectives:

•to `discipline capital' both local and foreign;

•to coordinate investment both to create new industrial export-orientation sectors, and to strengthen forward and backward linkages to the region's tourism and services sectors and the light goods manufacturing base; and

•to broker a new relationship with the working majority that trades-off hard work, self-reliance and reduced redistribution schemes, with free movement of labour across the region and state support for industrial cooperative ventures.

In terms of sectoral phasing, the regional(ised) developmental state must seek in the short-to-medium term to encourage the move upward along the international product cycle from primary commodities to light goods manufacturing. Ultimately, the region must produce and export ever more sophisticated products with increased value added if it is accumulate higher export-earnings. As it stands, Trinidad's food and confectionery industry, the paper products industry in Barbados and St. Lucia, Dominica's soap and cosmetics industry, and Jamaica and Barbados' light beverage industries are areas of potential growth. The regional state should seek to increase the value-added to Trinidad's petro-chemicals and Guyana's pharmaceutical sectors by sponsoring R&D programmes and extending lines of credit. As part of a programme to transform the regional economy along industrial lines within the AFTA, the state should also seek to establish joint ventures with hemispheric firms especially those that would be persuaded to bring new technologies, and new skills (managerial as well as shop floor) into the Caribbean. Coupled with this, the regional(ised) developmental state should encourage and support other joint ventures between domestic manufacturers and hemispheric ones.

Foreign investment in the region's low-tech labour intensive assembly zones is declining, but efforts should be made to improve the technology and workforce skills in those areas where export-based investment is highest (i.e. Jamaica, St. Kitts-Nevis, Trinidad, and St. Lucia). While some investment, particularly from Europe and Asia, may be drawn to use these areas as low-cost production bases (in the AFTA) to produce exports for North American and other markets in the hemisphere, the central government's mid-term strategy should involve efforts to constantly upgrade workforce skills, to foster close R&D links between EPZs and the various polytechnics, and to move towards semi-automation production platforms. In any event, the Caribbean's statecraft has to be about guarding against the sort of foreign penetration that is unproductive from the region's viewpoint. Indeed, Amsden (1989) reminds us that the disciplining of capital was the factor singly most responsible for East Asia's long term growth performance in comparison to other cases. It is likely that as the Caribbean `opens up' in accordance with AFTA liberalisation rules, foreign investors will be drawn to the region's dynamic tourism and real estate sectors. I would recommend that the central government impose a high tax on profits gained from property development and transfer in order to dampen this type of investment. The Chinese government took similar action in 1994 after observing an increase in foreign commercial investment in the country. The state imposed a 60 % tax on profits from massive real estate deals, carried out by foreign investors the previous year.[28] In the Caribbean, clamping down on real estate deals in this way will have the additional effect of diverting domestic traditional investment away from the real estate sector.

Overall, foreign capital should be invited to take advantage of a new set of policy and fiscal measures designed to combine low costs of production (i.e. in land, labour, and buildings) with access to region-wide raw materials and suppliers. This implies that efforts should be made to improve air- and sea-transportation capabilities and other hard infrastructural constraints. A cluster of service provider firms, and supply industries (i.e. specialising in paper products, small machine parts, etc.) with linkages to the foreign export- and information-processing sectors must be forged. This is so as to avoid foreign capital denationalising the Caribean economy. In addition, the regional developmental state should encourage Caribbean artisans to move towards export-production, and facilitate the market-seeking efforts of the few indigenous software companies in the region.

It is the offshore financial sector, retailing, and tourism that have provided a filip for software development in parts of the region. Some of the most successful software companies include the Trinidad-based STRATIS Limited which offers `open systems solutions in finance, distribution, manufacturing, human resources and maintenance, and management systems'.[29] It has sold solutions to Dominica (Dominica Cocoa Products), Guyana (Demerara Distillers), Trinidad (Angostura Limited), and Venezuela (Proctor and Gamble). Systems Caribbean Limited, based in Barbados, is another relatively successful software company. It has managed to market and install MICROPAY, a payroll package, throughout most of the wider Caribbean.[30] Nevertheless, regional software companies cite the lack of financial assistance and structured market discovery mechanisms as reasons why they do not seek to export extra-regionally.[31] I would add that what is also needed apart from credit assistance and market information is an Institute of Software Technology. This could be a wholly Caribbean institution or it could take the form of a technical cooperation project with another country. But importantly, the institute's aims should be to establish strategic partnerships with, and produce software for the domestic information processing industry, and to offer consultancy services to various businesses.

Where artisanal development is concerned, the regional developmental state could encourage export-production by organising artisans into voluntary cooperatives. In the first five (or more) years of operation, such cooperatives or other similar start-up initiatives could be exempted from registration fees and business taxes. The provision of credit, equipment, expertise and the securing of export markets from among countries in the hemisphere will go far beyond forms of state assistance currently provided in each country. Along with the granting of financial assistance, the common practice is for governments to provide artisans with city- or beachfront-space so as to facilitate their efforts at accessing the spending capital of tourists. These measures have not gone far enough to transform sections of the artisanal communities across the Caribbean into large-scale export producers. The Barbadian experience provides a case in point. The Export and Credit Scheme of the Barbados Development Bank was established in the early 1970s by the Barbados government to make loans to small-scale

Barbadian businesspersons. Businesspersons involved in various activities namely, artisanal tailoring, fashion designing, industrial craft design, fish marketing, bakeries, small hotels, restaurants, and mechanical workshops were selectively granted short-term loans to assist them in their efforts. But so far the `export' ambition of this scheme remains unfulfilled. Again the reasons for this relate to the reproduction requirement of Caribbean postcolonial societies. Although the efforts to promote local private enterprise in Barbados began in the 1970s, it is worth noting that these were/are for the most part artisanal in scale, decidedly non-threatening to established business interests (i.e. merchants), and either politically innocuous or politically useful from the perspective of the regime(s).

The future for the majority of the working population (i.e. the non-professionals) may, at first glance, appear uncertain if the regionalised development strategy centres on the sale of offshore services. But the whole point of developmental planning and the case for a single developmental state is crucial to the future fortunes of the working majority. The Caribbean Policy Development Centre, and various regional NGOs and academics implore the region's governments to pursue a new developmentalist ethos that features the following: poverty reduction and social equity; democratic and economic empowerment of the `people'; and environmental conservation and natural resource management.[32] The Caribbean's statecraft has to be about making complex tradeoffs and choices between these and other competing goals, given the region's finite resources.

Indeed, the developmental experience in core and rising countries has been about `policy trade-offs' in the paramount values of prosperity, welfare, equality, freedom, stability, and security. Milton Friedman had argued that popular affluence, income equality, and welfare provision tends to dampen capital formation and economic productivity. Mancur Olson, Seymour Lipset and Samuel Huntington added that rising economic growth can destabilise the existing political order, and undermine fledgling democracies. Dependency theorists, on the other hand, suggest that because the global capitalist system is skewed in the advanced countries' favour, popular affluence, equality and stable democracies have not been realised by the Third World. Others have noted that it is the pursuit of security in various countries that has led to reduced welfare provision, and a consequent increase in the gap between the haves and have nots. In short, the impression from the extant literature is that simultaneous improvement on many value dimensions appears to be fairly incompatible. As Chan and Clark (1992) succinctly puts it, `good things don't tend to go together'. Since the pursuit of one policy goal may jeopardise that of another, this means that the Caribbean regional(ised) state will have to choose among alternative *desiderata*: e.g. income equality or subsidising low wages with the provision of public housing and/or other social services; popular affluence that may lead to rising imports, or basic wages matched with price controls on essential items. Wade (1990), and Chan and Clark note that Taiwan, South Korea, and Singapore's government officials engage in policy trade-offs and value suboptimisation, and that they have been attending to alternative goals sequentially depending on the economic performance, the geopolitics of the region, and the domestic `social mood'.

In the Caribbean, any effective regionalised developmental planning will have to centre on what Morris and Padayachee (1989) refer to as the `dual logic' approach.[33] This approach amalgamates both inward and outward accumulation strategies but argues that success is dependent upon effective state guidance. It seeks to simultaneously tackle the problem of growth and international competitiveness on the one hand, and unemployment and poverty on the other. The Caribbean must promote and enhance the development of a substantial manufacturing and service export industry in the `first "logic" economy'. Budding entrepreneurs within these sectors would use state of the art technology and `capital intensive [or semi-automation] processes to compete in the world game' [p.134]. This form of export orientation will require finding new markets, a restructuring of the nature of production in the light goods manufacturing sectors and export-processing zones, and breaking away from inflexible old technologies. Information-gathering on international markets, trends, and new discoveries (e.g. *via* state-managed agencies), must be at the core of designing-production and marketing activities.

Since this sector does not at present provide the majority of jobs, in the interim the region has to look to the second `logic' economy i.e. the small business and `informal' sector. As Morris and Padayachee explain, there ought to be a `symbiotic relationship between the two logics, with a substantial amount of subcontracting of specific production and service tasks by the first logic economy to the second' [p.100]. This relationship is expected to encourage the growth of an autonomous industrial base. Such an industrial base is essential to the transformation of the regional economy.

I would reiterate that in the absence of a suitable structural opportunity, such measures/strategies on their own have little chance of success. State managers jointly need to ensure that the region bargains for an enhanced position in the international division of labour. It is through effective negotiation during the AFTA-docking process and other FTA-formation arrangements in the hemisphere, that the Caribbean as a political-economic entity could gain that space for renewal and recovery in the areas of industrial manufacture and commercial agriculture. While it is agreeable that tourism and offshore business present foreign exchange-earning potentialities, state planning can ensure that the gains made are effectively deployed in other sectors, for example, Jamaica and Trinidad's light goods industries.

Indeed, Caribbean countries are not viable as separate and distinct entities. But, as it has turned out, the international system has offered the Caribbean an opportunity to intensify its linkages with other countries and firms in the Americas. Nevertheless, I stress that governments have to turn this opportunity to their advantage. This is as much about improving one's structural position in the hemisphere and the world system as it is about mediating the neoliberal demands at the heart of the hemispheric integration process. I argue that the Caribbean would be on better ground to enter AFTA as a single political unit, with a clear regional industrial policy. Such an industrial policy must be managed by a regional(ised) developmental state. To be sure, the principal aim of industrial policy shall be to `discipline' capital, and coordinate investment both to create new industrial export-oriented sectors and strengthen forward and backward linkages in the Caribbean economies. This is a complex task that cannot be undertaken with any real chance of success by the individual countries. Indeed, any real attempt to engender the rise of a new bourgeoisie in the absence of economies of scale, and a critical mass of talents and skills will be fraught with peril. This, above all, explains why Caribbean state managers have been projecting the goal of export-industrialisation onto the Caricom agenda. The overwhelming assumption is that the more indigenous industrial entrepreneurs take advantage of the removed barriers to intra-regional trade, the better prepared they will be to export extra-regionally.

The West Indian Commission's Recommendations: A Critical Analysis

If it is accepted that reflexively state managers view `deepened' integration as holding prospects for their **individual** viability then we can understand why they identify with the neo-functionalist language of the WIC Report, which I will now turn my attention to.

One of the key recommendations of the WIC Report refers to the (continued) creation of a Caricom Single Market and Economy. To be sure, this has been a stated goal of Caribbean Heads since 1973. The creation of a single market was central to the project of economically integrating the Caribbean community. The WIC Report uncritically cites, as being both `necessary and urgent' the ongoing efforts at constructing a harmonised scheme of fiscal incentives, common rules of origin, and a common external tariff. It also advises on the need for fiscal co-ordination as part of the prerequisites for the creation of a single currency.

It is fairly clear from these statements of intent that the record thus far towards the creation of a single market and economy has not been very encouraging. Harker (1994) suggests that since politicians in the region were not required to devolve much authority to the central institutions of the Community, they felt neither compelled nor motivated to follow up on the regional plan of action towards a single economy. He explains that from 1973 to 1989, **nationalist** concerns **remained** in command. Intra-Caricom trade remained low, as each country individually sought to maintain and extend its various non-reciprocal trading arrangements with Europe and North America. As balance of payments problems set in during the 1980s, the tendency was for each country to erect trade barriers against non-national producers [p.24]. As stated earlier, such external linkages and the perception of competition act to reinforce the region's **fragmentation**, rather than its **integration**.

Notwithstanding these experiences, in 1989 Caribbean Heads reiterated their commitment towards the creation of a Single Market and Economy. 1994 was designated as the year it would come to fruition. In this regard, in their 1992 Report the Commissioners urged free movement of goods and services; elimination of all tariffs; free movement of capital and skilled labour; common policies towards foreign investment; and harmonisation of fiscal incentives for extra-regional exports of non-traditional agricultural and manufactured products.[34] Indeed, this embodies part of my suggested policy package for the regional(ised) developmental state to implement.

However, the WIC Report views the single market as a sort of incubator stage for regional exporters, an encouragement to export diversification, and an option for those not able to compete (i.e. export) internationally. The single market is largely treated as a `second option' for the region's private sector in the event it is unable to `identify and exploit niche markets in North America'. Finding `niche markets' in North America is supposed to be the *leit motif* behind the proposed strategy of export-led development. The Commissioners point to `the service areas,...tourism and...the new information services', and cheaply produced traditional export items, as offering scope for the region in select markets in North America and Europe.[35] As they put it, the development strategy in essence

> involves the mobilisation of capital, labour and skills throughout the CARICOM Region. Firms must combine and form strategic alliances so as to achieve the range of skills and the diversity needed to be competitive players in export markets. CARICOM needs to achieve a minimum cadre of exporters in order to gain advantages of synergy from export activities. Individual countries will find it difficult to achieve that level of activity on their own but as a Region the prospects are favourable.[36]

Though this sounds rather promising and conforms to what I have recommended for a politically unified Caribbean, the Commissioners issue a caveat, singling out global neo-liberal requirements and `a lack of regional consciousness among the private sector' as the greatest obstacles blocking the creation of a Single Economy.[37] Most importantly however, this does not lead them to (logically) refer to the importance of politics in rekindling the integration and development process. Instead, an argument is put forward that curiously seems to suggest that where `national capitalism' has failed, functional integration will offer the necessary respite. In their overall construct, the export-led strategy is supposed to be buttressed by regional and international investment and regulated by the Caricom Secretariat in conjunction with regional Heads. Regional exporters are expected to benefit from the creation of regional trading houses, regional franchises, strategic alliances, and an updated common external tariff (CET).

These recommendations are all to the good. However, the Commissioners failed to address the political problem of **implementation**. Can the putative Single Economy and Single Market arise `automatically' from neofunctionalist cooperation, despite the past record of failure -- or **only** through the efforts of a federal polity equipped with adequate governance structures? Specific answers to this question might be provided by a product-by-product analysis, or a sector-by-sector study. Such a study would arguably expose the declining capacity of each Caribbean country to recoup declining revenue-earning sectors, and thus strengthen their case for an integrated export strategy. In such a context, the thorny problem of the politics of implementation could come to the fore as the point of most urgency. The case for a federal structure that adopts a state-led, but market-driven approach to economic recovery could rival the now overwhelming faith placed in an improved Caribbean-wide neofunctional model of regional cooperation.

At present, a lot is being expected from the implementation of the CET. Regional manufacturers are supposed to get time to prepare for hemispheric and global competition. However, new GATT (1994) regulations and AFTA rules will likely prevent the recommended CET from being in place long enough to sufficiently support indigenous regional production. From this situation, questions therefore arise: e.g. can an export-led strategy based on liberalisation and adjustment be achieved by a fragile single market? Furthermore, is it reasonable to expect cooperation and co-ordination towards an integrated export strategy by the thirteen governments (of the Caribbean) -- themselves pre-occupied with stabilisation and structural adjustment programmes?

