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Repositioning the Caribbean within Globalisation

ANTHONY PAYNE
PAUL SUTTON



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Abstract

In the last twenty years, the Commonwealth Caribbean has moved toward a new technocratic model of development which has sought to reposition the region within the global economy. This paper examines three key policy agendas that have emerged to drive, guide and inform this process: competitiveness, diplomacy and governance. In each case the paper first provides an overview of the main issues, setting the particular circumstances of the Commonwealth Caribbean within wider global developments. It then examines the current 'state of play' in each area, highlighting progress made and problems encountered. The last part discusses policy issues in each area, identifying both key concerns in current policy and urgent policy questions that still remain to be resolved. The paper concludes that real progress can be made only if the Commonwealth Caribbean adopts the 'functional equivalent' at the regional level of the kind of 'development state' that was so successful in East Asia. This will involve restructuring CARICOM to become more innovative, proactive and directive than has been the case to date.

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Letter from the Executive Director

It is my pleasure to introduce *The Caribbean Papers*, a product of our major research project on Caribbean Economic Governance. CIGI is an international research centre that identifies and develops ideas for global change by supporting research, fostering exchange among experts and leaders in the private and public sectors, and providing informed advice to decision-makers on multilateral governance issues.

This project convenes researchers and leaders within the private and public sectors to examine and provide substantive answers and policy prescription to current economic governance challenges facing the Caribbean region. The papers were initially presented at CIGI workshops, where their authors benefited from extensive comments and discussion on their work. Through this series, we hope to present and discuss policy issues pertaining to trade, investment, human capital, the fiscal outlook, and public sector management practices, among other issues relevant to the Caribbean region's economic future.

We encourage your commentary on these papers and welcome your thoughts. Please visit us online at www.cigionline.org to learn more about the Caribbean Economic Governance Project and CIGI's research programme.

Thank you,

John English
Executive Director



Introduction

The Commonwealth Caribbean's current crisis of development is perhaps the gravest it has faced in the post-independence era. It has been generated by the region's failure to establish for itself a viable role within the wider context of the globalisation of the world economy. The Caribbean is in fact no stranger to globalisation. It has had a longer and more direct relationship with the modern world economy than any other part of the poorer world and its distinctive characteristics as a region derive in large part from the extensity, intensity, velocity and impact of its interactions with the core countries of the world system over the last five hundred years. It is therefore not so much the fact but the form of contemporary globalisation that is distinctive. For the Commonwealth Caribbean the 1980s constituted a significant watershed. Prompted by the imperatives of debt and structural adjustment and sustained by the harsh realities of active United States (US) involvement in its affairs over the whole period of the Reagan presidency, the region switched tracks to embrace the favoured neoliberal development paradigm. What is striking about this change in retrospect is that the intellectual driving force behind the region's development strategy came from outside the Caribbean for the first time in the modern period. During the 1960s and 1970s the region's governments had generally sought to follow what were at least distinctively Commonwealth Caribbean variants of classic modernisation and anti-dependency development approaches. However, from the beginning of the 1980s onwards the script became one that was largely written elsewhere. The debate about development was no longer predominantly about the competing merits of different grand designs, of left and right, all of them conceived and articulated within the region for the region, but rather

about how best to administer the characteristic features of the dominant neoliberalism of the 'Washington Consensus' (Payne and Sutton, 2001: 11-20).

The paradox at the heart of the many tensions caused by the US attempt to 'restructure' the Commonwealth Caribbean during the 1980s was that these were replaced, not by relief, but rather by a new and almost intangible sense of beleaguerment when that political interest was suddenly withdrawn with the collapse of the Cold War at the end of the decade. A.N.R. Robinson, the then prime minister of Trinidad and Tobago, warned his fellow Caribbean Community (CARICOM) heads of government at their summit meeting in July 1989 that, unless something was done to address the situation, "the Caribbean could be in danger of becoming a backwater, separated from the main current of human advance in the twenty-first century" (Robinson, 1989). To their credit, Caribbean leaders responded to his challenge and set up the West Indian Commission, a group of wise men and women from the region, charging it with the momentous task of presenting a report to CARICOM governments by 1992, the year of the 500th anniversary of the arrival in the Caribbean of Columbus, on the core strategic options facing the region. It was a seminal decision, setting up the most important moment of opportunity in the Commonwealth Caribbean since the disintegration of the West Indies Federation more than thirty years earlier had precipitated the advent of debilitating multiple national statehoods in the region.

The Commission's massive and impressive report, entitled *Time for Action* (West Indian Commission, 1992), was a genuinely indigenous response to changing times and still stands as an honest appraisal of the situation faced by the Commonwealth Caribbean at the beginning of the 1990s

Author Biographies

Dr. Anthony Payne is Professor of Politics at the University of Sheffield, UK. He is the author and editor of several books and many articles on different aspects of Caribbean politics, political economy and international relations. He also writes more widely on the international political economy of development and published *The Global Politics of Unequal Development* (Palgrave Macmillan, 2005). He is one of the editors of the journal *New Political Economy*.

Dr. Paul Sutton is recognized as an international expert on Caribbean affairs from his base at Hull University, UK. He has published many books and articles on the Caribbean and is a former Chair of the Society for Caribbean Studies where he lectured on the Caribbean, United States, and European Union. He has been a consultant on the Caribbean to various international organizations, including bodies such as the West Indian Commission. He is also currently a member of the Caribbean Advisory Group appointed by the UK Government to advise on policy in the Caribbean.

and, in particular, of the difficulties involved in designing effective strategies for avoiding marginalisation within a changing world order. As one 'appreciative critic' put it, the report was "literally a source of wisdom on everything under the sun: from currency to culture; from science to human rights; from exports to cricket; from CARICOM to gender issues" (Brewster, 1993: 29). Nevertheless, despite all the good work that went into the composition of the report and the efforts undertaken by its leading figures, notably Shridath Ramphal as chairman and Alister McIntyre as vice-chairman, to build up political and technical support for its various recommendations, the truth is that the region fluffed its moment. The Commission itself was disappointingly uninnovative on the crucial matter of the appropriate model of national economic development to be pursued in the region, broadly accepting neoliberal doctrines, either out of belief or perceived necessity, and arguing for a reversal of policy from the old import-substitution model led by the public sector to one of export-oriented growth directed by the private sector. But it still strongly took the view that regional integration was the best framework within which to make the new neoliberal growth model work and pressed accordingly for the creation of a single market and economy in the region and the serious exploration of other integrative measures, such as the establishment of a common currency. Acknowledging too that CARICOM had lost much of the dynamism displayed at the time of its launch as a regional movement in the early 1970s and had by common consent retreated into little more than ritual by the early 1990s, it proposed a radical step to reinvigorate the whole integration process, namely, the establishment of a permanent Caribbean Commission of three former political leaders designed to drive forward the development of the region. However, for all its many merits, this idea was comprehensively rejected by the heads of government. They acknowledged the problem that CARICOM needed a stronger executive agency to see that decisions taken at the regular summit meetings were subsequently implemented, but fell back on a feeble compromise whereby a so-called CARICOM bureau, composed of past, present and future chairs of the heads of government summit, be set up and charged with filling the vacuum that had been detected. As a consequence, CARICOM did not take the big step forward to become the decisive agency for charting the region's future development strategy demanded by the West Indian Commission (Payne and Sutton, 2001: 193-200).