The reality is that economic policy is currently being determined largely by forces outside Caricom. Caribbean countries are trying to achieve an unlikely fit between neo-liberal measures, reforms, and policies that constitute the core of their accustomed populist strategies. Indiscriminate privatisations are taking place, but the sales and proceeds are used to shore up social services and jobs-development strategies. In this scenario, Caricom is seen only in the light of guaranteeing the construction of a single market and co-ordinating negotiations and joint positions *vis-à-vis* the hemispheric and international community. And even this limited agenda has been subject to the nuances and vagaries of domestic politics within each Caribbean state.

For example, while Caricom Heads continue to stress the need for joint cooperation in AFTA talks,[38] in 1994, on its own, Jamaica signed a bilateral investment treaty and an intellectual property rights agreement with the U.S., indicating its readiness to join a hemispheric grouping.[39] Moreover, in January 1995 the then Prime Minister of Trinidad, Patrick Manning, informed the national legislature of his government's intention to urgently seek accession into AFTA well ahead of the Summit of the Americas deadline of 2005. In the case of Jamaica, the question of continued market access to the U.S. for its garments and craft industries is a politically sensitive one. Some of the most politicised sections of the working class (e.g. urban women, Rastafarians, urban youth) occupy jobs in these sectors. Their livelihood therefore hinges on the deals that can be struck between the Jamaican government and Washington relative to continued investment and preferential arrangements. In Trinidad and Tobago, the ruling Peoples National Movement was desperate to find new avenues for export and investment income. Wage pressures by civil servants and rising joblessness among the youth were twin problems that caused the electoral defeat of the National Alliance for Reconstruction in 1992. A `Manning Initiative' involving a trilateral integration of Barbados, Guyana and Trinidad was proposed but abandoned in 1992 by the new government. In September 1995 the ruling PNM lost a snap general election. The new Basdeo Panday regime accordingly sees accession into AFTA as being crucial to Trinidad's economic recovery. It is **domestic politics** of this sort that makes the goal of a neo-functional regional economic strategy an unlikely one.

Ironically, the Commissioners did recognise many problems associated with achieving the regional coherence required for a critical mass of talent, resources, and bargaining power to emerge. They nevertheless felt compelled to advise that:

In our public consultations -- even when as was the case occasionally, we were encouraged to **return to federalism** -- we made it clear that we were not **advancing proposals along these lines.**[40]

What they proposed instead was a `Caricom Commission' to be composed of a body of three: a President, two other Commissioners, and the Secretary-General of Caricom as an ex-officio member. As they put it, the fault of the integration movement lies in the absence of `a central authority, freed of national, domestic responsibilities and allegiances, and appropriately empowered to implement CARICOM's decisions'.[41] This proposal was put forward supposedly to remedy the ineffectiveness of parliamentary procedures, shown simply in their failure to meet deadlines for regional legislation. `Poor governance' is used to explain why so little of the Caricom agenda reached the various national parliaments. They propose a Charter of Civil Society and a widening of an (earlier proposed) Assembly of Caribbean Parliamentarians to include NGOs and representatives from other social groups. A Caricom Supreme Court is proposed, to deal specifically with matters pertaining to the region and not with national issues. All these, including the decision-making organs of Caricom,[42] are supposed to be functionally effective provided that an executive arm (the Commission) guides the process of implementation of Caricom decisions from agreement through to legislation in the member-states. This structure of command reflects a version of regional integration similar to the European Union process but without emphasis on the need for a transfer of authority to regional institutions. The Assembly of Parliamentarians and other Groups will have only advisory status with no clear relationship to the decision-making organs of Caricom.

Since the publication of the WIC Report, Conference Heads rejected the idea of a Caricom Commission stating that there was likely to be an overlapping of functions between the Commission and the Secretariat. This was not necessarily a bad thing. There was little value in proposing an administrative apparatus, with no authority other than moral suasion. The Commissioners erroneously believed that this was sufficient to inspire and `move' regional issues through the various parliaments. Accordingly, this proposal had the effect of fostering a belief among Caribbean Heads that there really was no problem, either political, structural or otherwise that smoother procedural reforms could not remedy.

One idea that was acted upon was that of establishing an Association of Caribbean States (July, 1994) inclusive of some Latin American states. The potential for joint bargaining and joint ventures is certainly present. However, Duncan (1995) cautions that disintegrative forces are already at work, relative to formalising hemispheric bargaining on AFTA or international debt under Caricom auspices.[43] Payne (1994), in particular, rightly draws attention to the 1992 political dispute over banana exports to Europe between Central American producers and preferentially favoured Eastern Caribbean producers.[44] Certainly, the failed attempts to build an alliance for negotiations at the time of the CBI should remind us of the difficulties in building a consensus for negotiation between Caricom and non-Caricom countries. However, there is still immense value in the idea of forging linkages, whether technological, scientific, and financial, with other states in the hemisphere. Nevertheless, the root concern of the Commonwealth Caribbean should be with **deepening** the integration process, for the region's political economy is faced with deep-seated structural problems spawned in large part by the circulationism of merchant capital, the primacy of populism, and the increasing non-viability of the national option.

The deeper regionalisation to which many Caribbean state managers fashionably refer should be one that will elicit new behaviour, above all, one that cracks up the dominance of the region's merchant capitalist fraction. In effect, I am suggesting a different kind of politics, in short a return to the federal question, only this time from within the framework of trying to reconstitute state power, now sorely diminishing within each small Caribbean state. The rise of a new export-competitive entrepreneurial class is a matter of politics, culture and resource capability. No robust entrepreneurial sub-group is likely to arise in the Caribbean in the **absence** of a developmental state. Certainly who will provide for their ascent, provide the incentives, the financial assistance, the infrastructure and the hard-fought protection from foreign competitors -- but a **regional developmental** state? Indeed, the East Asian example[45] provides the latest lesson in the ways in which a state can use its leverage, its sovereignty, and its authority to guide and complement private sector efforts at achieving international competitiveness -- and capital accumulation above all.

What is remarkable is the way Caribbean intellectuals may identify the problems associated with nationalism in the region, yet stop short of recommending a political-economic merger of the thirteen separate bureaucracies and governments. For example, Dr. Keith Worrell of the Caribbean Development Bank, speaks of the need for closer political-economic cooperation in the region, but argues that political unification `should evolve'.[46] Dr. Andrew Downes, Chairman of the Central Bank of Barbados, similarly bemoans the economic malaise of the region, but argues that `we may still need to exhaust the independence question some more'. Also, the Commissioners, as I pointed out earlier, scorn the idea of a political-economic merger, but in their progress report, Towards a Vision of the Future, they note: `We have found among many sections of opinion the perception that the countries of the region are exhausting the option of island independence.'[47]

Overall, these views may reflect fears over repeating the past federal mistakes, or more to the point, it may be a reflection of the level of disillusionment amongst popular sectors with the record of Caricom, and the nuisance of petty insular squabbles and jealousies.[48] Whatever the case, this intellectual timidity acts to preclude a discourse on the dynamics and interrelatedness of politics and markets in fashioning a Caribbean response to its current economic problems. A strategy of regional capital accumulation is in the final analysis a **political project**, one in which the state leads society **with** the coalitional support of progressive sections of the bourgeoisie and the general populace. If the centre of economic and political planning shifts from its small-society base to a regional one under the direction of a single developmental state, it will begin to destroy the base upon which party cronyism, populism and entrepreneurial timidity rests. The neo-functionalist approach ostensibly **rules out** the construction of a strong state. That is, `strong' in the sense of being able to effect a restructuring of the region's economies while also acting (beneficially) to limit the excesses of `adjustment' on the population.

Caribbean Offshore Services: Origins, Prospects and Challenges

Ideally, any new Caribbean strategy of capital accumulation should revolve around building on present growth sectors, effectively redistributing the surpluses to agro-industry, research and development capabilities, and semi-automated infrastructure. Currently, for reasons discussed below, the Caribbean enjoys some comparative advantage in the area of offshore services. But the quality, depth, and diversity of the Commonwealth Caribbean's service infrastructure varies considerably from country to country. For instance, the tourism, offshore financial, and management consulting services are far more developed in The Bahamas, Bermuda, and Barbados than in Dominica, St. Lucia, or Trinidad and Tobago. Anguilla, Antigua, and St. Vincent have been improving their financial services infrastructure recently, and, especially in the case of Anguilla, there has been considerable growth in offshore financial business since 1990. Nevertheless, it is worth noting that each of the thirteeen countries has been vigourously promoting the growth of tourism over the last fifteen years. The scale of existing business in the established offshore centres (e.g. Bermuda, The Bahamas, and Barbados) has tempted the other countries to go `offshore' especially considering that the required infrastructural costs could be shared with tourism.

Caribbean technocrats and academics agree that tourism and services hold the key to the region's future economic recovery.[49] Indeed, this realisation should form one of the central planks in a developmental regional state strategy during the AFTA talks. As I argue later below, with careful state guidance and intelligent regulation, the Commonwealth Caribbean could become **the** offshore financial hub of the Americas (i.e. displacing the Cayman Islands and the British Virgin Islands), offering services to clients within and outside the grouping. This position finds some favour with Arley Sobers even though his concern is primarily with the tourist sector and the need for more functional cooperation between the national governments:

> It is clear to me that...the Caribbean will have to focus even more on the production of services than it has in the past. Services represent one of the few areas in which this region can claim some existing or potential comparative advantage. And foremost among these services is tourism, which will be asked more and more to provide the wherewithal to support and improve upon the standard of living we now enjoy...With the likelihood of...further dependence on this activity, we in the Caribbean must be able to manage and develop our tourism [and services] sector better than any other in the world![50]

Indeed, tourism has been a major foreign exchange earner for Caribbean territories since the early 1970s. Today it employs over 50, 000 persons.[51] Globally, tourism has become a major industry not only for island states but mainland states like Greece, Spain, and Malaysia. Arley Sobers notes that since the late 1980s, problems relating to the availability of more airlines and better advertising have forced regional governments to upgrade the functions of the Caribbean Tourism Organisation (CTO) both as a promoter and lobbyist of the Caribbean tourist product.[52] The CTO's regional marketing campaign serves to complement the various activities of the individual Tourist Boards of the region. However, it is the **cruise line industry** that has provided the region with a cushion against the shocks of trying to attract more flights from its main markets in Europe, North America, and more recently, in South America.[53] St. Kitts-Nevis, for example, recorded its highest cruise ship calls for the period November 1993 to October 1994. In this period, 90, 000 passengers from 31 different vessels entered the island. Since this time, the state and the mercantile elite (*via* the Chamber of Industry and Commerce) have sought `to improve packaging and delivery of the tourist product.' There are plans to expand the capital, Basseterre, and to start a new port development project in order to accommodate the increasing arrival of cruise ships and their passengers.[54]

The spin-off effects of this increase in cruise ship arrivals were alluded to in a recent survey conducted by the Florida Caribbean Cruise Association (FCCA). It points out that cruise lines spent US$51 million on procurement of Caribbean supplies.[55] Over US$13 million was spent on fresh produce, dairy products, breads, juices, spices and other food items. Caribbean manufactured beer and other liqueurs fetched sales well over US$6 million. Petroleum products, parts and various chemicals recorded sales in excess of US$30 million.

The singular lament, however, has been the **region's failure to exploit intersectoral and regional linkages**. Hotel supplies are not provided by local or even regional manufacturers since the foreign supply is seen as superior in quality. Cosmopolitan-based cuisine still out-competes local varieties in the various hotels.[56] The wines, liqueurs and ales on offer are still largely European or North American. Furniture supplies and fittings are also imported from extra-regional sources. While this is in part a reflection of the culture shaped by the colonial experience, it is the continued local/regional dominance of merchant capital that engenders a popular belief in the innate superiority of foreign goods and entrepreneurship over local/regional equivalents. In my view, forging `backward' and `forward' linkages with the tourist sector seems to be a question of developmental planning based largely on encouraging entrepreneurship. In this context, it is highly unlikely that the individual island-states can meet the challenge, for reasons of politics, limited resource capacity, and local configurations of (class) power.

Explaining the Caribbean's Offshore Niche

It is conceptually useful to treat the provision of tourism, offshore finance, and non-financial services as an integrated strategy; in the Caribbean context -- an integrated tax haven strategy. While distinctions are usually made between a **tax haven** and an **offshore financial centre** (OFC), the lines between the two are not so far apart [Spitz, 1983].[57] A tax haven is a territory where assets can be accumulated and transferred with minimal tax liability. An OFC is a place where international financial business can be conducted in a fiscally neutral way. Financial transactions are sometimes limited to recording, and bookeeping; but eversince the growth of the Eurocurrency market, deposit-taking, and final lending have become the major function of select Caribbean OFCs (notably, Bermuda and The Bahamas). However, established Caribbean OFCs (and aspiring ones) provide facilities for trust, banking, insurance, shipping and associated business limited to an overseas clientele. The Caribbean centres fulfil both tax haven and `offshore' functions, the end-result of attempts to augment one (i.e. the tax haven role) with the other (offshore finance) [Roberts, 1995]. Each government excludes international business from income, capital gains and inheritance taxes, partly in accordance with double taxation treaties signed with various core countries, and partly in keeping with efforts to offer the best incentives to international companies and financial institutions. To be sure, there has been little research done by IPE and IR scholars on the role of offshore financial centres (OFCs) in the international economy.[58] The neo-classical economic paradigm in use ill-advisedly guides Caribbean Finance

Ministers into an analysis that separates the tourist and offshore segment, treating them as national sectors that are and can be autonomously acted upon. Really, these two `sectors' have been shaped and reshaped and are now fused by domestic and international forces. Holiday-resorting and offshore business are twin elements that today define the Caribbean region's comparative advantage. However, very little theoretical work addresses 1) the origins of this strategy for some peripheral states; 2) why the Caribbean is featured prominently in the list of OFCs and; 3) how such a strategy (i.e. further development of the OFC niche) is likely to fare given the wave of deregulation occurring in onshore financial markets, and increased competition from arrivist OFCs. Before accounting for the rise of Caribbean OFCs, I address those initial factors at the international political economy level that led to the rise and proliferation of the tax haven strategy (1960-1979).

Kochen (1991, p.73) notes that `as much as half of the world's stock of money either resides in, or is passing through tax havens.' OFCs in the Caribbean Basin were recorded to have held deposits in 1990 totalling in excess of US$400 billion. The region (including the Cayman Islands) has also captured a sizeable share of the world's (captive) insurance market. Thorndike (1989) took note of the secrecy and discreteness involved and estimated that if one includes offshore bank funds, offshore insurance business, and that of private trust companies, a total of US$9, 000 billion dollars resides in, or passes through the Caribbean Basin.

The tax haven phenomenon began with the early OFCs, namely Switzerland, Luxembourg, Liechtenstein, Austria and slightly later, Bermuda and Panama. These offered, as host economies, confidentiality on foreign accounts and a competing comprehensive range of support facilities for external trade activities. In the immediate post-Bretton Woods years, the three European enclave states in particular made a deliberate attempt to attract international trade-oriented activities by, one: cutting their taxes; two: removing restrictions on business operations; three: offering investors banking confidentiality; and four: guaranteeing easy repatriation of profits [Holland, 1987]. This strategy was emulated by other states. The successful imitators were those sufficiently commercially customised and well placed to benefit from those firms and individuals willing to escape the high-onshore regulatory environment in OECD countries. The 'arrivist' OFCs, in their willingness to offer specialist financial services, this contributed to the restructuring of global finance in the direction of increased deregulation.

Nevertheless, the real progenitors of the radical reorganisation of global finance were the U.K. merchant banks in London, and U.S. international banks, reacting to particular changes made in the federal U.S. regulatory environment. The Eurocurrency market was first established in London in the early 1950s. Transactions in Euro-dollar and other foreign currency deposits were handled almost entirely 'by merchant banks [such as SG Warburg] who had practically created the market' [Einzig, 1964, p.14]. Subsequently, when the major member countries of the IMF decided (in 1958) to make their currencies freely convertible for non-residents, British overseas banks, London affiliates of foreign or Commonwealth banks, and some clearing banks, came to operate in Euro-dollars and other foreign currency deposits. Following an exodus of foreign funds out of the market for U.S. Treasury bills (circa 1962), the U.S. federal authorities introduced the Interest Equalisation Tax (1963-1974), and the Voluntary Foreign Credit Restraint and the Foreign Direct Investment Programs (1965), to stem the outflow of dollars. A series of banking migrations took place thereafter giving rise to two major developments that transformed international banking.

The banking migrations led to the growth of first, an 'onshore' external free financial market, located largely in those traditional financial centres i.e. London, New York, Frankfurt, Amsterdam, Milan, Vienna and the three Swiss banking centres (Zurich, Basle, and Geneva). Acquired large deposits soon became repackaged and on lent transnationally with low interest rates to actors in deficit within the international trading system. A new world-wide banking network became evident as flows of capital *via* syndicated loans and high deposits encircled the globe. This led to the second major development -- the selective transformation of particular (and nascent) tax havens that had hitherto offered basic financial services[59] into OFCs offering banking, insurance, and ship registration services. Advances in information technology in the 1970s and increased air travel have led to the interlinking of offshore financial centres to global banking and business activity. This leads Holland (1987, p.2) to observe that today's OFCs (see Table 1) collectively represent 'a new global mesoeconomic power between the micro capital of national economies and the global macroeconomy...' Put another way, the dynamic global financial system is 'secreting' distinct new spatial forms.

Table 1

Offshore Financial Centres (circa 1995)

Inland Enclave States	Coastal Enclave States	Island States
Andorra	Costa Rica	Antigua
Austria	Gibraltar	Anguilla
Liechtenstein	Lebanon	Bahamas
Luxembourg	Liberia	Bahrain
Switzerland	Monaco	Barbados
	Nicaragua	Bermuda
	Panama	Cayman Islands
	Singapore	Cyprus
	United Arab Emirates	Guernsey
		Hong Kong
		Isle of Man
		Jersey
		Malta
		Montserrat
		Nauru
		Netherlands Antilles
		Philippines
		Seychelles
		St. Vincent
		Turks and Caicos
		Vanuatu
		British Virgin Islands

Source: Johns and Le Marchant (1993, p.17).

OFCs constitute new configurations in the international political economy. As Johns and Le Marchant imply, they serve four primary offshore core regions, and they are in an adjunct relationship to these major economic blocs and the financial systems therein:

1) The Caribbean/Central American Basin, servicing both North and South America, essentially in areas within the New York time-zone longitude.

2) European and coastal enclave, and `independent islands' within the London and continental European time-zone longitudes.

3) Select Persian Gulf states servicing oil-surplus Middle Eastern countries.

4) Hong Kong, Singapore, Vanuatu and Nauru servicing the Asian-Pacific basin and the sub-region of Oceania, largely within the Tokyo time-zone longitude.

In sum, one should understand the tax haven-cum-offshore finance centre as a twentieth century phenomenon. First as old enclaves for the wealth of pirates, smugglers, dukes, and merchants (circa 1920), thereafter Switzerland, and others, immediately following the Bretton Woods years were transformed into havens for early tax avoiders and regulation-hopping companies. In recent times these and other `arrivist' havens have moved towards becoming fully operational OFCs.

A combination of factors account for the rise of the tourist and offshore sectors in the Caribbean region. These include the lure of the Caribbean as an entrepot, the growth of the Euro-dollar market, high `onshore' taxes and restrictive regulations in core economies, and (select Caribbean) government efforts at promoting and providing infrastructural support in these areas. But there is a dominant view in the literature that various peripheral states in the 1960s and 1970s developed an offshore financial portfolio in order to make gains in the radical restructuring of the geography of global finance.[60] They were later to become full-blown competitors alongside older tax havens like Switzerland, Luxembourg and Liechtenstein, offering an array of services complete with operational freedoms. Some, like those in the Caribbean area, for example, the Cayman Islands, Antigua, Bahamas, Barbados, and Bermuda seized the opportunity to improve their tourism sector thus making a happy association between holiday-resorting and offshore business.[61] As the argument goes, there was no real strategy involved. A select group of Caribbean island banks and their governments, in the wake of the growth of the Euro-dollar market, simply sought to attract such international business by offering a lower cost environment than the most important international financial centre, i.e. London. In short, opportunist pragmatism was the decisive factor that led to the eventual growth of OFCs in the Caribbean [e.g. Naylor, 1987]. I argue that this general picture, however, is too simplistic, since it fails to sufficiently explain why the 'most spectacular growth' of U.S. overseas bank branches in the early period (1965-1975) 'took place in the Caribbean'.[62] Some, like Baker (1978) and Johns and Le Marchant (1993) offer an explanation for this expansion by pointing to the region's shared time-zone with New York. Charles (1994) speaks of the intelligent use of fiscal incentives and exchange controls, and the political stability of the non-Hispanic Caribbean.

However, in contrast to Baker, Johns and Le Marchant, Charles, and others, I suggest that the real lure of the region goes beyond these elements. It rests on the political-economic character of these countries. The region's permissive regimes (1965-1970s), and the merchant capitalist character of the economies, together combined to give the region its appeal to tax avoiders, holiday travellers and select foreign corporations in the early period.[63] Indeed, the story needs to be re-told from within the Commonwealth Caribbean context.

The Commonwealth Caribbean has long built up a reputation for expertise in commercial and financial operations. This relates to the circulationism of merchant capital in the region, a historical legacy extending backwards well into the colonial era. Briefly, the new political class following independence, encouraged and initiated the growth of tourism and so-called 'fringe' services because these sectors opportunistically went towards satisfying regime consolidation and electoral success.

Tourism business fostered high employment both directly and indirectly (i.e. in construction and other infrastructural activities); it generated rapid foreign exchange; and it served as an advertisement of the country's business aplomb. On the economic side, the end-result of the white elite's conscious `opt-out' strategy was a local/regional `hegemony' of circulation over production. This engendered the rise of a sophisticated legal and financial infrastructure to facilitate import-trading activities. The state supported these activities, and together with foreign capital constructed and/or enhanced port facilities, air- and seaports. The state also moved to encourage the growth of auxiliary professions (e.g. accountants, lawyers, management consultants), created national banks and a few island-governments introduced legislation supportive of the establishment of insurance companies and an offshore industry.[64] In short, the state customised the corporate-commercial operational environment. On this foundation, import-trading and insurance businesses flourished. Indeed, McClean (1975), in his Eastern Caribbean survey, adds that during the period 1966-68 an indigenous commercial bank sector arose to support the distributive sector -- an area considered as `safe and lucrative business'. He also points to the preponderance of short term loans in their portfolio-lending and the large proportion of loans made to the distributive trades. In effect, `commerce' was given primacy over `production', thus acting to help shape the customised-commercial outlook of the region.

By the end of the 1970s other Caribbean territories were sufficiently well placed with their commercial-corporate infrastructure and low-tax/low-friction economies to become new rivals in the tax haven strategy. Anguilla, and St. Vincent and the Grenadines (of the Commonwealth Caribbean), and Montserrat, the Netherlands Antilles and the British Virgin Islands, all successfully attracted international financial operations. All locations were to later benefit tremendously from the U.S. commercial and financial sanctions on Panama in 1988, which saw offshore institutions searching for new homes in the Caribbean Basin. It is no coincidence, however, that those with the most stable currencies were ideally placed to attract personal, corporate and institutional offshore business. The Bahamian, Barbadian, Bermudian and the Eastern Caribbean currencies are pegged to the onshore currency of the United States, their dominant trade partner. Bermuda has its own currency, the Bermudian dollar, which is officially fixed at US$1.0006. The Bermudian ruling strata (merchants, financiers, professionals) has long used prudent economic management battened on to continued depedency relations with Britain in order to sustain and extend colonial merchant capitalist relations and to contain nationalist ambitions from within society. It is not surprising therefore that over 70 per cent of the population, fearing the economic management risks, voted against independence in the recent Bermudian referendum.[65] For the Eastern Caribbean states, a fiscally restrictive Eastern Caribbean Central Bank has ensured the stability of the Eastern Caribbean (EC) dollar.[66] In Barbados, the priority placed on fiscal management in the political arena since the late 1970s has forced ruling regimes to be fiscally prudent. In the case of The Bahamas, cuts in exorbitant welfare spending, and a cleaning up of the offshore industry took place following the 1986 electoral defeat of Sir Linden Pindling's government.

A brief look into some of the countries' commercial-corporate history can further illustrate the point of the region's long built-up expertise in these matters.

The first entrenched merchant-finance institution in the region was established in Barbados in 1840. The Barbados Mutual Life Assurance Society (BMLAS) was established at a time when British capital and hegemonic interests were primarily occupied with the `East' and opening China for trade. The BMLAS was created by local merchants to raise capital to support the plantation and commercial interests in the colony. It managed to save planters from the wave of bankruptcies that affected their Jamaican and Guyanese counterparts following full Emancipation (1838), and the passage of the Sugar Duties Act (1846).[67] Today the BMLAS has become an entrenched institution and typifies those that have shaped the corporate-commercial character and portfolio of Commonwealth Caribbean economies. Its Board of

Directors is largely phenotypically white; it has dominant or significant interests in most of the leading economic and commercial establishments and public utilities in the country; it has incorporated the family businesses (i.e. merchandising stores) into the BMLAS family; and interlocking directorships and insider trading have become normal practice. Since the 1990s, the BMLAS has sought to purchase a durable share in Barbados' tourist and offshore banking industry.[68] The BMLAS has assisted the state in the improvement of port facilities; it recently purchased ideal real estate land and hotel property; it started a hotel chain (Almond Beach Hotel) along the western coast of the island; and it established a Mutual Bank that primarily addresses the depositor needs and provides services to international business persons and overseas-based corporate firms.

Trinidad and Bermuda likewise offer cases in point. The Neal & Massy Group that has operating companies in Guyana, Barbados, Jamaica and the Eastern Caribbean was traditionally based in import-trading activities. In recent times it has turned towards hotel management, and financial-, insurance-, brokerage-, shipping- and security- operations. Chairman and Chief Executive Officer, Sidney Knox confirms that: `The Group [will] continue its thrust into the development of services...[given]...the significant potential of the information technology services industry.'[69]

Many of the powerful names in Bermudian colonial history reappear among the list of the economic elite. This is confirmed by the Wooding Commission Report which stated that in Bermuda `economic power, banking power and political power have historically been and still are concentrated in the same hands.'[70] Well-known colonial/merchant names such as Tucker, Cox, Smith, Cooper, Gibbons, Vesey, Trott, and Paton appear among the list of directors of the island's leading financial and commercial institutions. The Report also alludes to the strong mercantile political-economic foundations of the country when it added:

Effective power in Bermuda lay with the white oligarchy and it is not surprising that members of the small oligarchy became in time bankers and commercial entrepreneurs. They had the opportunity, the means and the training, and they were thus enabled to lead and to entrench themselves [p.9].

Indeed, the Bermudian financial community has been the principal defender of the country's dependency status to the British Government from the 1960s to the present time [Norton, 1995]. The country had had a long experience (circa 1938) at using its status as a British dependent territory to woo rich individuals, particularly from the U.S., to establish private trusts there in order to avoid U.S. taxes. The post-war years saw this activity expand to include private banks established to handle the affairs of local and Bahamian planter families, and their agricultural plantations. In addition, private banks went on to manage affairs of some rich U.S. families and their estates.

The durability and adaptability of the mercantile elite and merchant-finance institutions like the BMLAS bear witness to the existence of a predilection for the 'service' sector. The hitherto well developed, corporate-commercial and legal environment of the region before governments turned to offshore services as part of their tourism package -- bespeaks of more than a merely current fashion for 'selling sovereignty'.

British Caribbean OFCs: The Case of Barbados

While tourism accounts for the bulk of the foreign exchange earnings of Caribbean countries, Barbados and The Bahamas are noted as leaders in captive insurance and ship registration, respectively. Barbados has a unique offering of insurance-linked funds while The Bahamas and Antigua are particularly marked by a preponderant supply of high-risk funds. Within these three territories a tax haven strategy has become part of their offshore services development trajectory. Each country's financial sector is currently increasing its share in the domestic labour market and is dominating educational training needs. The aim is and has been to offer to foreign clients legal, fiduciary, insurance management, financial consultancy, banking, and accounting services.

Barbados' offshore financial outlay includes offshore banks, foreign sales corporations (FSCs), exempt insurance companies, and international business companies (IBCs). Compared to London, The Bahamas and the Cayman Islands together account for roughly the same amount of U.S. bank branches abroad, in terms of assets booked there. Anguilla has 38 banks and 80 insurance companies. Barbados' banking sector, on the other hand, is smaller in comparison to The Bahamas and even Anguilla, but there has been a steady increase during the period 1988-1994, marking an increase from 5 to 19 banks. FSCs increased from 250 to 975 in the same period, while IBCs soared from 335 to 1225.[71] Exempt Insurance Companies have also increased from 140 in 1988 to 190 by 1994. Nevertheless, Bermuda remains by far the world's largest offshore insurance centre.[72] Some 8000 insurance companies are registered in Bermuda, with the last five years accounting for a 40% increase. By June 1995, Bermudian reinsurers managed to push the London market into second place for the first time in writing U.S. reinsurance business.[73]

From the above, we may glean that although there is considerable competition, specialisms have developed in the different centres in the Caribbean Basin. The Bahamas provides the most comprehensive array of services marked most by its large offshore banking sector, a large number of trusts, and an impressive shipping register. To be sure, The Bahamas entered the shipping facilities market in the early 1980s. This was in response to the search by shipping companies for alternative `flag of convenience' facilities. A `flag of convenience' enables ownership and manning by non-nationals and limits charges to registry fees and an annual fee based on tonnage. However, the host government usually tends not to have the power nor the adminstrative machinery to enforce regulations on working conditions or safety requirements. Bermuda is noted for its 5,300 exempt companies,[74] involved largely in the insurance sector. Bermuda's shipping register is in direct competition with The Bahamas,[75] the source of its recent growth being the legislation it drafted that offers contracting shipping companies British naval protection in the event of war. Such protection was guaranteed for Bermudian-flagged tankers during the Gulf War. The British Virgin Islands is noted for its offshore registered companies, the majority of which are European. The Cayman Islands offshore sector is dominated by trusts and banks. In 1988, 43 of the 50 world's largest banks were represented in the Caymans.[76] Both the Cayman Islands and Barbados in recent years have been strengthening their respective insurance sectors in direct competition with Bermuda.