Moreover, for all its recognition of the unrelenting nature of the process of global change, it can be seen in retrospect that the analysis of the West Indian Commission remained

"insufficiently aware of the implications of the contradictions of globalization and restructuring for the world economy and the international state system as a whole and for the future development of the Caribbean in particular" (Watson, 1994: 63). The argument here suggests that the post-1945 era of US hegemony has come to an end and that control of the world order has slipped beyond the capacity of any single state or indeed any group of states. Moving into this vacuum and then both inspiring and drawing sustenance from the ascendancy of neoliberal ideas during the Reagan years, a 'transnational managerial class' or 'an international business civilisation' has come to the fore, based in the major private banks, global corporations and international financial institutions (Cox, 1993; Strange, 1990). Under its auspices a genuine global economy, grounded in production and finance, has been created, replacing the former Bretton Woods international economy premised upon exchange relationships between national economies. This change contains within it other technological and organisational features, such as robotisation, the dematerialisation of production and post-Fordism, which have been much discussed in the globalisation literature. Nevertheless, the formative aspect of the new global political economy has been the structural power of internationally mobile capital (Gill and Law, 1989). States have not been rendered irrelevant, as some theorists, exaggerating the trends, have suggested. It is the case that states still enjoy some room for manoeuvre in the global political economy. But they do now have to recognise the power not only of other states and inter-state organisations, on which international relations analysis has traditionally focused, but also of international capital, the banks and the foreign exchange markets, all of which constantly scrutinise what states are doing and have the means, by either bestowing or withdrawing their favour, to push them to adopt economic policies appropriate to capitalist interests.

Globalisation has thus changed the way we have to think about the political economy of all states, with the Commonwealth Caribbean being no exception. For there is no doubt at all that globalisation, conceived as both emergent reality and manifest perception, has over the last fifteen years or so come to shape both the practice and the theory of Commonwealth Caribbean development, rendering the former largely acquiescent in the face of powerful external forces and the latter predominantly defensive and compromising in the face of similar powerful external arguments and ideologies. Yet, even during the course of this admittedly unheroic phase of Caribbean political economy, the development debate has continued in the region and indeed has quite often referred back to the report

of the West Indian Commission. The rest of this introduction will now trace the main contours of this ongoing debate with a view to highlighting the key features of the contemporary Commonwealth Caribbean development problematic around which we shall then focus the analysis.

What is immediately striking about the recent debate in the region is that it has been led by what one might call the *tecnicos* of the Commonwealth Caribbean, principally either professional policy-makers working for national governments or regional organisations or politicians offering themselves to their electorates on the basis of their managerial competence rather than the sheer inspiration of their leadership. The academic community has not generally been as involved, with the exception of a few distinguished, and relatively senior, individuals who have also been willing to engage with the work and thinking of relevant international organisations. The contrast with the era of the late 1960s and early 1970s, when, as Kari Levitt has recalled, "the University of the West Indies (UWI) was a vibrant center of intellectual ferment" (Levitt, 1996: xii) and radical ideas abounded, has been particularly marked. In truth, radical intellectuals within the region were overwhelmed by the force of the neoliberal revolution. They were relatively few in number, often exhausted by their involvement with the struggles of governments seeking to force change, and as a result were collectively unable to think their way out of the region's development impasse at the end of the 1980s. Their depressed mood can be seen in their various contributions to a symposium held in 1989 to honour the work of their colleague, George Beckford, who was seriously ill and died in late 1990. In the most revealing recantation Lloyd Best, *doyen* of the once influential New World Group, declared that the more faithfully the strategies deriving from the former visions of radical theorists in the region had been followed, "the more disastrous have been the consequences for the common people" (Best, 1996: 4). But, as he openly conceded, he could not articulate a viable, preferred alternative to either these failed *nostra* or the familiar claims of neoliberalism. By contrast, two other founding members of the New World Group, Norman Girvan and Clive Thomas, both of whom are still active participants in Commonwealth Caribbean affairs, have tried to make a compromise between the traditional concerns of radical development theory in the Caribbean and the ideological power of neoliberalism. During the 1990s both undertook research into poverty alleviation and reduction, often in the form of consultancies for agencies such as the Pan-American Health Organisation, and as a result they were drawn conceptually to explore more fully the relationship between

economic development and social development (Girvan, 1997; Thomas, 1997). In the real world of policy, post-structural adjustment, this was a door worth pushing open, but it did not add up to 'rethinking development', as Girvan certainly realised (Girvan, 1991). Nevertheless, the two men retained their intellectual integrity by means of such work and, as indicated, they have continued (to this day) to play an important part in the Caribbean development debate.

For the most part, though, it has been the *tecnicos* that have held centre stage. They have been industrious and imaginative, but they have not shaped a new paradigm. By definition, *tecnicos* work within the established political parameters of an era. Given the impact of globalisation, these were still very much set outside the Commonwealth Caribbean region. The difference was that by the late 1990s the stark neoliberal certainties of the heyday of the 1980s had come to be replaced in Washington by the so-called 'post-Washington Consensus' (PWC) (Broad and Kavanagh, 1999; Fine, 2001; Payne, 2005: 79-90). Prompted by their sense that the rapid spread of globalisation was generating its own instabilities and that a period of consolidation was required, several key global thinkers sought to add a number of new ideas to the core of the original consensus in a series of attempts to rescue it from its own inadequacies. These new ideas were various, but included at different times and in different hands an awareness of the role of social capital in economic performance, promotion of the concept of 'good governance', the partial rehabilitation of the state (albeit the 'lean' and 'mean' state of neoliberal provenance) and the strengthening of regional and global institutions. In a nutshell, the 'post-Washington Consensus' was an attempt to legitimise globalisation by mitigating some of its worst excesses. Its colour was thus paler than that of its predecessor, its tone more muted, its generalities perhaps worthier; but it was still recognisably neoliberal at root and there was much of the old orthodoxy present. It was also firmly rooted still in Washington, especially in the World Bank. Within the Commonwealth Caribbean the PWC became the intellectual framework within which the region's leading *tecnicos* endeavoured to take forward some of the thinking that had underpinned the work of the West Indian Commission and, to that extent, it shaped the main contours of the three major policy debates about development that were conducted in the region during the period from the mid-1990s to the mid-2000s.

The first continued to insist on the case for closer Caribbean integration, elaborating on the formula of simultaneous 'deepening' and 'widening' proposed by the West Indian Commission. Some of the thinking on the strategy of

'deepening' sought to address past failures and focused primarily upon ways of delivering CARICOM's renewed commitment post-1989 to a single internal market and a single external tariff. Other continuing agendas included the idea of a common currency, improved regional air and sea transport, easier intra-regional capital movement, a regional judicial service and the establishment of an assembly of Commonwealth Caribbean parliamentarians. It cannot be said that these projects were conceptualised in new or exciting ways, but that did not mean that the proposals themselves were not sensible enough. The question of 'widening' arose because it was questioned whether the Commonwealth Caribbean grouping of countries was too small to meet some of the challenges of a fast-changing global economy. This had, to some extent, been recognised by the West Indian Commission and had led it to propose the creation of a new body, the Association of Caribbean States (ACS), composed of the twenty-five states of the wider Caribbean Basin. The ACS came into being in 1994, but was set up with too few resources and too weak an institutional base to make a significant impact on regional policy-making. Its contribution at best has been as a focus and a reminder to a frequently insular Commonwealth Caribbean that it shares a common sea and common problems with others and that joint policy platforms can be negotiated and agreed across the Basin as a whole, as, for example, in the questioning of US policy towards Cuba and Haiti.

The second debate centred upon the notion of 'strategic global repositioning' (SGR), a formula coined by Richard Bernal, Jamaican ambassador to the USA during most of the 1990s. He advanced this concept in a series of presentations from 1996 onwards, defining it as:

a process of repositioning a country in the global economy and world affairs by implementing a strategic medium to long term plan formulated from continuous dialogue of the public service, private sector, academic community and the social sector. It involves proactive structural and institutional transformation (not adjustment) focussed on improvement and diversification of exports and international economic and political relations. Achieving SGR requires changes in both internal and external relations. (Bernal, 2000: 311)

A lot was packed into this formulation, perhaps too much. Bernal had a common set of ideas that underpinned SGR, but then tailored his emphasis according to the focus of the audience he was addressing. Essentially, the strategy was to effect an accommodation with globalisation in order to realise the opportunities the process offered. It required

the following disparate and demanding actions: abandoning the traditional mind-set; diversifying exports; adjusting pro-actively; improving human resources; supplementing the skills pool with overseas nationals; developing strategic corporate alliances; creating a business-facilitating environment; improving physical infrastructure; modernising international marketing; and garnering capital, technology and skills (Bernal, 1996: 7-14). Although a vital role was obviously assigned to a dynamic private sector in this vision, SGR also envisaged an important redefinition of the capacity and purpose of the Caribbean state, with a view to making it more 'effective' and generally bringing it into line with the 'good governance' modalities of the PWC. The concept of SGR unquestionably struck a chord with mainstream Commonwealth Caribbean political leaders and was widely embraced, especially by Owen Arthur, the prime minister of Barbados, who gave it voice in a number of forceful speeches delivered in the latter part of the 1990s (Arthur, 1996; 1999).