Welch (1994) notes that the expansion of Barbados' offshore sector is partially the result of the existence (recently secured) of a network of double taxation treaties. These include those signed with Switzerland (1963), the United Kingdom (1970), Canada (1980), the USA (1984; and Protocol of 1991), Finland (1989), Norway (1990) and Sweden (1991). A recent report estimated that 1096 entities (i.e. FSCs, IBCs, offshore banks, and exempt insurance companies) contributed a local expenditure figure of over US $53 million in 1993 with costs in professional fees, communications, and rents at 46% of total costs.[77] Charles (1994) adds that the sector generates US $80-100 million in foreign exchange earnings annually.[78]

Presently, the Barbadian state is looking to the IBCs, in which category the information sector falls, as the key to the hopes of an economic recovery. This is not surprising, as Table II below illustrates the substantial contribution that IBCs make, in terms of expenditure, in the Barbadian economy. The Prime Minister of Barbados recently spoke of the region's offshore and telecommunications potential and reiterated his government's commitment to the local development of the informatics sector:

We recognise that the information services industry will not be a panacea for the development problems of the Caribbean, but it will provide a basic platform from which we can cash in on the most dynamic trend in modern-day international business. It will give a small country like Barbados a realistic opportunity to market its one major resource -- human resource -- internationally.[79]

Table II

Offshore Sector Expenditure/Contribution, (Barbados) 1993 (US $)

	No. of Entities	No. Employed	Payment of Taxes and Fees to Gov't	Payroll Costs	Other Costs	Total
IBCs	381	1500	7 944 519	17 285 524	14 420 139	39 650 182
Banks*	13	39	858 398	654 678	1 233 879	2 746 955
FSCs	520	0	443 730	0	765 170	1 208 900
Captives**	143	24	337 500	1 429 247	8 119 337	9 886 084
Trusts***	39	0	127 787	0	217 957	345 744
TOTAL	1096	1563	9 711 934	19 369 449	24 756 482	53 837 865

* These are 'shell' banks which only deal with non-nationals and are not subject to reserve requirements or other forms of control that are normally applied to 'resident' banks.

** These are subsidiary insurance companies established by a parent multinational to handle corporate risks. The main features of attraction of the offshore locale are its low operating expenses, its lack of corporation tax, and virtually non-existent reserve and investment regulations. Apart from conducting reinsurance business, 'captives' are used by the parent companies to move money around world financial markets for insurance premiums are met with less restrictions than other forms of funds.

*** These are trust companies set up to facilitate the transfer of wealth and assets from onshore income, capital gains or inheritance. Trust companies cater for a wide range of customers, from private individuals to major corporations and overseas financial institutions. Some corporate services include the running of pension funds for international firms, mutual fund administration and management, and equity and portfolio management.

Source: Drawn from a 1993 survey conducted by the International Business and Financial Services Centre in Barbados.

The data in Table II and evidence from other sources, however, present a mixed picture on the question of benefits to the centres themselves. Overall, the benefits that accrue to the host economy generally range from increased foreign exchange earnings to establishment of business contacts and overall image-enhancement to potential investors. While tax income is not significant, fees and taxes contribute useful revenue for the host governments. Thorndike (1989) estimated that the Bahamian government received $20 million in such fees in 1986, with expenditure by the various businesses totalling in excess of $381 million. In Barbados, over $9 million dollars in taxes and fees went towards the government. But the industry's employment record in the Caribbean is not impressive. Most of the offshore banks in Anguilla and Barbados for example, are `shells' employing only a few accountants and professionals and requiring very limited clerical support. The 520 FSCs and 39 trust companies in Barbados do not appear to employ anyone. (To be sure, although not reflected in the IBFSC's findings, other sources indicate that these trust companies are all managed by a handful of professionals.[80]) Paradoxically, however, where the industry provides significant job opportunities, skill shortages have tended to arise. The demand for specialist financial, legal and accounting professionals finds cash-strapped governments hardpressed to provide the proper training programmes.

<u>The Tax Haven Phenomenon since 1980 and Implications for the Caribbean</u>

In this section, I discuss the current challenges facing Commonwealth Caribbean OFCs relative to 1) the regulatory changes occuring in onshore environments; 2) increasing OFC competition; 3) approaching international rules, and 4) U.S. efforts at obtaining security compliance in monitoring fund flows into and within the Caribbean Basin.

Mounting competition between OFCs around the world is acting to reduce benefits. Moreover, extending the scope for offshore financial business has become problematic in light of the deregulation measures adopted by the U.S., Britain and other core onshore states. At the same time, demands have been placed on offshore states to carry out reforms in order to check (overseas) tax evaders, organised crime, and `money-laundering' activities. Some scholars note that the intensity of the competiton **between** island states and other enclave states had led to each striving to be `all things to all tax avoiders'. Given the complex linkages between OFCs and multinational business, core countries have sought since the 1980s to bring about a regulatory convergence between offshore and onshore centre jurisdictions. OFCs are consequently forced to reinvent and refine their functions within the new business environment. The problem is compounded in the Commonwealth Caribbean area. Without effective bargaining power, Bermuda, The Bahamas, and others will be under pressure to comply not only with WTO regulations but also with (approaching) AFTA rules and regulations aimed at blurring the contrast between U.S. onshore and Caribbean offshore financial regulatory systems.

By the end of the 1970s, offshore operations had already grown more complex. Base companies,[81] `letterbox' or `brass plate' companies,[82] and holding, trading investment and captive insurance companies[83] appeared within each host economy. Tax evasion and the `laundering' of funds *via* the setting up of private `shell' banks became a source of concern for U.S. federal authorities since these activities `caused endless problems in the international, and more specifically, the U.S. banking system.'[84] Following the U.S. lead, Britain, France and other core countries in the early 1980s moved to 1) deregulate and harmonise their financial markets; and 2) to make the conduct of multinational enterprise and transnational business more transparent. There is now a parallel increase of competition between all types of financial centres, both onshore and offshore. Paradoxically, while this competition has been the result of increasing de-regulation, its intensity has generated pressure for `re-regulation' measures.

The changing financial needs of transnational actors forced core countries to implement reforms to facilitate an expansion of the operational parameters of financial services: locally, regionally and globally. Onshore deregulation consequently began in earnest. Pagano and Roell (1993) argue that core states were particularly interested in promoting the lure of **their** financial-commercial centres. According to Pagano and Roell, relative to reforms in Paris, Madrid and Milan: `The main motivation for the overhaul of the old system and the breakneck pace of the reforms has been the danger of losing business to the London market' [p.153].

The U.S. was first among its core counterparts to reduce the regulatory bias in favour of offshore banking by permitting a general lowering of onshore U.S. reserve ratios. This was facilitated by the International Banking Act of 1978, the Depository Institutions Deregulation and Monetary Control Act (1980), and the 1989 Financial Institutions Reform, Recovery and Enforcement Act. These laws, along with a 1981 plan for International Banking Facilities (IBFs) allowed U.S. banks to compete openly and directly in the Eurocurrency markets from onshore U.S. offices without using or having to set up foreign subsidiaries outside the reach of their national bank regulators [Johns and Le Marchant, 1993, p.75]. The Federal Reserve Board granted the following concessions:

i) no reserve requirements;
ii) no interest rate ceilings;
iii) a new minimum withdrawal/deposit limit set at U.S. $100 000;
iv) banks were exempted from a 48 hour notice-of-withdrawal rule and;
v) foreign banks could place `overnight' funds in IBFs.

At the same time, the U.S. encouraged Britain to exercise greater vigilance on private banks (i.e. `shells') operating in its dependencies. Johns and Le Marchant note that even though these measures and (Federal Reserve) concessions have not levelled the playing field between U.S. onshore and offshore locations, they were sufficient to bring about a repatriation of U.S. funds from London, Luxembourg, Nassau (Bahamas) and other parts of the Caribbean. This means that competition is increasing between (core) onshore financial centres and Bermuda, The Bahamas and other established OFCs in the Caribbean. (It is important to add however, that despite the fears raised by OFCs over the creation of IBFs, no noticeable drop in deposits has so far occurred.[85])

Similar reforms were undertaken in Canada. Throughout the 1980s, there was increasing pressure to expand the activities of trust, mortgage and life insurance companies. These financial institutions have since been expanding their array of products and experimenting with innovative approaches. This activity was facilitated by the updating of legislation on 1 June 1992; namely, the *Bank Act*, the *Trust and Loans Companies Act*, and the *Cooperative Credit Associations Act*. The 1997 revision of the *Bank Act* is expected to allow banks to sell insurance products in their branches. Already, Canadian Imperial Bank of Commerce, Scotiabank, Toronto-Dominion (TD) Bank, and National Bank (Quebec) are becoming what some term `insurancebanks'. In the past five years, these banks have been `discreetly acquiring the necessary structures to invest in all areas of the insurance sector, from life insurance to damage insurance'.[86] In addition, both Vancouver and Montreal have been declared `international banking cities' where banks and trust companies could be exempted under the International Financial Business (Tax Refund and Corporate Exemption) Act, provided they register as International Finance Centres (IFCs). Japan likewise, between 1979 and 1984, moved to liberalise its exchange controls and sought to promote Tokyo as a yen-based financial centre. The result is that `Tokyo is gradually developing the market depth and diversity necessary to compete in 24-hour global trading...[and] will join London and New York as an international financial market providing the same opportunities to international investors' [Viner, 1988, p.140]. It appears therefore, that a `tripolar' regional shape of competition between these onshore centres is quickly emerging.

A harmonise global framework of supervision has also been evolving largely in response to bank failures that extended from 1974 (collapse of Bankhaus Herstatt) through to the 1990s with the collapse of the Bank of Credit and Commerce International (BCCI) and Barings International. In fact, a trend towards onshore re-regulation has developed since the failure of BCCI and Barings International. But, to be sure, policy harmonisation from the 1980s was also shaped by an acknowledgement that the current process of national financial deregulation can inadvertently degenerate into an unacceptable lowering of supervisory standards. It was in this light that a Revised Basle Concordat (1983)[87] was adopted by the OECD countries in order to increase regulatory pressures on offshore financial centres. By such time it was already explicitly recognised that the 140-odd tax havens were moving towards competition in regulatory laxity in order to attract foreign banking business. 'Transnationalisation' of regulation is presently the necessary response to global financial deregulation and competition. Indeed, an OECD Report (1985) commented: 'Supervisory coverage can no longer stop at national frontiers. Cooperation among supervisory agencies has become a necessity...'[88]

Following a series of U.S. investigations on tax evasiveness and money laundering, a U.S.-led campaign of compliance enforcement was undertaken and applied to the Caribbean area. A number of reports appeared in the 1980s seeking to investigate the full nature, character and use of offshore banking facilities in the Caribbean. These were The Gordon Report: Tax Havens and Their Use by United States Taxpayers -- An Overview, (1981); Crime and Secrecy: The Use of Offshore Banks and Companies prepared by the U.S. Senate's Committee on Governmental Affairs in 1983; and the 1984 study, Tax Havens in the Caribbean Basin, prepared by the U.S. Department of Treasury.

In 1985 the U.S. abolished that part of the double taxation treaty with the Netherlands Antilles under which U.S. investors had been able to set up companies in the Netherlands Antilles and thereby escape U.S. taxes on a variety of investments. In 1986 an agreement was also signed with Bermuda and Barbados, whereby U.S. excise tax concessions on U.S. premiums paid to Bermudian and Barbadian insurance companies were traded for information on tax fraudsters and defaulters.[89] Apart from this, the U.S. signed a Mutual Legal Assistance Treaty (MLAT) first with the Cayman

Islands in 1987, then with The Bahamas, Antigua, and Barbados. This agreement provides U.S. authorities with the right to assistance in the investigation and acquisition of documentary evidence for a range of activities that include drug-trafficking, insider-dealing, and fraud. Money-laundering, however, has been the crucial problem area cited by U.S. authorities [Connell, 1994].[90] An International Narcotics Report (1991) listed Antigua, St. Vincent and the Grenadines, Trinidad and Tobago, and Guyana as countries with `the potential to become more important financial centres and havens for exploitation by money launderers, as the game of global musical chairs by narcotics money launderers continues.'[91]

These regulatory pressures have been met with little resistance from states pursuing the OFC option. This is not surprising given the complexity of their linkages within the circuitry of global finance and business. The top 500 banks and financial institutions are at liberty to move elsewhere and have been under pressure to switch their business (which can be done almost overnight) to `politically correct' (i.e. reputable) offshore sites. Since the fortunes of an OFC are shaped by an array of supranational forces (i.e. currency fluctuations, international investment behaviour and profiles, stock trading, onshore tax pressures, and other international financial developments), it is safe to assume that most OFCs will move to comply with the new regulatory standards. In fact this was the underlying rationale behind the setting up of the Offshore Group of Banking Supervisors (1980) and the Offshore Group of Insurance Supervisors. In the Caribbean Basin, before MLAT agreements were in place, the U.S. applied pressure on OFCs to agree to information exchange agreements on cases where drug funds were suspected to be in circulation. Full compliance meant accession to the CBI in 1984. The Commonwealth sub-region since then have complied with the new onshore centre legislative and regulatory attitudes *inter alia* towards drug-trafficking; money-laundering; depositor protection requirements; and other regulatory standards. This ease of compliance is in keeping with the need to retain and expand their area of financial services provision by moving up the `quality ladder'. The Bahamas, Barbados and the Cayman Islands especially, have gone furthest by establishing a presence at the various Bank for International Settlements, (Basle) (BIS) talks on international regulatory convergence.

However, with the signing of the GATT Agreement in 1994 the global regulatory convergence expected is likely to come about **even sooner**. The Generalised Agreement on Trade in Services (GATS) as part of the new GATT, consists of general obligations, national commitments, and technical annexes relating to specific sub-sectors. It conforms to the same spirit of liberalisation in the area of services as the wider GATT Agreement does *vis-à-vis* commodity trade. In the area of financial services, banking and insurance, MFN treatment is to be accorded to contracting parties. The GATS also calls for the liberalisation of international payments.[92] It should be noted, however, that the measures in the GATS are less extensive than those in the NAFTA Agreement (1994).

In Chapter Fourteen of the NAFTA Agreement, financial services are specifically addressed. These are likely to form the blueprint for the proposed AFTA text. The services included in Chapter Fourteen are banking, insurance, and the securities sector. Under Article 1403, the Parties recognise the principles that an investor of another Party should be permitted to:

a) Establish a financial institution in the territory of a Party in the juridical form chosen by the investor.

b) Participate widely in a Party's market through the ability of such an investor to:

i) provide in that Party's territory a range of financial services through separate financial institutions as may be required by the Party;

ii) expand geographically in that Party's territory;

iii) own financial institutions in that Party's territory without being subject to ownership requirements specific to foreign financial institutions.

Article 1404 addresses the unification of financial markets through cross-border trading in financial services:

i) Parties may not adopt measures which restrict trade in financial services by cross-border financial service-providers;

ii) Each Party shall permit persons located in its territory, and its nationals wherever located, to purchase financial services from cross-border service providers of another Party located in the territory of that other Party or of another Party.

These measures ensure a degree of investor protection and unencumbered access to service providers across the Americas. Importantly, it also paves the way for open and intensified competition between U.S. and Canadian onshore services centres and Caribbean offshore ones for hemispheric customers. Nevertheless, it remains an open question whether U.S. and Canadian onshore centres can out-compete Caribbean OFCs as the perception is that these (i.e. U.S. and Canadian) governments may revoke offshore style allowances and reimpose regulations. In this light it is reasonable to suggest that as adjuncts to the North America bloc and to the financial centres of the U.S. and Canada, the British Caribbean is faced with a structural opportunity to pool resources and explore the new hemispheric market for services customers in the N/AFTA. This, again, will depend on regionalised state guidance for the coordination required goes well beyond joint bargaining approaches and the sharing of technical expertise. A regional(ised) developmental state is going to be necessary for infrastructural-support purposes, rule-setting, international bargaining, and for tackling the threat to social stability that high unemployment causes. But, to be sure, I would recommend that a certain degree of autonomy be granted to each established island OFC so that they retain their respective financial services specialty and the confidence of foreign customers. This is informed by Hirsch's (1977) alternative perception of small island OFCs. While I have been inclined to stress that established Caribbean

OFCs are now constrained by their small resource base and size given the demands for effective regulation, skilled staff, and up-to-date information technologies, Hirsch stresses that there is an advantage to small country size that needs to be taken into account. He sees small OFCs as being best able to provide flexible, effective regulation, for with limited bureaucracies they can be `fast on their feet'.[93] Indeed, it was because of The Bahamas' small country's size that the Bahamian regulators came to personally know the OFC key players and was thus moved to shut down the local BCCI operation a full year before the Bank of England did. I would recommend therefore that the Caribbean regional(ised) developmental state should seek to provide the essential infrastructural support assistance, and the skilled personnel, but leave the actual day-to-day regulation of OFC activity in the hands of local (island) authorities.

The increased competition between financial centres is a situation that Caribbean state managers and policy advisers can ill-afford to ignore. The new low-friction liberalising financial environment is moving away from the artificial distortions of the 1960s and 1970s, where OFCs benefited from `high' onshore taxes, protective regulations therein, and other anti-competitive onshore distortions. The sharp contrast between offshore and onshore regulatory systems is fast becoming blurred. Barbados, Bermuda, the Bahamas and others are now forced to become `mainstream' in order to retain and attract quality business. Of course, this is not to say that the OFC option is entirely running out of steam -- on the contrary. Despite the narrowing between what is permissible onshore from what is allowed offshore, the latter continues to remain popular with international customers, particularly Asian and South American customers in the early 1990s `who do not want their deposits/premiums/investments subject to supervision by large, impersonal bureaucracies, so long as their [i.e. the offshore site] laws and legal systems remain modern and flexible and their economies politically stable...'[94] Therefore, the Caribbean has a good prospect of retaining its position in the financial services sector and even of strengthening it in the future.

For the Caribbean region, investment in human resources remains very important if the offshore sector is to remain vibrant. This is certainly vital to establishing the `forward' and `backward' linkages that include insurance, offshore banking, company formation, mutual funds, and the shipping register. However, it is doubtful whether each individual Commonwealth Caribbean state will be able to play its customary role as facilitator in the financial services sector given the net decline in commodity trade earnings and credit extensions. In addition, the region's state managers will wish to avoid AFTA controls that are meant to be tough on providing investor protection but also act to scare off new business. As with Canada, relative to its telecommunications sector, the Caribbean will wish to demonstrate its capacity to be self-regulating, thereby possibly winning support for a request to have its services sector (in the main or in part) excluded from the AFTA text. The current inter-island rivalry for offshore business, however, interferes with establishing the politics of a united front in this regard. As it stands, Bahamas, Antigua and Barbados are moving towards competition in regulatory laxity in order to attract more foreign business. If this trend continues, harmonisation and valorisation of the Commonwealth Caribbean financial services sector will be rendered more difficult to achieve in the future.

Gains being made in the offshore services sector (circa 1995) may have lulled state managers into a false sense of security. National economic viability seems all at once restored. This is especially so since work began in Barbados in February 1995 by Cable and Wireless (Marine) Limited towards laying `a 1715 kilometre, all-weather, secure, high-capacity [fibre optic] network, which will stretch from Trinidad to Tortola, then connect to the United States.'[95] This Eastern Caribbean Fibre System (ECFS), initiated by fourteen Caribbean governments and funded by Cable & Wireless, will improve the region's telecommunications infrastructure by incorporating digital technology and allowing for facsimile transmission, up-to-date information on regional stock market trading, video conferencing, imaging and credit card verification. Most of the region's leading newspapers agree with technocrats and other officials that the

ECFS will provide a gateway for value added telecommunications services, thereby boosting the attractiveness of the region for data processing, software development and financial services opportunities.[96] Yet, an important question remains -- can these individual states meet the considerable costs required in upgrading their telecommunications **and** wider technological infrastructure?

If the Commonwealth Caribbean is to reinvent its competitive future under an offshore services strategy, much more than educational (re)training is going to be required. Merchant capital though an engendering feature -- is now being challenged by the growing entrepreneurial demands placed on OFCs. Approximating to AFTA rules will demand levels of joint bargaining and entrepreneurial initiative hitherto unseen in a region where commerce dominates over production. The imperative to heighten competitiveness is challenging each (OFC) Caribbean state to confront the limitations of merchant capitalism and the political culture it has produced.

Modern information, banking and telecommunications services constitute an integral part of the new technological and industrial base of the world economy. Exploiting modern services will depend on the quality of technology foundation, entrepreneurship and state assistance/guidance. If the services sector in the Caribbean is to expand, the few indigenous banks and insurance companies must be prepared to pursue aggressive policies that will facilitate a growth in foreign exchange earnings.

Currently, each government has in place a tight financial regulatory framework to protect the precariousness of its balance of payments position. Ironically, even as financial capital demands free flows, Caribbean governments and the central banks are forced to retain exchange control for locals. There are, of couse, liberal exchange controls for non-resident capital. The Bahamas presents the best example of this. There exists two bank sectors with restrictive regulations governing the domestic bank sector and liberal regulations governing the international sector. Across the region, the exchange controls in the domestic banking sector partially act to limit investments abroad. Antigua imposes a foreign exchange levy (one per cent) on funds leaving the country. The Central Bank of Barbados also levies a charge on outgoing funds. The Eastern Caribbean Central Bank prohibits member countries from converting excess (Eastern Caribbean) EC$ dollars into foreign currency for investment purposes.[97] These measures act to deter non-resident Caribbeanists and others from investing funds in these countries with a view to removing them at a later date. Indigenous Barbadian insurance companies refer to Central Bank foreign exchange controls as a deterrent, claiming that these controls act to limit the movement of funds around the region for investment purposes. These measures have to be removed in order to pave the way for indigenous banks, insurance companies and other businesses to exploit any available opportunities in the AFTA grouping. Indeed, new laws are needed to facilitate certain types of investment. But more importantly there is a pressing need for a shift in attitude within these companies/businesses themselves.

The essentials of McClean's (1975) pioneering study still hold true today. The distribution sector continues to be treated as safe and lucrative business by indigenous banks. Whatever their complaints against government measures, the indigenous banking sector is still too limited in its portfolio-lending, opting to avoid investment in projects with a long gestation period. Currently, their interest is in providing credit card management and payment network services. St. Lucian, Antiguan, Jamaican and Barbadian banks are seeking to introduce credit cards backed by Visa and Mastercard, arguing that it generates foreign exchange for the individual economies (i.e. through a commission for processing transactions). Actually, however, the underlying rationale behind this new credit-based venture is its low-risk nature. Certainly, with a thriving tourist trade and a credit card facility that links import-traders, car rental services, restaurants, hotels, and ancillary services, banks could develop a fairly risk-free and very profitable linkage with the tourist sector. Where indigenous insurance companies are concerned, investment is limited to financial instruments such as treasury bills, bonds, fixed deposits, real estate, and loans to commercial banks. As argued earlier, these activities ensure the continued `hegemony' of circulation over production in the region. This is all the more unfortunate given that commercial operations of this specific type are not sufficient to transform the broad working strata into a vibrant entrepreneurial sub-stratum.

I would prescribe a more ambitious practice where the offshore services sector is concerned than the current commercial practice. My view is that efforts should be made to enhance the OFC and tourism strategy with a view to deploying its earnings into other sectors (e.g. R&D, agro-industry, light goods manufacturing, petro-based industries, etc.). This, of course, requires developmental planning and new entrepreneurship. Taken individually, the Caribbean state suffers from an absence of a critical mass of talent and resources to meet the overall development challenges of the next few decades. Even the capacity to be self-regulating and vigilant against money-laundering and other activities that sully the reputation of their finance centres, presents growing strains on policing and regulatory authorities. Indeed, political integration is quickly becoming necessary in light of the transformation of the geopolitics of the region, the global industrial restructuring process, and the inexorable pressures that core onshore markets will continue to exert on their offshore rivals. Bilaterally negotiated accession into AFTA is likely to produce a `race-to-the-bottom, incentive-concession' rivalry among Caribbean countries. This will augur well neither for getting its services sector excluded from the AFTA text, nor for ensuring space and manoeuvrability in other sensitive sectors (e.g. light goods manufacturing, garment making, agriculture).

Conclusion

In this chapter, I have focused on the idea of political integration and the need for a `plan rational' approach by a regional(ised) developmental state. The point was made that through effective negotiation in the AFTA-docking process and other FTA-formation arrangements in the hemisphere, the Caribbean as a political-economic entity could gain that space for renewal and recovery in the areas of industrial manufacture and commercial agriculture. I point out as well that political union and optimum AFTA-entry could pave the way for a strengthening of the region's offshore services niche in the international system. These points go well beyond the market rationality imperative underpinning the current neofunctionalist model of Caribbean integration. Achieving export-competiveness is not likely if each state, or Caricom, adopts a politically passive hands-off attitude in matters of decision-making, regulation, and planning. Price support, subsidies, credit arrangements, state-of-the-art legislation, initiative, and foresight are going to be needed to assist and create industrial sectors, especially given the dominance of commerce over production in the region. R&D facilities, market monitoring arrangements, and poverty-alleviation schemes are also areas that must fall under the purview of a state mechanism. And given the limited resource base of each Caribbean country, and the political uncertainties that can arise from attempts to engender the rise of a new (industrial) bourgeoisie, it is imperative that a single regionalised state be constructed. In any event, if Caribbean governments are to secure any benefits from the AFTA negotiation process, their bargaining capacity, leverage, and geostrategic importance have to be enhanced. Indeed, I stressed that in this neoliberal age it is the state that represents the last line of defence against the interests of TNCs, core hegemonic powers, and IFIs.

However, the region's current elite coalitions share an alternative vision grafted on the idea of continued island independence and further buttressing of mercantile relations. From my interviews, I have gathered that in this period of uncertainty, 'marking time' has become the preferred option.[98] Elections in the 1990s have been fought on a number of issues, namely, fiscal competence, the state of welfare services, leadership styles, and the scourge of growing unemployment. Reading the various development plans and political party manifestoes, the future outlined for the region seems to rest on a number of gambles: 1) that a post-neoliberal world will unfold in the coming years leaving the space open once again for continued non-reciprocal trading arrangements; 2) that the flegling manufacturing class, through dint of hard work, would come to fully exploit regional markets; 3) that the U.S. will remain committed to the CBI programme whatever the moves towards a hemispheric free trade bloc; and 4) that economic viability will be restored once these outcomes, and further development of offshore services are realised.[99]

These expectations by state managers, represent a failure to come to terms with the deep crisis facing each country's internal revenue resource base. The reservoirs of patronage resources that help to sustain Caribbean regimes in the past -- government hiring, lending, contracting, spending on social services -- are drying up. IMF/World Bank structural adjustment programmes and budget consolidation measures are combining to foreclose on any opportunity to assist industrial entrepreneurs. But what is of crucial significance is the continuing loss of state revenue from the import-trading circuits. Over the course of the late 1980s, the Caribbean governments' capacity to siphon resources out of the traditional circuit of merchant capital -- the import-export trade -- deteriorated rapidly, with adverse results for public finances. The steady reduction of duties or taxes on imports have continued into the mid-1990s in keeping with liberalisation timetables and commitments secured by multilateral institutions. This means that whether Caribbean governments are inside or outside the AFTA, they will continue to lose their prime internal source of revenue. The state in the established OFCs and the aspirant ones, the mineral-resource rich countries (i.e. Guyana, Trinidad and Jamaica), and the extreme cash-crop dependent territories (i.e. Dominica, Nevis, Grenada, St. Lucia) is facing the prospect of impoverishment. Sooner, rather than later, alternative sources of revenue will have to be sought. Officially, each government agrees that export-led development is the route to economic recovery. But if the tendency to turn to commercial rents remains all-consuming over the next couple of years, the near-bankruptcy of the state and the burden of the external debt crisis will further eviscerate each regime's capacity to engender the rise of a manufacturing class. Since the Caribbean political class is confronted with the erosion of its own material base, it must seek to reorganise and deploy state power in an effort to reinvigorate and shore up the region's economies. I stress that to enhance this goal, Caribbean state managers should pursue political union in order to successfully push a `nurture industrial capitalism' project.

Chapter Six Endnotes

[1] See C. Bourne, Caribbean Development to the Year 2000, 1991.

[2] See G. E. Mills, C. Burton, J. O. Lewis and C. Sorhaindo, Report on a Comprehensive Review of the Programmes, Institutions and Organisations of the Caribbean Community, 1990.

[3] See D. F. Ridley, 'Towards a Caricom Single Market and Economy', a Commissioned Study, 1991.

[4] A West Indian Commission was set up in 1989 following the Grenada Summit Meeting of Caricom Heads of Government. The idea of an appointed Commission embodied in the Grand Anse Declaration was shaped by views expressed in a paper entitled 'The West Indies Beyond 1992', presented by the then Prime Minister of Trinidad and Tobago, A. N. R. Robinson. The paper proposed that a West Indian Commission be established to 'Help the people of the West Indies to prepare for the 21st century'. Caricom Heads mandated that:

i) the Commission should be an independent body;
ii) the Commission should report to Heads of Government prior to their Meeting in July 1992;
iii) the Commission should formulate proposals for advancing the goals of the Treaty of Chaguaramus which established the Caribbean Community and Common Market.

The Commission was financially assisted by several international donor agencies and Member State contributions. For more on the origins and mandate of the West Indian Commission, see Time For Action: The Report of the West Indian Commission. A Synopsis, 1992. p.29.

[5] See Overview of the Report of the West Indian Commission -- Time For Action, 1992, p.4.

[6] See W. Dookeran, 'Caribbean Integration: An Agenda for Open Regionalism', The Round Table, 1992, pp.205-211. p.205.

[7] These barriers included the lack of regional air transportation; insufficient communications networks; and a lack of sufficient indigenous bureaucrats to operationalise and carry out Federal tasks. The rivalry amongst leading politicians is noted by many scholars as the principal cause of the break-up. As Knight and Palmer (1989) state, the Federation was doomed from the start by lukewarm support. They continue, '[it] quickly foundered on the uncompromising insular interests, especially of its principal participants, Trinidad and Jamaica. The former would not accept unrestricted freedom of movement; the latter would not accept a binding Customs Union'.

Other scholars also note that the Federation was voted out in Jamaica because of the 'top-down' structure of Federation, a corresponding lack of federal policy, and real and imagined concerns about the gains and losses to participants. Attempts by Barbados and Trinidad to salvage the Federation failed as the momentum of island independence increased. Beginning in 1962, Jamaica and Trinidad and Tobago achieved political independence; Barbados and Guyana achieved the same in 1966; the Bahamas, 1973; Grenada, 1974; Dominica, 1978; St. Lucia and St. Vincent, 1979; Antigua, 1981; and St. Kitts-Nevis, 1983. For more on the West Indies Federation, see F. W. Knight and C. A. Palmer (eds.), The Modern Caribbean, 1989; S. E. Chernick, The Commonwealth Caribbean: The Integration Experience, 1978; and G. K. Lewis Growth of the Modern West Indies, op. cit.