The third debate extended beyond the region and explored the associated notions of smallness and vulnerability as defining features of the policy predicament not only of Commonwealth Caribbean but other similarly placed countries too. These arguments were first raised in a study prepared by the Commonwealth Secretariat in 1997 and subsequently taken forward in an academic direction by efforts to devise a Composite Vulnerability Index (CVI) that measured and ranked countries according to their vulnerability and in a policy direction by the work of a joint Commonwealth Secretariat and World Bank task-force that reported in 2000. The Commonwealth Caribbean policy community followed these discussions closely and indeed contributed to them. The policy objective to which they gave rise was the notion that small, vulnerable countries should be granted 'special and differential treatment' (SDT) in all their dealings with the international community, especially in relation to aid and trade. However, some fundamental problems emerged to confront this discourse (Sutton, 2000). The CVI was generally, although not completely, persuasive in revealing the vulnerabilities of the small Commonwealth Caribbean and other such countries (Atkins *et al.*, 2000), but that was not enough to overcome the political obstacles that existed amongst external donors and within international organisations to the idea of treating more favourably countries that were not amongst the poorest in the world. By the same token, the joint task-force did not support the view that the special characteristics of small states were sufficiently distinctive or carried sufficient disadvantage to merit the creation of a new 'country category' (Commonwealth Secretariat and World

Bank Task Force, 2000). The report thus fell back upon the itemisation of measures that small, vulnerable countries could and should undertake to help themselves. The result has therefore been that the concept of SDT has come to the fore, and been widely adopted by Commonwealth Caribbean and other small states, in their pleas to various international fora without the evidential case for the campaign ever quite winning the acceptance of sceptics, let alone opponents.

As already indicated, these various contributions to the ongoing discussion of Commonwealth Caribbean development sought to feed off, and of course enter, the wider global policy debate. The fact that they did not always completely succeed in the latter ambition does not deny the effort that was made. However, it is notable that for a long period the global community evinced little apparent concern about the anxieties that existed in the Commonwealth Caribbean about the region's potential marginalisation within the context of globalisation. That only changed in early 2005 when the World Bank published two major studies of the region in a short period of time: the first, a massive and detailed empirical account of the economic challenges facing the region entitled, *A Time to Choose: Caribbean Development in the 21st Century*; and the second, a companion piece focused on the even smaller countries grouped together within the Organisation of Eastern Caribbean States (OECS) called, *Towards a New Agenda for Growth* (World Bank, 2005a; 2005b). Although the many recommendations were too wide-ranging to be summarised succinctly, the broad message imparted by the Bank was stark and unconcealed. The abiding impression that it had formed of the region's economy was "one of under-fulfilled potential and concern for the sustainability of past accomplishments". "Formidable challenges lie ahead." "So it cannot be business-as-usual." The World Bank saw no future in agriculture for export and only a limited future for industry. Economic growth depended on competitiveness, which meant services, notably information and communication technology (ICT)-enabled products and services, offshore education, health services and niche education. The route to a viable services-based economy necessitated "a pro-active approach", comprising "greater integration within the CARICOM region", "an orderly dismantling of preferences in return for increased financial and technical support", "improving the investment climate", "making the public sector more cost-effective" and "improving the quality and effectiveness of human resources". These familiar principles of neoliberalism drove the reports, highlighting again and again the sheer extent of the security of the authors "in their 'paradigm'", as well as the harsh

fact that the World Bank had in effect sought to impose "a 'one-size-fits-all' model" on the region (Sutton, 2006b: 60).

What is more, if the bibliography and the various studies that accompanied the reports are to be believed, the World Bank proceeded in substantial ignorance of the plethora of other work done on the Caribbean development problem by the *tecnicos* and academics of the region. Very little of it was cited in the two studies. In a telling comment delivered to a meeting of the Caribbean Development Forum held in Barbados in June 2005 Clive Thomas argued that the World Bank reports betrayed a failure by their authors "to pay proper and respectful regard to the institutional memory of the region's discourses on economic matters". Indeed, he drew attention, with heavy irony, to the fact that the Inter-American Development Bank representative at the meeting had suggested in his intervention that a better title for the main report might have been 'A Time for Action', seemingly unaware that this phrase had been used by the West Indian Commission thirteen years earlier! (Thomas, 2005). These observations offer an important clue to the way that this study should now proceed. What emerges from these introductory remarks is a broad argument about the need for a 'repositioning of the Caribbean within globalisation'. All positions in the debate acknowledge this, albeit with different emphases, but none explore it fully and satisfactorily. The reason is that they do not balance sensitively enough an understanding of the specific realities of the Commonwealth Caribbean region and the extensive debate about them that has unfolded within the region, on the one hand, with a grasp of the significance of global political and economic trends and the attendant debate about them that has been generated within the global policy community, on the other. In short, we must take due cognisance of *both* debates and seek to locate and then address the problematic of Commonwealth Caribbean development explicitly within the context of globalisation. The closest approximation to such an analysis has been provided by Bernal's notion of 'strategic global repositioning'. But, perfectly understandably, given his quasi-political role and considerable public responsibilities, he has not been able to unpack precisely enough the welter of arguments that he has woven together around SGR. We suggest that these can helpfully be separated out into three connected agendas that relate in turn to competitiveness, diplomacy and governance. The next three sections thus focus on these core facets of Commonwealth Caribbean development.

Competitiveness

In the last ten years or so the issue of competitiveness has been the subject of much study and debate in the Commonwealth Caribbean. The focus variously has been on the capacity of the public sector to provide an 'enabling environment' for the private sector to become the 'agent of growth', on the mechanisms and programmes to strengthen and re-invigorate the private sector so that it can take advantage of the market opportunities provided by globalisation, and on the role of regional and international organisations in advancing and supporting a competitiveness agenda that will benefit the region. To this end various studies have been commissioned and conferences held. The end result is that there is now a broad appreciation of the problem and some understanding of what needs to be done to achieve competitiveness among many in the political, business and technical elites.

This section explores competitiveness in the region in three parts. The first briefly discusses the concept of competitiveness, assessing where the Commonwealth Caribbean stands in the world. The second provides an audit of the various sectors assessing their present and prospective competitiveness, while the third raises some broad policy questions that need to be addressed if competitiveness is to be improved.

Overview

The Organisation for Economic Co-operation and Development (OECD) defines competitiveness as "the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term" (<http://www.oecd.org>). In itself, this definition raises a number of questions about what constitutes a free and fair market (about which small states in general and the Commonwealth Caribbean in particular have been much exercised) and whether it is countries that compete or more accurately their various companies (again an important question for the region, given the dominance of multinational companies in the creation and provision of goods and services). Indeed, it is possible to question the concept of competitiveness in its entirety, along with various attempts to measure it, especially in so-called developing countries (Lall, 2001). We do not take this view since competitiveness is manifestly a critical element of development

policy in the region and a core element propelling the concept of SGR. As such, competitiveness may well be a "a dangerous obsession" (Krugman, 1994), but it is nevertheless a very real one in Caribbean policy circles.