[8] See the views of a neo-functionalist, D. Mutimer, '1992 and the Political Integration of Europe', Journal of European Integration, Vol. 13, 1989, p.80.

[9] This refers to Caricom's need to define its position/relationship to 'socialist' Cuba (1959-1990s); and Haiti in the wake of the exit of the Duvalier regime in the late 1980s, and the removal and return of democratically elected Aristide in the 1990s.

[10] See the speech transcript, Statement by The RT. Hon. L. E. Sandiford, Prime Minister of Barbados at the Eleventh Meeting of the Conference of Heads of Government, 1991, p.9.

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[11] Barbados-based producer of water-heaters with branches in the Eastern Caribbean. Personal discussion (1994-12-23) with Mr. Kevin King, Manager of the St. Lucian branch.

[12] Leading manufacturer of soaps, cosmetics and lotions in the Caribbean.

[13] Such leaders included Eric Gairy (Grenada), Vere Bird Sr. (Antigua), Norman Manley, Alexander Bustamante (Jamaica), Grantley Adams, Wynter Crawford, Errol Barrow (Barbados), Eric Williams, Uriah Butler (Trinidad), Vincent Beache (St. Vincent), and Cheddi Jagan and Forbes Burnham (Guyana).

[14] Witness for example how the Bishop-led People's Revolutionary Government between 1979 and 1980 co-opted the support of original village chieftains like the Budhall brothers (Russell, Kenneth, and Kennedy) architects of the (1972) Trivoli Young Worker's Cooperative, and James Henry and Leroy Joseph (alias Yusuf) leaders of an umbrella association of village groups. The attempt by these community leaders to set up the People's Agricultural Cooperative' in 1980 was an event that marked Bishop's intention to maximise his influence in the countryside. Having made his connection from as early as 1973 through intermediaries like the Budhalls, Henry, and Yusuf, Bishop went on to cast these leaders as saboteurs in 1980 , and made them prime candidates for liquidation, detention or exile' by his own People's Revolutionary Army' [Tafari, 1992: p.18] For more on Bishop's attempts to ideologically and systematically garner popular support unto himself, see I. Tafari, Rastafari and the Grenada Revolution: From Cultural Resistance to Political Liberation - Completing the Second Cycle', a Research Paper, 1992.

[15] Personal Interview and numerous follow-up discussions with Ikael Tafari, a Grenadian doctoral candidate at the University of the West Indies, Cave Hill Campus (Winter 1994 and 1995). His research over the last few years has been on the popular face of the Grenadian Revolution and the expectations of the masses For a brief synopsis, see his research paper, Rastafari and the Grenada Revolution' op. cit. For more on the role of the Muslim-led St. Patrick's Progressive Youth Council, see M. Patterson, The Future of the Past, 1991.

[16] Personal Discussion with I. Tafari.

[17] Personal Discussion with Mr. Christopher Sinckler, Personal Aide to Prime Minister Erskine Sandiford (1991-1994), 28 October 1994.

[18] The post refused was the Ministry of International Transport and Aviation. See The Weekend Nation, 24 July 1987.

[19] Manley posed as a democratic socialist in the years, 1972-1980, emphasising as Prime Minister, that Jamaica was on a non-capitalist path to development. This was to be marked by social reform measures, and the primacy of the state over the private sector and foreign capital. As he put it at a Miami Conference in 1976, Jamaica was 'no place for millionaires' After suffering two electoral setbacks in 1980 and 1984, he was returned to office in 1989, again posing as a maverick working in the interests of the poor and disadvantaged against local and foreign big business. This time around while in office, his language was to become far more conciliatory as he moved vigourously to present Jamaica to international investors as a country with an economy on the path towards economic liberalisation. See F. W. Knight and C. A. Palmer The Modern Caribbean op. cit.; and H. J. Massaquoi, 'An Interview with Jamaica's Prime Minister, Michael Manley', Ebony, February, 1990. p.112.

[20] Other election promises of recent times (St. Vincent and the Grenadines, November 1993; Barbados, September 1994, Trinidad and Tobago, September 1995; and Dominica, June 1995) included customs duty exemptions on the importation of machinery, tools and other investment goods; the availability of loans and credit and supportive tax treatment to 'small businesses' and small farmers; and more jobs.

[21] By stating this, however, I do not mean to suggest that fiscal indiscipline is intrinsic to populism. Indeed, Eastern Caribbean states, Barbados, and the Bahamas, by pursuing a tax haven adjunct to their tourism strategies, have taken on board the need to be fiscally prudent in order to safeguard the stability of their respective currencies. Although social spending ballooned throughout the 1970s and 1980s, elections are still fought on the issue of 'fiscal management'. In effect good populist governance in these countries has come to mean -- how would they manage export- and credit-income gains with the goals of maintaining and improving upon social alleviation measures?

[22] I refer to the activities of the Caribbean Policy Development Centre and affiliate non-governmental organisations.

[23] In recent times (circa 1990 -- henceforth) the Commonwealth Caribbean has witnessed strikes and unrest reminiscent of the so-called decade of turbulence in the 1930s. In 1990, Trinidad's Parliament was stormed by an election-demanding coup. Barbados, in September 1991, recorded its biggest civil service strike over the issue of lay-offs and an 8% cut in public service salaries. In 1993, Jamaican teachers staged a massive strike over caps in salaries. And in June 1995, trade unions in St. Lucia 'closed down' the country for two days as they encouraged workers to demonstrate against proposed austerity measures.

[24] See W. A. Lewis, Eastern Caribbean Federation: The Government of the West Indies, 1962.

[25] For evidence of the commercial bias in the CAIC's representation to Caricom governments, see the brief summary of their interests outlined in the Executive Summary op. cit.

[26] For more on this, see C. Keyder, State and Class in Turkey: A Study in Capitalist Development, 1987 (especially the chapter, 'Looking for the Missing Bourgeoisie').

[27] See P. Kennedy, African Capitalism: The Struggle for Ascendancy, 1988.

[28] See S. Breslin 'China in East Asia' op. cit..

[29] See the Trinidadian-based Caribbean Week, 9 July 1994.

[30] See The Barbados Advocate, 30 June 1994.

[31] Personal Interview. 31 October 1994. Mrs. Sylvia Charles, Honorary Research Fellow at the Institute of Social and Economic Research, UWI, Cave Hill, Barbados.

[32] See CEPAL Social Equity and Changing Production Patterns: An Integrated Approach, Santiago, 1992. For a concise summary of the views of Caribbean NGOs, see the 'Draft Report on the Proceedings of The Poverty Reduction Seminar', by Neville Nicholls, Bridgetown, 29-30 March 1994.

[33] See M. Morris and V. Padayachee, 'Hegemonic Projects, Accumulation Strategies and State Reform Policy in South Africa', Labour, Capital and Society, Vol. 22, No. 1, 1989, pp.65-109.

[34] See Overview of the West Indian Commission Report: Time For Action op. cit., p. 80-84.

[35] Ibid.: p.73.

[36] Ibid.: p.73.

[37] See Time For Action, West Indian Commission Secretariat, 1992, p.53.

[38] The latest occasion in which they voiced support for a collective approach was at the July 1994 Heads of Government Conference in Barbados.

[39] The Treaty Between Jamaica and the United States of America Concerning the Reciprocal Encouragement and Protection of Investment was signed on February 4, 1994. It obligates both Parties to remove significant investment barriers, ensures basic protection for investors, and provides a mechanism for the settlement of disputes. The Agreement Between the Government of The United States and the Government of Jamaica Concerning the Protection and Enforcement of Intellectual Property Rights, signed in March 1994, sets out commitments for providing adequate, effective protection and enforcement of intellectual property rights.

[40] See Overview, op. cit., p.20. (emphasis added)

[41] Ibid.: p.26.

[42] That is, the Common Market Council of Ministers and the Conference of Heads of Government.

[43] Personal Interview with Dr. N. C. Duncan, Political Scientist, University of the West Indies (95-01-04).

[44] See A. Payne 'U.S. Hegemony and the Reconfiguration of the Caribbean' op. cit., p.166.

[45] East Asian NICS, particularly Singapore, given its size and limited natural resource base, were often cited in the Report as reference points for successful export-orientation.

[46] Personal Interview with Dr. Keith Worrell, Senior Policy Adviser of the Caribbean Development Bank, Wildey, Barbados. 4 November 1994.

[47] See Towards a Vision of the Future: Progress Report on the Work of The Independent West Indian Commission, 1991, p.8.

[48] Some well-known examples come to mind. One involved the petty quarrels between Prime Ministers J.M.G.M Adams (Barbados) and Maurice Bishop (Grenada) (1979-80) over the latter's socialist posture and government. A stream of invective and ideological dogmatism by the two leaders filled the newspapers of the day. Another relates to the political 'incorrectness' of the terms 'Most Developed Country' (MDC) and Lesser Developed Country (LDC). Its usage by leaders in Trinidad, Jamaica, and Barbados has often led to snubbed responses by leaders of the other countries. Last, but not least, there was the insulting behaviour of the then Prime Minister of Jamaica, Edward Seaga, who at an emergency regional meeting convened in 1990 in Barbados openly questioned the competence, sanity, and intellect of the then Chairman, Prime Minister of St. Lucia, John Compton. The meeting descended into a prolonged row between Heads, until the host Prime Minister, L. E. Sandiford, decided to remove the chairman and act in that capacity.

[49] This idea is found in the Report, Time For Action op. cit.. It is also the opinion of various government officials I spoke to and is often referred to in favourable light in the various Budgetary Proposals of governments. See also, S. Charles, The Services Sector in Caribbean Economies: Some Development and Management Issues, 1994.

[50] See A. Sobers, 'Perceptions on Impact of NAFTA', 1993. Confidential Memo sent to Jean Holder, Director of the Board of Tourism (Barbados). Quoted with the permission of the author.

[51] See A. Sobers, 'The Impact of Tourism on Caribbean Economies', 1994. A Presentation made at the CTO Headquarters, Culloden Rd. St. Michael, Barbados, on 94-10-14.

[52] Personal Interview (94-10-31) with Mr. Arley Sobers, Director of Research and Statistics at the Caribbean Tourism Organisation (CTO).

[53] See A. Sobers 'The Impact of Tourism on Caribbean Economies' op. cit. 'We are beginning to tap into the South America tourist market. Over 4 million tourists left South America on various destinations in 1993'.

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[54] See the Daily Nation, 18 October 1994. 'St. Kitts/Nevis Cruise Industry Sailing', p.18.

[55] These and other statistics in the FCCA report were cited in a Barbados Hotel Tourism Association newsletter to the Daily Nation, on 28 September 1994.

[56] A casual glance at some of the foreign exchange application forms in the Central Bank of Barbados can bear out these points. Leading hotels make requests for over Bds $100 000 (US$ 50 000) for the purchase and import of crayfish, shrimp and other delicacies from countries outside the region.

[57] According to Spitz (1983), a tax haven is a 'jurisdiction' 'a) where there are no relevant taxes; b) where taxes are levied only on internal taxable events but not at all, or at low rates, on profits from foreign sources; c) where special tax privileges are granted to certain types of taxable persons or events. Such special tax privileges may be accorded by the domestic internal tax system or may derive from a combination of domestic and treaty provisions.' See B. Spitz (ed.), Tax Havens Encyclopedia, 1983.

[58] Some of the few research pieces done on OFCs include R. A. Johns and C. M. Le Marchant, Finance Centres: British Isle Offshore Development Since 1979, 1993; S. M. Roberts, 'Fictitious Capital, Fictitious Spaces? The Geography of Offshore Financial Flows', in S. Corbridge, R. Martin, and N. Thrift (eds.), Money Power and Space, 1994, pp.91-115; and S. M. Roberts 'Small Place, Big Money' op. cit.

[59] That is, the bank secrecy and tax avoidance measures offered by Switzerland, Austria, Liechtenstein, Luxembourg, Panama, and Bermuda.

[60] See for example, A. B. Frankel, 'International Banking: Part 1, Business Conditions', Economic Review of Federal Reserve Bank of Chicago, September, 1975, pp.5-14. Also see, J. C. Baker, International Bank Regulation, 1978; S. Holland The Global Economy: From Meso to Macroeconomics op. cit.; and R. A. Johns and C. M. Le Marchant Finance Centres op. cit.

[61] Of course in many instances, tourism pre-existed OFCs. But holiday-resorting and offshore business arose as 'a happy association' because of shared infrastructural costs.

[62] See A. B. Frankel 'International Banking' op. cit., p.5.

[63] That is, those interested in the profits that could be made in the transportation and shipping sectors of the region.

[64] Some examples of offshore industry legislation include the Offshore Banking Act, the Foreign Sales Corporation Act, the Exempt Insurance Act, and the International Business Companies Act. These (Barbados) Acts provide for the conduct of transactions/services on behalf of persons not resident in Barbados. The Exempt Insurance Act, for example, caters to firms whose risks and premiums originate outside Barbados as well as to management companies conducting the affairs of such companies.

[65] A Bermudian referendum on independence took place on 16 August 1995. A little over 20% of voters were in favour; over 70% voted 'no'. The key issue in the debates revolved around the concerns of international financial interests and how could the country assuage their fears. For a note on the referendum, see G. Norton,.'Bermuda's Independence Referendum', The World Today, 1995, pp.182-183.

[66] This is an institution created in 1981 to serve the states that make up the Caricom sub-bloc, the Organisation of Eastern Caribbean States. Its member countries are, Antigua, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent and the Grenadines. Generally, the ECCB, during the rampant inflation of the oil-crisis years, could not because of restrictive rules, print money to assist member-states in their balance of payments. As Samuel (1989) notes, the 'restrictive rules of

the ECCB imposed fiscal discipline on the countries during times when they may have been tempted to do otherwise.' See W. A. Samuel 'Government Finances in the OECS Countries' op. cit., p.21.

[67] Briefly, the Sugar Duties Act (1846) imposed higher import duties on sugar exported from the West Indies into Britain. Already beleaguered by the loss of their traditional (slave) labour supply and the price-fall of sugar, many Jamaican and Guyanese plantations soon went into bankruptcy. For more on this, see E. Williams From Columbus to Castro op. cit.

[68] That is through its major subsidiary, Barbados Shipping and Trading Co. Ltd.

[69] Caribbean News Agency (CANA) News Report, 30 December 1994.

[70] See Bermuda Civil Disorders 1968, Report of Commission and Statement by the Government of Bermuda, Hamilton, The Wooding Commission. p.80.

[71] This data is drawn largely from an unpublished 1993 survey done by the International Business and Financial Services Centre (IBFSC). The IBFSC was established by the Barbados government (1990) to actively promote the growth and expansion of the financial services sector. It is peopled by members from both the public and private sector.

[72] See 'Treasure Islands', Supplement, Euromoney, May 1989.

[73] See G. Norton. 1995. 'Bermuda's Independence Referendum', Notes of the Month, in *The World Today* Vol. 51, No. 10. October. pp. 182-183. p. 182.

[74] These were so called because they were exempt from the rule requiring 60 per cent Bermudian ownership.

[75] Thorndike notes that by the end of 1987, over 7 million tonnes flew the Bahamian flag, and 4 million flew the Bermudian. See T. Thorndike, 'Offshore Finance' A Major Industry for the Caribbean', Latin America & Caribbean Review, World of Information, 1989, pp.24-26.

[76] Ibid.: p. 25.

[77] See IBFSC Report op. cit..

[78] This was also confirmed by the Barbados Foreign Minister and Minister of Foreign Trade and International Business, Miss Billie Miller, who stated that offshore businesses had generated US$100 million into the local economy in 1993. See the Sunday Sun, 'Barbados Pitched as Gateway to Business', 27 November 1994, p.5A.

[79] See The Weekend Nation, 30 September 1994, 'Arthur Pushing Informatics Harder', p.6a.

[80] Personal Interview with Dr. Andrew Downes, University Lecturer, and Chairman of the Board of the Central Bank of Barbados, 31 October 1994.

[81] A base company is a corporation or other limited-liability company organised in a base country for the purpose of conducting third-country operations. In some cases these operations are conducted in the 'home country', in others, it is outside the 'home country'.

[82] These are merely 'paper' companies set up for the central collection of globally dispersed incomes such as licensing fees and patent royalties.

[83] These are more substantial companies and are sometimes used as financial pivots for international business activities. Trust companies have also been set up in offshore centres in order to facilitate the transfer of wealth and assets from onshore income, capital gains or inheritance taxes.

[84] See T. Thorndike 'Offshore Finance' op. cit., p.26.

[85] Information gathered from an anonymous referee who reviewed this section, sent as an article for publication consideration. To be sure, I originally presented these ideas in a paper entitled 'Global Finance and Merchant Capital: OFCs in the Caribbean' at the University of Newcastle-upon-Tyne, 15 November 1995.

[86] As stated by Guy Couture, Quebec operations director for Manulife Financial. This quote was extracted from the article by M. Lefevre, 'A Time of Profound Restructuring for Quebec and Canadian Financial Institutions', Forces, No. 107, 1995, pp.13-19. p.16.

[87] The original Basle Concordat (1975) laid the first cornerstone of international supervisory cooperation. In the Revised Concordat, stricter rules on parent supervision of subsidiary banks were incorporated. If the autonomous regulatory framework within a territory was deemed inadequate by the parent bank, it was urged to either prohibit or discourage its continued local operation. Also, parent authorities were required to supervise risks on the basis of banks' global operations. Henceforth, the solvency of foreign subsidiaries was a matter for both host and parent authorities.

[88] See OECD, Trends in Banking in OECD Countries, 1985, p.50.

[89] To be sure this agreement came into effect in December 1988 but was later revoked by the Internal Revenue Service (IRS) in January 1990.

[90] Connell warns that the keenness of the competition and the aura of secrecy that shrouds Caribbean offshore havens could lead to the attraction of 'dubious corporations'. See J. Connell, 'Britain's Caribbean Colonies: The End of the Era of Decolonisation', Journal of Commonwealth & Comparative Politics, Volume XXXII, No. 1, March, 1994, pp.87-106.

[91] Extracted from International Narcotics Control Strategy Report, April 1991, Washington D.C.

[92] See In Focus, GATT Newsletter, No. 104, December, 1993.

[93] See F. Hirsch, 'The Bagehot Problem', Manchester School of Economics and Social Studies, Vol. 45, No. 3, 1977, pp.241-257.

[94] See R. A. Johns and C. M. Le Marchant Finance Centres op. cit., p.253.

[95] See the Daily Nation, 23 February 1995. 'Barbados Linking up by September'.

[96] Also see the Daily Nation 2 February 1995. 'Free Up the Phones, Bartel Told'. In this report, Barbados' Minister of Foreign Trade and International Business, Senator Philip Goddard, spoke of a further need to reduce telecommunications costs in order to attract foreign business. He suggested that the Barbados Telephone Company's (Bartel) monopoly on the provision of telephone equipment could be coming to an end.

[97] Personal Interview with Dr. Keith Worrell, of the Caribbean Development Bank; and discussions with Ms. Sylvia Charles, Honorary Research Fellow at the Institute of Social and Economic Research (E.C.) in the winter of 1994/95.

[98] Confidential interviews with two senior civil servants in the Ministry of Finance in Dominica; the Personal Aide to one of the region's Prime Ministers; and key policy advisers from St. Lucia, Grenada, Trinidad, and Barbados.

[99] For information on recent election manifestoes, and budgetary and development plans, see various issues of the Bulletin of the Eastern Caribbean (Vols. 18 -20, 1993-1995), published by the Institute of Social and Economic Research, University of the West Indies, Cave Hill Campus.

POSTSCRIPT: UNDERSTANDING ASCENT AND CARIBBEAN REQUIREMENTS

This thesis generally argued that the reconfiguring Americas presents a possibility for a few states/regions therein to shift their ranking. I have been careful to avoid the view that holds that there are a set of policy measures or strategies that will guarantee graduation. Equally I have sought to steer clear of the ideological assertion that global capitalism offers no hope for countries at the periphery. This latter point is especially important. The Americas has been the intellectual breeding ground for develoment impossibilist notions. It is a site that symbolically marks for many, the dawning of 'the capitalist world-system'. While not venturing too far into the rekindled debate on the historicalness of capitalism, I drew therefrom the dangers associated with focusing on the **distinctiveness** of **capitalism** to explain why development is but for a **few** countries **at a time**. Ekholm and Friedman succinctly remind us that this is a law that extends backwards for many millennia. Accordingly capitalism was discussed heuristically and not ideologically. Indeed, I have found it far more appealing to refer to the millennial development of capital accumulation processes. This paves the way for one to speak of continual **movement** in the political economy of the world system. In any case, even within the conventional 500-year capitalist timeframe, global reality has not been and is not merely stasis, peripheralisation and subordination. North America, the Nordic countries, Japan, South Korea, Taiwan, Hong Kong, Singapore, and China have experienced upward mobility in the post-1500 world order. Modern peripheral countries, including the so-called late entrants of the putative 'New World', are not therefore forever confined to a peripheral status.

In most of the first two chapters, I focused on the idea of structural opportunity to explain that at key conjunctural moments a window is offered to a few states/regions to transform their political-economic base. It followed from the observation that development presupposes an alignment of catalytic forces, geopolitical, regional and domestic. As explained, virtually all modern core countries achieved ascent against the backdrop of a favourable conjuncture and seizure of the structural opportunity(ies) by active states. Ascent could be explained by referring to the shifting nature of certain systemic features -- technology, markets and global power balance. The global political economy is like a vast spiralling metabolism and as such these features do not stand still, or remain in their combined constellations for indefinite periods of time. At propitious conjunctural moments in the development of the international political economy, a transformative dialectic presents itself to a few states/regions to shift their ranking. At the same time, it may portend structural dislocation and economic fall-out for other states/regions. I treat a favourable conjuncture therefore to mean -- a propitious historical moment that produces an advantageous geopolitical but market-enhancing environment, providing unprecedented access to global sources of finance, technology, expertise and market share.

I pointed out that understanding conjunctural shifts and development (mis)fortunes inheres a study of cycles, the key one being the cycle of core-hegemony, or rather, hegemonic reconsolidation and deconsolidation phases. A country's path away from the periphery is usually tied to the systemic and systematic forces impacting upon its hegemonic power. Indeed, it is normal that ascent from a more peripheral position be tied to the interests of a more central (core) power. For example, an explanation of the rise of New England and other North American colonies cannot be delinked from Britain's attempt to achieve world (system) hegemony *via* the triangular trade. The story of the rise of the Nordic countries cannot be separated from one that refers to Britain and Germany's economic boom in the 19th century. And of recent times, an explanation of East Asia's rise cannot be divorced from the convolutions of Japan's core status in the 20th century[1] and from U.S. attempts to win the Cold War.

However, I do not see the ordering principles of `rise and fall' as techno-rationally or power-politically determined. In this sense I returned once more to issues surrounding the role of the state as 'historical animator' in developmentalist catch-ups. Since I argue that asymmetries of core and periphery are not fixed, I have been inclined to eclectically draw insights from neoclassical, neorealist, and structuralist approaches in order to present a more nuanced understanding of upward mobility. Classical political economists have long argued that there are mutual benefits in international trading; neorealists caution that the world is still largely power political; and structuralists point to unequal exchange dynamics noting that the global economy does not present so much neutral space for all states to succeed within. There is however, some limited commensurability between the perspectives. Each perspective seems to agree that a state/region is likely to experience graduation in the international hierarchy once it directs society and economy towards exploiting an available structural opportunity.

Nevertheless, the literature is divided on the mechanics of successful ascent. The question of how does a state/region build up a pattern of successful industrialisation and transformation is at the heart of the classical dichotomies of market versus government, and of total autonomy of decentral actors (liberalism) versus totally integrated society (socialism). In the Caribbean, neoliberalism holds sway for the policy-emphasis is on strengthening the market and paring down the scope of government. But this does not answer the question of how does the region engender new entrepreneurial forms capable of facing up to the cold wind of international competition. I have thus argued that building competitiveness is a social transformation venture that goes far beyond correcting macroeconomic framework conditions. At the domestic/regional level, the road to successful economic reactivation will depend on deeper integration of the thirteen countries, various types of (federal) state support for industrial and services-related activities, and intelligent regulation. However, I cautioned that social change does not occur within sealed compartments. Factors such as 1) the role of the regional hegemon; 2) the peripheral country's historical legacy; 3) the role and character of, and the nuances within the domestic class structure; 4) the role of the political class and the adequacy of governance structures; and 5) the overall impact of culture, do play a part in hindering or fostering transformation possibilities.

Most of Chapter Two focused on the record of, and reasons for missed development opportunities in the British Caribbean. The role of state powerholders, the domestic bourgeoisie, Britain and the U.S. as regional hegemons, and the legacy of the plantation economy experience were examined. I identified two conjuncturally sensitive moments in Caribbean history when a structural opportunity presented itself for countries therein. The first moment, 1640-1750, covered the separate British West Indian (BWI) colonies during the boom of the triangular trade. This long time-span was used in order to capture the region as a whole, but, of course, prosperity peaks were reached at different points by the individual colonies. The second advantageous historical moment identified covered the period, 1955-1980. This period marked the beginning of self-government, covered the decolonisation period, and spanned the years when Cold War largesse, easy lines of international credit, and the like, were on offer to the newly emerging Caribbean states. Although the 1980s was a decade of economic downturn, and declining levels of aid, I also argued that the Caribbean Basin Intiative (CBI) presented the region with an oppportunity to recoup declining incomes, and stimulate industrial growth.

As discussed, 1650-1750 represented `golden years' for sugar as a high-valued export within the triangular trade arrangement. The region as a chief sugar producer recorded high export sales. These were made even higher by the favourable terms of the Navigation Acts which granted the region guaranteed markets, and subsidised shipping costs. The second favourable conjuncture was roughly in the period 1955-1975. This was marked by a restructuring of the regional hegemonic structure (from British to U.S.) which allowed for decolonisation expressions. These expressions were facilitated by the simultaneous emergence of a Cold War alliance system which enabled the region to benefit from easy lines of international credit, aid, concessions, and non-reciprocal trading arrangements. The period 1983-1989, marked attempts by the U.S. to spatially reorganise its textile, clothing and electronics base *via* the Caribbean Basin Initiative. An opportunity was on offer for a further diversification of the region's economies. To present the reasons why these opportunies were missed, I noted that the politico-institutional structure, and the social structure **throughout** were not conducive to developmental planning.

If we understand the politico-institutional structure to mean 1) the organisational capacity of the state structure; 2) the nature of institutional links between the state and the private sector; and 3) the nature of the broader state-society relations, then the point of the weakness of individual Caribbean structures will become clear.

In the 1650-1750 period, the state was not that of the settler class; it was mother-country oriented. Plantation society from top to bottom was racially divided and wealth generated from the sugar enterprise was not used to develop a market economy, or to improve existing production forms. Profits instead were used to support the goal of retiring to a life of aristocratic pleasures in England. By the time of the 1930s Depression, an agro-commercial model of accumulation based on agricultural exports, and import-trading was in command. Sugar was still `king' despite its long established price decline; the region was suffering from benign neglect for Britain's hegemonic interest had long shifted to the `East'; and the colonial states remained an instrument of the white planter-mercantile elites. Plantation economy structures thus remained intact. This drift was revolted against by the rural masses from Bermuda in 1935 through to Guyana in 1939.

The wealthy white elite was not displaced by the imperial decision to grant permission for the establishment of trade unions, political parties and other mass-based institutions. Prior to the 1940s, there was no real middle class from which an entrepreneurial substratum could emerge. As such, the entire leadership structures of the new massed-based institutions fell largely to a black petit-bourgeoisie with no history of enterprise, or entrepreneurial risk. Even the potential for a challenge was circumscribed by the process of tutelage in self-government conducted by British advisors. Responsible leaders were held to be those that accepted and encouraged status-quo retention, and persistence with the agro-commercial model of accumulation. This black petit-bourgeois professional class became the new political class by the time independence was granted by Britain.

So that by the time a window of opportunity presented itself with the emergence of the Cold War alliance system, and world hegemonic ascendancy of its regional central power (the U.S.), the new political class backed by cheerleading labour unions, had by then engendered into the socio-political vacuum, high expectations of instant employment, and relief from poverty. An amalgam of policies were adopted, some based on import-substitution, others based on supporting the growth of a tourist and offshore finance industry, and still others based on a redoubling of traditional export efforts. A Caribbean Common Market was formed to support local/regional industrial efforts. Insular nationalism scuttled these efforts for agreement on reducing trade barriers, establishing a common external tariff and other matters were guided by narrow domestic concerns. At any rate the need for regional cooperation was blinded by the apparent viability of the national option. Easy lines of international credit, preferential trading arrangements, infant-industry arguments, a recovery in traditional export prices, and increasing gains in the tourism and offshore finance sector buoyed the hope of national development. However, national development was not based on building up a pattern of industrialisation and thus encouraging the rise of a new entrepreneurial class. This was because state powerholders placed primacy on populist measures rather than on developmental planning to ensure regime-consolidation. The Caribbean expression of populist-statism included 1) a redistribution of wealth and incomes; 2) the promotion of basic needs strategies; 3) small local economies and foreign direct investment; and 4) political cooperation among the classes.

The organisational capacity of the state was subsequently stretched as it took on a role far beyond its competence. Patronage-distribution and increased state involvement in the economy led to the creation of a vast number of statutory boards and a bewildering variety of government departments and ministries. In Jamaica and Guyana especially, patronage-based politics led to partisan extremes in distributive policies. However, lack of technical skills and leadership foresight combined to limit the development possibilities of various government institutions. Industrial policy boards were filled with persons lacking experience in production or marketing. The embassies created served as an appointment out-post for party loyalists and distinguished career civil servants. These embassies were not organised to provide information on the market behaviour of the host country or surrounding regions, or their demographic, and societal trends. The upshot of all of this was that there was little administrative efficiency or market-driven imperatives to make good on the nationalisation experiments and the non-reciprocal access to European and North American markets.

Throughout, the institutional links between the state and the private sector remained indirect. This was largely because the wealthy elite had taken the conscious decision to risk their capital only in speculative, short-term projects. In this sense therefore, they could keep their distance from the state. Some cooperation took place in the development of the tourist, offshore financial, and commercial sectors where the state endeavoured to provide legislative frameworks, some commercial credit, and adminstrative guidance to the private sector. But this guidance mostly took place in bilateral negotiations with Chambers of Commerce, and individual family businesses.