The World Economic Forum (WEF) in its *Global Economic Report 2006-2007* lists only six Caribbean countries (out of 125 in all) and the International Institute for Management Development's *World Competitiveness Yearbook* none at all. As such, it is difficult to make general judgements on the Caribbean's position in the global competitiveness stakes. The six countries in the WEF Report and their rankings in the Global Competitiveness Index (GCI) are as follows: Barbados 31, Jamaica 60, Trinidad and Tobago 67, the Dominican Republic 83, Suriname 100 and Guyana 114 (WEF, 2006: Table 1). The general levels of competitiveness ascribed to these countries in the Index broadly compares to those that would be intuitively deduced by those familiar with the Caribbean. Of note is the fact that the ranking of 31 for Barbados is second only to Chile, which at 27 is the highest ranked country for the Latin American and Caribbean region.

The GCI is broken down into nine separate measures that are deemed as "critical to driving productivity and competitiveness" (WEF, 2006: xiv) and further grouped into three sub-indexes. The first of these measures 'basic requirements' that are vital for countries at the lower level of 'factor driven' development and includes measures for institutions, infrastructure, macroeconomy and health and primary education. The overall rankings for the five CARICOM countries are: Barbados 32, Jamaica 79, Trinidad and Tobago 63, Suriname 91 and Guyana 108.

The second sub-index calculates 'efficiency enhancers' that are crucial to countries at middle levels of development and includes measures for higher education and training, market efficiency, and technological readiness. In this category Barbados 29, Jamaica 53 and Trinidad and Tobago 64 do better than their overall competitiveness ranking which is potentially significant given that this sub-index is particularly relevant to their level of development. The rankings of 107 for Suriname and 114 for Guyana are broadly in line with their overall competitiveness rankings.

The third sub-index measures the 'innovation and sophistication' factors important for countries at higher levels of development and includes calculations of business sophistication and innovation. On this measure Barbados, at a ranking of 54, is significantly out of line with its overall

competitiveness ranking; so, more marginally, is Suriname at 114. The positions of the other three countries, with Jamaica at 56, Trinidad and Tobago at 63 and Guyana at 106, are broadly in line with their overall competitiveness measures.

Lastly, the WEF Report provides a Business Competitiveness Index (BCI) which "ranks countries by their micro-economic competitiveness, identifies competitive strengths and weaknesses in terms of the countries' business environment conditions and company operations and strategies, and provides an assessment of the sustainability of countries' current levels of prosperity" (WEF, 2006: xxiv). The rankings for the Caribbean countries (out of 121) are Barbados 42, Jamaica 54, Trinidad and Tobago 63, Dominican Republic 84, Suriname 109 and Guyana 114 (WEF, 2006: Table 5). They follow the same order as the GCI and are broadly in line with it, with the marginal exception of Barbados where company operations and strategy are judged as weak. Of note is the claim in the Report that "the BCI explains more than 80 percent of the variation of GDP per capita across the wide sample of countries covered" (WEF, 2006: xxiv), which points to the proposition that competitiveness is not only a matter of public policy and the economic and social conditions of various countries (as measured primarily in the GCI), but also, crucially, a matter for business and the private sector generally. Discussions of competitiveness thus need to include both public policy and the operations of the private sector if they are to be comprehensive.

A Competitiveness Audit

The Caribbean has a long history of engagement with competitiveness issues stretching back as far as sugar, slavery and mercantilism, all of which were invoked in the 'pure plantation economy era' either as essential for prosperity or as significant constraints on it. The existence of a contemporary debate on what to produce, how to produce it and how to trade it is nothing new and serves as an uncomfortable reminder to the region that progress and transformation are slow and that the past weighs heavily on the present. This is particularly true of traditional agricultural sectors, but it also shapes possibilities in other sectors, including mineral, manufacturing and service sectors. This section provides an audit of these sectors in the Commonwealth Caribbean in relation to current and anticipated competitiveness.

Agriculture

It is now widely recognised that the future for most extra-regional export agriculture is bleak. The sugar industry faces further decline. Sugar production and exports have halved in the last thirty years and the costs of production (including growing, processing and loading on vessels for export) in Barbados and St Kitts-Nevis have been double those of major competitors and triple in Jamaica and Trinidad and Tobago (World Bank, 2005a: Box 4.4). The revision of the European Union (EU) sugar regime with effect from July 2006 to bring it into conformity with World Trade Organization (WTO) rules will cut prices on sugar exports to the EU, the principal market for CARICOM producers, by around one third over a four-year period, further compounding difficulties. In St Kitts-Nevis the industry was closed in 2005 and in Trinidad and Tobago production has been concentrated on the domestic market. Both Barbados and Jamaica have indicated they will continue with a re-structured industry, largely for social and environmental reasons, although this will require substantial subsidy. As such, only Belize and Guyana have any prospects of maintaining a 'viable' export industry in the future and this will require substantial restructuring in both countries.

A similar stark future faces the banana industry. The prosperity of the 1980s gave way to pessimism in the 1990s with the erosion of the preferential benefits for mainly Commonwealth Caribbean-produced bananas marketed almost wholly in the EU under its banana regime. In 2001 the EU 'resolved' its banana dispute with the USA with an agreement to introduce a tariff-only system to regulate banana imports into the EU from the beginning of 2006. The current situation is one in which there is a dispute over the tariff level (under consideration in the WTO). For the time being the EU is levying a tariff of 176 euros per tonne on primarily Latin American-produced 'dollar' bananas with a 'first-come-first-served duty-free quota of 775,000 tonnes for African, Caribbean and Pacific (ACP) countries as from 2007. Under this arrangement only Belize can be sure of producing profitably into the future, given the very high costs of production in the Windward Islands and Jamaica, while all the Caribbean producers face unremitting and continuing competition within quota from the African producer countries and outside of quota from the 'dollar' banana producers. The future is thus expected to be a continuing decline in the number of bananas produced in the Commonwealth Caribbean and supplied to the EU market (which saw a fall of 42% in the period 2000-2004;

<http://www.agritrade.cta.int>) unless continuing special measures can be arranged.

The other agricultural sectors are rice, of particular significance to Guyana, and non-traditional exports of 'exotic' fruit and vegetables in raw or processed form. In Guyana up to 70% of rice production has been exported to the EU. However, the introduction of 'safeguard measures' and reforms in the EU rice regime have halved prices and lowered volumes exported, with the result that they now stand at 19% of production with severe financial consequences for the 12,000 plus farmers in the sector (<http://www.agritrade.cta.int>). Against this, there has been the recent development of 'niche'-market exotics targeted at the Caribbean diaspora in North America and the EU. While this has some promise, it is necessarily limited in comparison to traditional export agriculture and faces problems of competitiveness due to the increasingly strict food standards being demanded in these markets.

Mining

Mining is concentrated in Trinidad and Tobago (oil and gas), Jamaica (bauxite/alumina) and Guyana (bauxite, gold and diamonds). The most buoyant situation is found in Trinidad and Tobago, which has seen a boom in the oil and gas sector and a concentration of some 80% of its exports in this sector in 2002 (compared to 65% in 1997) (Pantin and Hosein, 2004: 180). The development alongside this of a massive energy-based sector specialising in ammonia and methanol, of which Trinidad is now one of the world's largest producers, plus the promise of further multi-billion dollar investments now under discussion, holds out the expectation of continued economic growth in the short to medium term. However, there is a catch to this in the high dependence of Trinidad on the oil and gas sector and its associated history of boom and bust. It is therefore more important than ever that Trinidad and Tobago uses this latest 'windfall' to encourage diversification and competitiveness in the other sectors of its economy.

The bauxite/alumina industry in Jamaica no longer has the importance it had in the 1960s and 1970s. Nevertheless, it remains significant and the beneficiary of government policies that have maintained its competitiveness. These include a waiver of duties on capital expenditure, tax holidays, customs duties exemption, accelerated depreciation and the re-negotiation of the bauxite levy, including a willingness to forego it for companies prepared to expand their operations (CRNM/CTAG, 2001: 18). In Guyana the

bauxite industry has been in steady decline and, with the withdrawal of Alcoa in 2001, there was thought to be no future for it. However, in the last few years the industry has been restructured and two new companies created through the sale of previously government-owned companies to Canadian and Russian investors. While this has rekindled some hope, the industry remains troubled by competitors such as China, which has recently dumped bauxite on the world market leading to the temporary closure of one of the Guyanese mines. By contrast, the prospects for gold and diamonds are better, but also subject to growing environmental concerns and a thriving illicit market that complicate any evaluation of their potential.

Manufacturing

Industrialisation was once seen as the key to the region's development. It has not met expectations and the share of industry in regional GDP has dropped from 38% in the 1960s to 25% in the 1990s (World Bank, 2005a: Table 1.2). In the Commonwealth Caribbean the only success stories have been Jamaica and Trinidad and Tobago. Of the two the more successful and competitive has been Trinidad. Its manufacturing sector is divided into energy-based industries (discussed above) and the non-energy-based sector. The latter has seen some rationalisation and transformation with the withdrawal of protection and the collapse of assembly industries. Light manufacturing accounted for some 8% of GDP and provided employment to 50,000 persons in 2000 (CRNM/CTAG, 2001: 18). While a good proportion of this was targeted at the home market, Trinidad and Tobago has also been a growing exporter of manufactured goods to the region within CARICOM. In Jamaica manufacturing has been declining since the mid-1990s. One of the key sectors here has been the textile/apparel industry. This was partly built on the 'offshore strategy' of 'export processing zones' linked to the US market and benefiting from preferential access to it via US authored unilateral trade agreements. While these remain in place, the expected transformation of the Jamaican industrial sector has not been realised and the competitive benefits have accrued to US rather than Jamaican firms (Heron, 2005). The Jamaican government has therefore had to put in place "a Special Assistance Programme to improve the industry's competitiveness and local value added" (CRNM/CTAG, 2001: 19). However, competition within the sector remains intense, not only from Asia but also from other countries in Mexico, Central America and other parts of the Caribbean that enjoy the same advantages of 'proximity' and access to the US market, but have lower production

costs. While the clothing/apparel industry in the Caribbean is thus likely to survive, it is by no means certain that Jamaica will remain a part of it.

Services

Services have been the most important driver of growth in the Caribbean in the last 40 or so years. They now account for 62% of regional GDP (50% in the 1960s) (World Bank, 2005a: 1.12) and all reports on the Caribbean are virtually unanimous in their conclusion that services provide the greatest hope for economic growth in the future. As such, nearly all studies focus on the development of a service export strategy.

The most important and longest established service is tourism. The Caribbean is the most tourism-intensive region in the world, with tourism accounting for 18% of total GDP and 34% of total employment (World Bank, 2005a: 5.27). It has around half the world's cruise market (15 million passengers annually) and approximately the same number of 'stop over' visitors. Although the fastest growth in recent years has been in the former category, it is 'stop over' visitors who need to be encouraged as they provide 90% of total visitor expenditure. The problem here is that many Commonwealth Caribbean destinations market a traditional 'beach resort' product that has now 'matured' and is facing stiff competition from elsewhere in the Caribbean, as well as new 'price competitive' destinations in Asia. As such, the region needs to develop a new business model for competitive tourism involving "managing the customer experience from the planning and booking stage through post-trip activities, and spanning the entire destination including hotels, restaurants, taxi and tour operators, activities, cultural and heritage sites and scenic locations" (World Bank, 2005a: 5.35). To put this in place requires new investment in training and infrastructure. It also demands new approaches to selling the region and developing speciality niche markets capitalising on culture, heritage, nature, adventure and 'up-market' tourism.

The other established service is financial services. The last thirty years have seen a rapid expansion in offshore financial activity with offshore financial centres (OFCs) now estimated to control assets worth US\$11.5 trillion (Tax Justice Network, 2006). The Commonwealth Caribbean has taken full advantage of this development and is home to the greatest concentration of OFCs in the world. Its various jurisdictions cover a range of activities including banking, investment funds, company formation and captive insur-

ance. The most competitive OFCs are the early entrants into the business, such as Bermuda, the Bahamas and the Cayman Islands, which continue to develop new products and exploit new niches in this ever more globalised part of the world economy. Relatively late entrants such as Dominica and St Vincent have fared badly and their OFCs have contracted due to a combination of circumstances, including weak regulatory frameworks. The OFC option is thus limited to those already in business and with well-established reputations. Their future is reasonably well assured, particularly since they have shown that they can meet the (often onerous) new international standards and regulations that have been enacted.

The future prosperity of the region, however, very much depends on the successful development of new services. The Caribbean Trade and Adjustment Group Report recommends information services, entertainment services and health export services. The World Bank recommends ICT-enabled products and services, offshore education and health services. Critical to the development of these services is a cheap and efficient telecommunications sector and this has been undergoing modernisation in recent years, including the introduction of more competition. Of key importance also are highly educated and well-trained human resources. At one level the Commonwealth Caribbean seems well placed to provide these since access to education is better than in most parts of the developing world. However, it has fallen in rankings that measure years of schooling (from 47 out of 92 countries in 1970 to 52 in 2000) (World Bank, 2005a: para. 63) and there is a problem with school completion rates. The pass rates for mathematics and English in the Caribbean Examinations Council secondary examinations in the Commonwealth Caribbean remain very low and the numbers in tertiary education, at 15% in 2000, are below the Latin American average of 24% (World Bank, 2005a: para. 64-65).

There is clearly a great deal to do in the human resources dimension if the region is to put in place these new service sectors. There is also a not inconsiderable element of risk. A recent study for the IMF reports that 12% of the labour force from the Caribbean emigrated to OECD member countries 1965-2000, with rates rising to 70% of those who had completed tertiary education (Mishra, 2006). A better educated workforce may therefore lead only to more accelerated 'brain drain' unless some measures are introduced to benefit more directly from it. Against this, however, must be set the development potential of remittances. The Caribbean has seen a tenfold increase in remittances from US\$400 million per year in the early 1990s to US\$4

billion in 2002, making the region (measured as a percentage of GDP) the largest recipient of remittances in the world. Remittances now exceed foreign direct investment flows and overseas development assistance combined, both of which have declined in recent years. The exact benefit of the 'trade-off' between emigration and remittances remain controversial and is currently the subject of studies in both the World Bank and the IMF. In the Caribbean preliminary evidence suggests that "the total losses due to skilled migration... outweigh the recorded remittances for the Caribbean on average, and for almost all individual Caribbean countries" (Ibid.) implying a negative outcome unless policy is changed.

Key Ongoing Policy Issues

A large number of factors bear on the competitiveness of any one firm and any one country. In the Commonwealth Caribbean they have tended to focus on three major areas: macroeconomic policy, policies to improve the private sector and trade policy. There has also been growing recognition of late of the need for a human resource dimension and an effective ICT policy.

Macroeconomic Policy

The macroeconomic dimension typically involves fiscal, monetary and exchange rate policies. A recent study by the International Monetary Fund (IMF) found that over the period 1990-2003 the Commonwealth Caribbean had a mixed record on macroeconomic performance. The three best performers were Trinidad and Tobago, The Bahamas and Barbados and the three worst Dominica, Jamaica and St Kitts-Nevis (World Bank, 2005a: Fig. 1.5). Inflation rates had fallen in most countries and despite some appreciation in the 1990s the real effective exchange rate in 2003 was around the same as in 1990 for all countries (whether on fixed or floating exchange rates), with the exception of Jamaica. Against this positive record, however, is set the massive growth in public debt, which has resulted in seven out of ten Caribbean countries being the most indebted in the world. This has arisen from a variety of causes, including rising government expenditure over revenue, public enterprise borrowing and the assumption of government-guaranteed private enterprise debt. The high interest costs involved in servicing this debt represent a burden on taxpayers and a disincentive to investment, foreign and local, in the form of increasing taxes, with inevitable knock-on effects for competitiveness.