This informal, short-term negotiation style as well as the sub-ethnic tension allowed West Indian societies to form commensalistic interdependence between the state and agglomerations of private commercial enterprises without being vertically integrated and tightly controlled by either one of them. The networking that was therefore evident between the state and the trade union, was non-existent between the state and the private sector. Thus black petit-bourgeois statemanagers could not benefit from the latter's expertise and experience in the area of financial management and commerce; and the wealthy white elite could not be directly influenced to move towards manufacturing.

The circulationism of merchant capital consequently prevailed across the region. The few entrepreneurs within each country involved in light goods manufacturing, garment-making, records production, and/or petro-based production could not assist their governments in efforts to overcome foreign exchange shortages. Foreign-owned enterprises and a rising middle class had continually soaked up foreign exchange earnings in the purchase of capital goods and intermediate inputs in the case of the former, and household consumer items in the case of the latter. Inefficiency resulted since the goal was not to become internationally competitive as soon as possible but rather to build a local industry to save precious foreign exchange. Agriculture, mining, tourism, and offshore financial services continued to and became the major foreign exchange-earning sectors. This ensured the continued hegemony of circulation over production for it was the traditional elite with their economic weight that played crucial roles in these sectors (except mining). These sectors represented a mere extension of their commercial-corporate interests that today includes real estate, insurance, import-trading, lotteries, and the like.

I pointed out as well that state-society relations were shaped by the way charismsa, populism, and small-scale operated in the region's political economy. Social forces, that is, a highly politicised mass, strident labour union interests, an influential

Anglican and Catholic lobby, and powerful Chambers of Commerce and family businesses, contributed to the conservative mode of governance in West Indian society. Ruling regimes found themselves compelled to skew the directive role of the state to the convenient goals of economic stability and redistribution rather than pursue a dirigiste approach to industrial transformation and economic growth.

The overall result was that by the CBI years, no machine-assembly was in place to take advantage of U.S. attempts to regionalise its textile, clothing and electronics base. Old electromechanical technologies were still in use. No vibrant entreneurial sub-stratum had emerged. Blacks continued not to own capital; had shied away from entrepreneurial endeavours; and had taken to selling their labour power in the vibrant construction sector, the expanding civil service, Export Processing Zones, or the emerging offshore services sector. In short, the region was ill-prepared to seize the opportunities the CBI provided in bidding for U.S. Department of Defense contracts. As such it could not cushion itself against the parallel shocks occurring in the world economy relative to the meteoric rise in interest rates, the oil price hikes, and the fall in commodity prices. Balance of payments crises were to engulf the various economies and falling levels of foreign direct investment were recorded by 1989. Jamaica, Trinidad and Guyana by then had suffered massive devaluations. Altogether, as Chapters Three and Four pointed out, the region finds itself facing the limits of the national option as advancing liberalisation portends the erasure of non-reciprocal trading arrangements, traditional forms of infant-industry protection, and artificial distortions between `onshore' and offshore financial markets. The opening, deregulation and destatisation of the economy undermines the capacity for state managers to guarantee regime-consolidation. Jobs-development (re)election strategies now inhere such calamitous macroeconomic risks that `bait and switch' has become common practice by political parties.[2] The more this has been occurring, the more frustrated the populace has become.

In essence then, one can look to the Commonwealth Caribbean region as one that faced structural opportunities at key historical moments. A striking feature from pre-independence to post-colonial times was the failure and inability of the state to pursue a developmentalist project based on encouraging entrepreneurship and innovation. Lack of a technical capacity to govern and the long historical absence of a middle class indeed placed limits on transformational proccesses. Since the ability of government to cope with any kind of radical change or new challenges was highly restricted, society was thus unable to react adequately to external pressures and did not use emerging opportunities. This conclusion paved the way for me to look at the question of state power as key to economic recovery and growth within the present conjuncture.

As Chapters Three to Five pointed out, the present conjuncture represents yet another sensitive moment in Caribbean history. Recent changes occurring at the industrial base of the world economy has thrown up a paradox for the region. Suffering from a chronic absence of a critical mass to achieve or sustain competitiveness along lines of modern science, technology and industry, each country faces the prospect of marginalisation. But a parallel dynamic is at work. It offers the Caribbean **as a region**, an opportunity to recover from the pending loss of the preferential markets in the EU, Canada and the U.S., and to capitalise on neoliberal reforms made in the 1980s. The U.S. is seeking to correct its trade imbalance with its core rivals, Japan, Germany (and the NICs) through a deeper form of regionalisation. First with Canada, then Mexico, the process underway is leading to a reconfiguration of the Americas. A hemispheric-wide Americas Free Trade Area (AFTA) is timetabled to come about by 2005.

To be sure, this reconfiguring process is longer than the entry into force of the CUSFTA and the NAFTA. Since the late 1970s, there has been a growing systemic and systematic articulation of the Americas under the hegemony of the U.S. (and

Canada). This was/is evidenced by the growing internal collaboration (e.g. cooperation in security, trade and disaster-relief matters); interlocking banking networks; increasing cultural exchange and feedback; and increasing reference to the U.S. as the validating power in the hemisphere. As Quijana and Wallerstein (1992) aptly put it, these are relations that mark `the Americanization of the Americas'. This dynamic is ever-driven forward largely by two parallel processes. As indicated by Anthony Payne (1994) one is by U.S. wider hegemonic slippage; the other is by the demise of the Cold War alliance system and other limits of choice regimes across the Americas face in late 20th century capitalism. Above all, perceptions of declining hegemony seem to be pressing the U.S. to initiate the construction of common institutions to share burdens, to solve problems, and to generate international support and legitimacy for its policies. This ostensibly presents structural opportunities for states/regions across the hemisphere.

The new mapping of the Americas opens up possibilities for investment-creation, creates opportunities for business contacts and joint venture operations, opens up new markets hitherto unexplored, and importantly provides the states with the opportunity to secure a suitable **pace** for liberalised competition within the complex timetabling schedules in N/AFTA. This latter opportunity is dependent upon effective bargaining.

Fashioning a Caribbean Response

There is very little discussion on the way forward based on the changing international conditions. In the Caribbean, the roots of the crisis are often sought in the conspiracy of the core countries that are not willing to relieve the debt burden; and the way out of the crisis seems to lie in social equity arguments. I argue instead that state power must be reconstituted first and foremost in order to effectively bargain with IFIs, TNCs, international regulating institutions, and Parties within the AFTA-docking process. In this context I advise a return to the federal question. This is at once strategic as it is necessary. As a **scale**, the national in the Caribbean has been outflanked. The regional scale have risen to prominence in late 20th century capitalism. Globally there is a search underway for macroeconomic and political governance structures compatible with the restoration of growth or sustained growth. In this period of institutional searching, the British Caribbean will be on better ground to deepen their political economic linkages in an effort to pool resources, information, and expertise. Neoliberal forces are currently rendering each Caribbean state immobile because the capacity and leverage of these states to manage, augment, and control developmentalist agendas are being displaced. Individually, they are insufficiently powerful to set economic priorities and to prevent TNCs from engaging in regulatory arbitrage: to limit the demands of the IMF and World Bank; or to provide progressive social welfare systems. The region needs therefore a spatial reconstitution of state power as the state represents the last line of defence against subordination by neoliberal forces and (core) hegemonic interests.

There is also another important reason for recouping state power and reinventing governance structures. Decolonisation left behind some unfinished business. If the region is to exploit business opportunities within AFTA, the transition in political hegemony from `traditional' to `modern' elites must occur before liberalisation timetables within the GATT and AFTA mature. In this context I maintain that the state has an important role to play, but I start out from the experience that populist, hierarchical modes of governance did not engender the rise of a new entrepreneurial class. In addition, I pointed out that the support structures that distinguish competitive industrial sites have not been shaped and, to make things worse, budget consolidation measures are acting to weaken important locational factors (i.e. education and R&D).

A regional(ised) developmental state is therfore needed to ensure the rise of new entrepreneurs while at the same time encouraging them to accept the world market as a framework of reference. At least in the initial stages these key actors must aim to get close to international quality and efficiency standards. To succeed, a density of externalities must be created. These must include an intensity of interaction between firms and with universities, training institutions, R&D facilities, technology information systems, private consultancies, trading companies, financing institutions, and the like. The central government could target key locales, perhaps the three territories, Barbados, Jamaica, and Trinidad and Tobago where research facilities exist for the creation of such clusters.

Government policy based on the pattern of the traditional interventionist state is actively discouraged by neoliberal forces. The rationale of state activity based on building up one-firm industries, establishing high barriers to entry, and starting firms is different today. But this does not mean that the state has no role to play. In the core and rising countries, government acts as a coordinator, moderator and communicator in policy networks with firms and their associations, science, intermediary institutions, and trade unions. It provides rule-setting and aims at working out joint medium- and long-term visions that can serve as points of reference for government policies as well as private initiatives. During this phase of catch-up, the Caribbean must create structures of governance based on linkages with strategic actors, that is, rising entrepreneurs, trade unions, and offshore services chieftains. These linkages ought to form the basis for shaping policy. Once such problem-solving arrangements are in place, it will be possible to mobilise social creativity. In the prevailing national governance structures, centralised political decision-making processes proliferate. A bureaucratic, overladen and inefficient government apparatus does not ensure a high level of governance capacity. And these are overlaid with patronage-based structures which allow privileged groups and individuals to effectively realise their particularist interests. Such a social structure has not been conducive to developmental planning nor has it stimulated innovative behaviour.

In the AFTA negotiation process, the region should seek to bargain for an improved position in the international division of labour. As Chapter Six explained, a regional development plan should underpin these negotiations. The key sector where the region enjoys some comparative advantage is the offshore services sector. Apart from seeking to secure more flight travel to the Caribbean in order to improve upon tourism's earnings, the region will wish to limit the extent to which U.S. authorities may seek to blur the distinction between its `onshore' financial centre and the Caribbean's offshore financial centres. In other areas, a sector-by-sector analysis should be carried out in order to determine the potential of domestic industries, entrepreneurs and firms to adjust and restructure. What the technical studies should do through evaluation and identification of efficient sectors, and assessment of firms' capabilities, is to advise the (central) government to `strengthen the strong'. Government negotiators in the AFTA-docking process could then seek to lobby for these select products/sectors to be excluded. Alternatively, if these are to be included in the Agreement, efforts should be made to get these placed in the special harmonised tariff headings that provide 15-year liberalisation timetables. If such a sector-by-sector study is not undertaken and this process neglected, as was the case with the West Indian Commission Report (1992), the process of rapid opening up to foreign trade may lead to the destruction of segments with a high development potential (e.g. select foods and beverage industries, petro-based products, production of water-heaters and cooling systems, the nascent cosmetic industry based in Dominica).

As a matter of priority, I suggest that the regional(ised) state should seek to create backward and forward linkages with its services sector. Management institutes should be encouraged, and to make good on recent telecommunications improvements, the single government should set aside a pool of venture capital to fund software companies. St. Lucia, Barbados and the Bahamas already attract data processing operations from North America; and there are some indigenous software companies in most of the other countries with a strong offshore financial base. It is essential that these nascent growth companies benefit from highly specialised networks. Creating a pool of venture capital, and encouraging a scientific institute specialising in optics will go a long way towards `strengthening the strong'.

For any possibility of Caribbean ascent to occur, the circulationism of merchant capital and the feature of populist statism must be overcome. Since the region is forced to deepen the integration movement or risk marginalisation, it provides the stage possible for the dissipation of these obstructionist obstacles from the region's political economy. For some it remains an open question whether or not populist-statist schemes would reappear in a deeper form of regionalisation. However, it must be borne in mind that there is a dialectical negation occurring that is serving to block the rise of the forms of populism that the region has long grown accustomed. As pointed out earlier, the thirty year populist strategy of capital accumulation is being superseded by the dynamics of restructuring global capitalism. Active state interventions, infant-industry practices, preferential trading arrangements and other spheres of activity that buoyed redistributivist politics in the region are becoming obsolete. This reality has only begun to be felt in each country, but small country-size, a small-scale economy, weakening organised interests (i.e. trade unions and cooperatives), and the existence of personalist politics still provide state managers with the stage possible to rearticulate populist agendas.

In a Caribbean politically unified scenario, it is quite possible that populist ideology can persist in some sectors of the bourgeoisie, the trade union movement, and political parties. They may even try to reconstitute a populist strategy in an explicit way. Indeed, it is possible to conjure up a **liberal** variant of populism emerging in the Caribbean in the near future, either under a national, or a federal umbrella. As GATT and AFTA measures bring about an expected displacement of agro-based and garment workers and social tensions increase, political institutions (i.e. parties and trade unions) will be faced with increasing threats to their authority. Leaders may thus seek ingenious ways to maintain political support while implementing structural adjustments. There is no telling what may emerge. A new populism could be spawned that reflects the imposition of anti-popular macro-level policies together with micro-level selective relief programmes. These targeted relief programmes may have a more modest fiscal impact than universal measures like free education, free health care, and subsidised transport. And it may also achieve the added purpose of fostering stronger clientelistic bonds than such politically obscure universal benefits like permanent price subsidies and exchange controls. But it is far from certain that a liberal populism of this sort will prove effective over the long term in reproducing a popular constituency to undergird a neoliberal or a state-led but market-driven project. Furthermore, I contend that the fragile insertion of this reconstituted populism into either project will prove unsuccessful at this particular conjuncture. Current IPE changes are likely to continue to accelerate the exhaustion of this and other `late' populisms.

Ascent for the Caribbean therefore depends on how state powerholders in the region seize the present historical moment. As long as they deepen the process of integration beyond neofunctionalist imperatives, endeavour to engender the rise of a new entrepreneurial class, and bargain effectively in the AFTA process for space and manoeuvrability, some reactivation of the region's economy may occur. At least these activities, once underpinned by adequate governance structures, may serve to fashion a new culturally patterned behaviour based on innovation. Of course it is the participation of the wider populace that must be secured. But this is not an impossible task. Indeed, the informal sector and the services sector constitute an expanding rump in the economic base of Caribbean societies. These sectors incorporate a sizeable mass of non-unionised workers, their class identities remain ambiguous, they lack autonomous organisational power, and they have malleable political loyalties. Workers especially within these sectors pursue individual rather than collective channels for advancement, and thus represent a potential core sociopolitical constituency that is likely to be receptive to a development message of hard work, self-reliance, and efficiency. A regional strategy of capital accumulation based on political-economic union and a state-led but market driven export strategy can find support within these groups. Nevertheless, I do not expect that state managers will wish, despite the omens, to cede any bits of their sovereignty. The current political constellation that oscillates between muddling through and getting stuck cannot make for recovery or even guarantee social cohesion. If Caribbean state actors fail to exploit the present conjunctural situation, the region is likely to recede from the global economic mainstream as economic challenges become increasingly unmanageable.

Postscript Endnotes

[1] That is , isolation, war defeat, racism, and post-1945 reconstruction.

[2] The term, 'bait and switch' refers to a greater incidence of politicians declaring popular job (re)election programmes during political campaigns only to switch to other measures soon after electoral victory. This term is borrowed from Lazear (1995) who uses it to describe false advertising practices among various firms. See E. Lazear, 'Bait and Switch', Journal of Political Economy, No. 4, Vol. 103, August, 1995, pp.813-830.

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