The effects of this are most acutely felt in the smallest countries of the region that belong to the Organisation of Eastern Caribbean States (OECS) which saw almost a doubling of external debt as a percentage of GDP in the period 1997-2003 along with a slower growth rate 1998-2003 than non-OECS countries (World Bank, 2005a: 14). Dominica has already experienced a debt crisis in 2002 with the inevitable turn to the IMF for assistance. Of longer provenance has been the experience in Jamaica, which first turned to the IMF in 1977. Its record on macroeconomic management has been one of the poorest in the Commonwealth Caribbean. Chronic debt financing has long been a problem, contributing to high levels of inflation in the 1970s and external debt in the 1980s (300% of exports in 1985) (Wint, 2004: 136). High levels of inflation were again seen in the early 1990s, which led to a tight monetary policy and the collapse of the financial sector by the end of the decade, requiring the government to bail it out at a cost of 40% of GDP. The current situation is one where Jamaica has one of the highest debt ratios in the world (140% of GDP in 2003), despite having one of the highest primary surpluses (averaging 9% of GDP) with which to contain it (World Bank, 2005a: para. 2.19 and 2.23). The inevitable result in the past has been a stagnant economy and in the present limited expenditure on the social and physical infrastructure essential to achieve competitiveness.

The Private Sector

While it is essential to get macroeconomic policy right, competitiveness ultimately depends on the performance of the individual enterprise. This has been powerfully argued by Wint in a study of Jamaican firms in the mid-to-late 1990s. He found that, despite macroeconomic difficulties, some firms across a broad range of sectors (banking and insurance, tourism and entertainment, retail and distribution, agri-processing, manufacturing and marketing) were able to perform well. The factors responsible for firm-level competitiveness included "effective risk management; the ability to innovate, technologically upgrade and brand these attributes of the firm; the willingness to benchmark internationally, while operating with a world-view and developing industry-specific knowledge. Other factors included the ability to respond effectively to competition, deregulation and liberalisation; and the ability to transform workplaces through a process of workplace democratisation, training and up-skilling" (Wint, 2004: 144).

These are not easy qualities to acquire, especially in countries where both the market and the firms are predominantly

small and in which the economy is increasingly opened to large international competitors. In these economies firms find it difficult to achieve competitive advantage. Scale differences are very important and are something that Bernal has repeatedly emphasised. He has vividly contrasted the revenues, assets and employment levels of the largest national CARICOM firms with those in Canada, the EU and the US, concluding that "firms in CARICOM are nano-firms because they are so small that they are not adequately described by the conventional definitions of small firms" (Bernal, 2006: 96). For example, he has estimated that there are probably less than 50 firms in CARICOM that exceed the conventional definition of a small firm as one with 500 employees or more and that 85% of Jamaican firms engaged in exporting have less than 200 employees. It follows that special measures need to be put in place to encourage the competitiveness of such firms at the national, regional and international levels. The problem here is that the measures required vary not only with each country but also with each sector. This is illustrated in two studies of competitiveness and the business environment of Jamaica and Trinidad and Tobago. In the former business identified its need as improvements in the quality of service offered by the bureaucracy, the reduction of utility and finance costs, greater access to timely and relevant market information, and the development of supplier industries (Barclay 2004a); while in the latter it was the inadequacy of the infrastructure and inefficiencies in the investment incentive programmes which were most often cited (Barclay, 2004b). Of note, and common to both, were doubts raised by bureaucrats and policy-makers as to the ability of local manufacturing firms in either country to compete in an increasingly globalised market outside of a few exceptional cases.

Trade Policy

There is clearly also a trade dimension to the problem of competitiveness. In part this relates to the global and regional trade negotiating arena (of which more shortly), but it also draws attention to the need for CARICOM to carry out successfully its longstanding commitment to the creation of a Caribbean Single Market and Economy (CSME). The enhancement of international competitiveness is one of the main objectives of the CSME. The principal means to achieve this is seen to be the realisation of economies of scale and scope as a consequence of a larger regional market. Among the expected benefits are lowered costs and improved productivity, the reduction of national monopolies leading to reduced prices and an expanded range of products, an intensification of competition contributing

to improved efficiencies and higher productivity within the individual firm, and the accumulation of experience in exporting at a regional level prior to exporting globally (Bernal, 2006: 94-5). While these are essential facilitative measures, Bernal has argued that this will not deliver competitiveness unless there is a transformation of CARICOM firms themselves to become larger more competitive entities through an acceleration of integration beyond the single market towards the single economy. This requires, at the very least, harmonisation of national regulations at a regional level to improve the business environment and the complete freedom of movement of capital and labour throughout the region to lower transaction costs (Bernal, 2006: 103-104). Given the very slow rate of progress so far in creating a single market, this is by no means a guaranteed future outcome despite the widespread recognition, inside and outside the region, that accelerated and deeper regional economic integration is an imperative for future growth and development.

Human Resources and ICT

It is an established truism of the small state literature that the single most important resource for the development of a small state is its people. The Commonwealth Caribbean is no different, with the World Bank identifying this one of the central means to achieve competitiveness. The development of service sector industries, such as ICT-enabled products and services and offshore financial, education and health services, puts a premium on skills and education. However, a skills shortage has opened up in some Commonwealth Caribbean countries and in others education lags behind competitor countries in Latin America. There have also been some concerns over the declining quality of education as measured in success in secondary examinations and the numbers enrolled in tertiary education remain (The Bahamas and Barbados excepted) comparatively low. These are serious deficiencies and throw doubt on the successful implementation of a 'knowledge-driven growth' development strategy (World Bank, 2005a: Ch 7).

An essential element in such a strategy is an efficient ICT sector. Initial efforts sought to attract outsourced business processes through marketing the region's comparatively cheap labour and common use of English. Some cyberparks were built in Antigua, Barbados, Jamaica and St Lucia, but the promise has not been sustained and some have been costly failures. In the light of this there is a need to think through and promote a new strategy. The problem here, as a recent report on ICT and competitiveness in the

region pointed out, is that "many government and business people in the Caribbean do not see the practical link between ICT and the development of their economies" (infoDev, 2005: 9). In addition, the report noted the relatively high costs of accessing internet services and insufficient educational attainment. The development of an ICT strategy will thus need to be comprehensive in vision and funded by adequate resources. The report believes this can be done and made recommendations to this effect. But it also provided a salutary warning as to what ICT can and cannot do in the region: "Technology does not change the fundamental burden on Caribbean economies: to create great companies. With notable exceptions, the economies of the Caribbean carry firms that have persisted through artificial protections, commoditized products, or the exploitation of natural resources. This is a strategy that was never sustainable, and is no longer even profitable. What ICT can do for these firms is to help them become more productive by transforming the way they do business and innovative in the way they engage in the global economy" (infoDev, 2005: 9). In short, ICT is no simple solution in and of itself and certainly does not obviate the need for more fundamental change.

Summary

In sum, an evaluation of 'competitiveness' for the region makes for uncomfortable reading. Richard Bernal neatly captured this in the title of his 'keynote address' to the private sector summit on competitiveness in 2002 - 'The Future Is Not What It Was for the Caribbean'. In this talk he argued for the 'imperative for change' and for 'strategic global repositioning' to "consolidate and improve existing production lines while reorienting the economy towards new types of economic activities for both the national and global markets" (Bernal, 2002: 26-7). The audit presented here demonstrates this will be a difficult and demanding task, involving substantial structural transformation. The policies to effect it will be equally challenging, demanding substantial commitment by both the private and public sectors. The magnitude of the task is well understood, but whether the leadership and the vision is there in common to carry it through is a more open question. The discussion on competitiveness has largely been technical and from the top-down, but what is clear from our remarks is that the massive improvement needed can only be achieved if there are sweeping and costly changes in the domestic economy supported by matching regional and international actions. There needs to be widespread understanding and support for such an imperative, which, at a minimum, suggests a

competitiveness policy (and by extension a development policy) which goes beyond technical fixes, however technically modern and diplomatically brilliant they may be.

Diplomacy

The question of how to conduct its external relations in an era of sweeping and fundamental changes in the world order has preoccupied the Commonwealth Caribbean for at least the last fifteen years and has gradually generated a greater realisation of the importance of the role that effective diplomacy must play in the region's overall development strategy. The issue here is not really about the design and pursuit of an appropriate 'foreign policy', which primarily involves the cultivation of bilateral relations with other states and the adoption of stances on major global issues, but rather the focused pursuit of national and regional interests in the key negotiating arenas that shape the broad policy framework within which all countries have then to try to engineer their own vision of development (Payne, 2005). Development diplomacy of this sort now extends to the financial and environmental arenas, and is beginning to infiltrate other policy sectors such as health, but it first emerged as a necessity for many small and poor countries in relation to the making of the rules governing international trade.

This section examines these issues in three parts. The first part sets out the nature of the predicament faced by the Commonwealth Caribbean in relation to trade and considers the initial organisational response made by the region. The second reports the current position that has been reached in each of the most important negotiations and the third seeks to identify the general policy questions that still remain to be resolved if a more effective diplomacy is to be able to deliver fully its contribution to the broad project of repositioning the Commonwealth Caribbean within globalisation.

Overview

The range and severity of the problems facing the Commonwealth Caribbean in relation to trade at the beginning of the 1990s were demanding in the extreme. It was confronted, more or less simultaneously, with the need to respond to the Enterprise for the Americas Initiative of the United States, the creation of the North American Free Trade Area (NAFTA) between the US, Canada and Mexico and

the subsequent commitment of more or less the whole hemisphere to set up a Free Trade Area of the Americas (FTAA), on the one hand, and to renegotiate vital preferential trading relations with the EU after the expiry of the Lomé accords in 2000, on the other. Beyond these regional negotiations, and just as significant, was the real prospect of the launch of a new round of global trade talks under the auspices of the World Trade Organization. In addition, the region also had to consider how to fit bilateral trade relationships with neighbours into this complicated legal and political web. Cedric Grant has described how the region's leaders, greatly alarmed by the build-up of these pressures, moved in a series of uncertain *ad hoc* steps to establish first an informal interlocutory group of heads of government and then a more formal Prime Ministerial Sub-Committee on External Negotiations before deciding, in 1997, to set up a new institution - the Caribbean Regional Negotiating Machinery (RNM) - to handle these various interlinked negotiations (Grant, 2000). They took the view that these negotiations promised to be such a massive, unprecedented and protracted undertaking that the region's existing means of 'foreign policy co-ordination' within CARICOM required urgent reinforcement. The RNM was conceived accordingly as a kind of special project that would be endowed with a limited life-span coterminous with the length of the negotiations, would operate within the domain of the Caribbean Community Secretariat and would facilitate the securing of additional operational funds that would see the region through this special negotiating period.

However, after some initial disagreement about who to choose the heads of government decided to appoint Shridath Ramphal, the former chairman of the West Indian Commission, as the region's full-time chief negotiator and first head of the RNM. He seized the opportunity to impose his own persona on the design of the RNM, insisting on several significant changes in the original thinking (which had largely come out of the Secretariat). In the process the RNM acquired a distinctive, and somewhat provocative, organisational structure. First, the chief negotiator was upgraded from ambassadorial to ministerial rank and was to report directly to heads of government rather than via the Secretariat, a reflection of Ramphal's own standing and extensive personal links with the region's political leaders. Second, the RNM's operational base was set up in London, because Ramphal resided there, rather than in Barbados as initially intended. Barbados became a sub-base, with a further technical studies unit, headed by a chief adviser, set up in Jamaica soon afterwards. The Secretariat in Guyana was left to deal with what were deemed to be lower-grade

trade matters, namely, the negotiation of free trade agreements with the countries of the wider Caribbean, Central America and the Andean region. Third, Ramphal prepared the RNM's first strategy paper in conjunction with the offices under his control, largely ignoring the specialised negotiating working groups previously established to bring together Secretariat staff and various non-state actors with an interest in trade issues. All of these moves contributed to the widespread perception that the CARICOM Secretariat "had been and would continue to be sidelined by the RNM strategy" of validating itself as a free-standing entity (Grant, 2000: 475).

Further complications attached to the RNM's membership. Recognising that the Dominican Republic and Haiti were also signatories of the Lomé conventions, and indeed jointly constituted Cariforum, which was the body created to co-ordinate and monitor the EU's direction of resources to the Caribbean under Lomé, CARICOM invited these two countries to participate in that part of the work of the RNM that related to the negotiation of post-Lomé. Cuba had observer status in Cariforum but promised not to push its own sugar and rum interests in any way that threatened Commonwealth Caribbean preferential access to the EU market in these commodities. It was also included in the RNM, despite the fact that the US had successfully insisted on excluding the country from any participation in the FTAA process. All in all, then, one can fairly say that the RNM was put together on the hoof, amidst sharp personal and political conflicts and in the face of considerable complexity both in respect of the multifarious external pressures bearing upon its *modus operandi* but also in the absolutely fundamental matter of the composition of the region itself.

Finally, there was the RNM's mandate to refine. In a series of speeches delivered in the immediate period after taking up his new post Ramphal set out a number of organising propositions (Ramphal, 1997a; 1997b; 1998). He argued, first, that the RNM concept did not prevent Caribbean countries taking up their places at the negotiating table; second, that they must, however, all 'sing from the same hymn sheet'; third, that the objective was not to choose between Europe or the Americas but rather to keep open as many 'windows to the world' as possible; and, fourth, that solidarity beyond the region, both within the ACP grouping and amongst small and vulnerable countries more generally, was vital to the strengthening of the Caribbean negotiating position. Beyond these points, it was noted that Ramphal was already "more emphatic than many CARICOM leaders in recognizing reciprocity as an 'imperative'"

(Grant, 2000: 473) and urged from the outset that the region's new development diplomacy should adopt a pro-active, rather than its conventionally reactive, approach to the prospect of change in the international trading regime. In his words:

We may win time to adjust to that change; but we have to be prepared in our minds for a world in which our markets will be open increasingly to competition and not only at the level of goods but also of investment and services ... Indeed, transitional arrangements will prove ineffectual by way of preparation for change unless we embrace the imperatives of change itself.... We have to begin these preparations now. (Ramphal 1998)

This is not the place to review in full the RNM's work over the past decade. It was unquestionably given a most difficult brief and it is not surprising that it has at times been fully stretched to cope. Ramphal stood down as chief negotiator after the conclusion of the WTO Ministerial Conference held in Doha in November 2001 and was replaced by Richard Bernal who has based himself in the RNM's Jamaica office. This means that the RNM is now fully located in the region and has at least been partially streamlined in terms of its own internal organisation.

The Current Diplomatic Agenda

As indicated, the diversity and complexity of the negotiating arenas placed huge demands upon the Caribbean's diplomatic resources. The various talks often seemed to be moving in different directions and sometimes required key people to be in two places at once. However, over time some of the negotiating processes have come to a halt, which has meant that the simultaneity of the negotiations has not proved to be as great a test of the region's capacity as initially feared. The following discusses each of the main negotiating arenas in turn, concluding with brief reference to bilateral trade issues.

The WTO Doha Trade Round

As is widely known, these talks were officially suspended by the WTO Director-General in July 2006 following the failure of the Hong Kong Ministerial Conference and subsequent intensive talks in Geneva to settle upon broad modalities in all the key negotiating areas. Several informal attempts to revive the process have been made, although to no avail as yet. The 'trade promotion authority' enjoyed

by the US administration (better known as 'fast track') currently runs out in June 2007 and that date is considered by many to mark the effective end of the negotiating window. Moreover, even if the four key players (the US, the EU, India and Brazil) were to come to some sort of mutually satisfactory deal in the short- or medium-term future, its terms would seem likely to renege on the many promises made since the Doha meeting in late 2001 that this would be a 'development' round in the sense that it would offer the poorer countries of the world the real prospect of enhanced trade to compensate for the way that they were outmanoeuvred in the final stages of the preceding Uruguay Round. In practice, the rich countries have instead fought long and hard about the issues that have mattered to them, with the result that the 'development package' under discussion at Hong Kong was in effect reduced to an inadequate offer in respect of access to rich-country markets for the Least Developed Countries (as defined by the United Nations) and the establishment of a WTO task-force to help build supply-side capacity to enable poorer countries to take advantage of trading opportunities, when and where they exist (so-called 'aid for trade') (Wilkinson, 2006).

The Commonwealth Caribbean's formal position is one of disappointment that the round has come to a halt and hope that it can be resumed and incorporate a proper 'development' dimension, by which it has hitherto meant the provision of SDT. This is the issue that it has sought to advance above all others, working both as a CARICOM grouping (the RNM is not formally recognised by the WTO, even though it clearly directs CARICOM's strategy) and within a coalition inside the WTO of 'small and vulnerable economies'. The reality is, however, that the case for SDT has, at least thus far, failed to win a sympathetic response from any of the key players in the global trade round and it may be time for the region to review seriously the extent of its commitment to this particular negotiating tactic. 'Aid for trade' is the game that is recognised on this front within the WTO, which means that more research and thinking needs quickly to be put into the detail and relevance to the Caribbean of such possible provisions. The suspension of the talks for the past several months has obviously eliminated many short-term negotiating tasks and should have provided a valuable breathing space within which to rethink the region's strategy. As and when and if full talks are now resumed the Caribbean will again have to return to the table and be ready to face what, one way or another, will be the 'endgame' in the round.

The FTAA

The FTAA was intended to bring about a level of trade liberalisation across the 34 independent countries of the western hemisphere, excluding Cuba, that was deeper than could be achieved within the WTO framework. Negotiations began in 1999, with a view to bringing the free trade area into being in January 2005. However, although a number of draft (and heavily bracketed) agreements were tabled, the process ran into difficulty in the face of fundamental differences of position between the US and Brazil, the co-chairs of the final round. The deadlock was reflected in the Miami Declaration, issued in November 2003, which provided only for participants to take on different levels of commitment, rather than setting out the single undertaking originally expected (<http://www.alca-ftaa.org/alca>). In effect, the US resisted Brazil's calls for significant reductions in domestic agricultural support and tariffs at the hemispheric level and Brazil refused to agree to further disciplines in intellectual property, services and government procurement in the absence of US concessions on agriculture (Cosbey, 2003). Since then there have been informal meetings of the co-chairs of the official Trade Negotiations Committee and lots of promises of more dialogue, but no effective resumption of negotiations. The FTAA process has in effect stalled.

Within the Caribbean the RNM has had direct responsibility for overseeing the approach of the CARICOM countries to the FTAA. It thus also represents Haiti, but not the Dominican Republic, which has preferred to maintain its own separate negotiating access. Initially, the RNM tried to get agreement that one of the nine negotiating groups should be focused on 'smaller economies', but was forced to accept a weaker consultative committee (one of three) on this issue, albeit co-chaired by Bernal. Nevertheless, it did have some success in placing language in the Miami Declaration that acknowledged that levels of development between states and differences in the size of economies would be considered in any final agreement, that promised special attention to the needs of smaller economies and that noted its concern that substantive content be given to SDT measures beyond those generally available. This was the nub of the matter. It proved very difficult to get other countries within the FTAA process to agree on any specific actions that would have given content to the commitments of principle they were willing enough to make. A key problem here was that CARICOM's negotiators often found that their arguments on SDT either did not find support amongst the representatives of other smaller economies in the hemisphere, most notably the Dominican Republic (Lewis, 2005), or that many other, much bigger, countries

sought to present themselves as small when potential benefits presented themselves (Brown, 2006). In effect, the English-speaking region's longstanding failure to build up close and comfortable relations with its many Hispanic neighbours came starkly home to roost.

The Caribbean Economic Partnership Agreement (EPA)

Under the terms of the Cotonou Agreement signed between the EU and the ACP in 2000 it was provided that EPAs should be negotiated with six sub-regions of the ACP by the end of 2007 and a WTO waiver to this effect was accordingly obtained. The original convention spoke of these EPAs as being development-oriented, as supporting regional integration and as facilitating the insertion of the ACP sub-regions into the global political economy, commitments that have been repeatedly reasserted in subsequent statements by both the EU's Trade and Development Commissioners. Negotiations with the Caribbean began in April 2004 and have proceeded through the planned first three phases, entering Phase IV - finalisation - on schedule in January 2007. It has been agreed in principle that the EPA should include SDT in ways that "are not limited to longer transitional periods and technical assistance" but encompass "provisions that effectively address the constraints of small size and vulnerability, especially as it relates to market size and scale of economic activities" (<http://www.agritrade.cta.int>). It has also been agreed that the EPA should incorporate and improve on the Lomé and Cotonou *acquis* in respect of market access and scale of economic activities.

Notwithstanding all these reassuring words, the actual negotiations, especially in the third phase that ran from September 2005 to December 2006 and understandably preoccupied the RNM in this period, especially in the light of the waning of the WTO and FTAA agendas, have proved to be very difficult to bring to satisfactory fruition. The issues at stake are complex and technical and they cannot be addressed in detail here. They relate to the provision of effective trade capacity-building measures before further trade liberalisation is demanded; to the length of phase-in periods in relation to liberalisation; and to the need to recognise the region's complicated economic and political geometry. The RNM's negotiators have felt that significant differences have emerged between what they see as the mercantilist stance of the EU's actual trade negotiators and the development rhetoric of their supposed political masters (Jessop, 2006a). The talks have at times been conducted in a distinctly unharmonious fashion and some of the tension has broken out into the open, with Dame Billie Miller, the foreign minister of Barbados and CARICOM's lead ministerial spokesperson in the talks, referring in

November 2006 to the "seeming disconnect" at the heart of the EU's negotiating stance (Jessop, 2006b). There is great pressure being placed on the Caribbean to come to agreement by the time of the (externally imposed) deadline of the end of December 2007 and it has been fairly stated in a recent commentary that what the negotiations now require is a political, rather than a technical, solution (Jessop, 2006c).

Bilateral Negotiations

The bilateral agenda has also been actively pursued by CARICOM and has taken time and resources away from other negotiations, although the CARICOM Secretariat, rather than the RNM, has carried responsibility for some of this work. Trade agreements were signed with Venezuela in 1992, with Colombia in 1994 (amended in 1998), with Cuba in 2000, with Costa Rica in 2003 and with the Dominican Republic in 2001. The latter has a 'built-in' component and it was agreed in late 2005 that negotiating groups on intellectual property rights and services would be established and talks commence at the beginning of 2007. Finally, CARICOM heads of government decided in 2001 to begin exploratory work on a new trade agreement to replace the longstanding CARIBCAN arrangement with Canada. Some preliminary meetings have taken place, but fully-fledged negotiations have yet to begin because the Canadian government has been reviewing the whole of its hemispheric trade and investment relations. An extension of the WTO waiver on CARIBCAN has been obtained, thereby alleviating the need for haste. Given the pressures that are also being piled on the Caribbean in relation to the EPA, it is not expected that negotiations will actually be initiated until near the end of this year.

Key Ongoing Policy Issues

Dunlop, Szepesi and Van Hove published a thoughtful review of the organisation of trade negotiating capacity at the Caribbean regional level in September 2004. Their broad overview of the experience up to that point was as follows:

The pooling of scarce resources and capacity at regional level appears a logical and appealing answer for developing countries that face a multitude of trade negotiations, but it is far from a straightforward exercise. Within most regions economic interests among its [sic] members diverge. Setting up a system of distributing the costs and benefits of the trade liberalisation is

difficult, more so for developing country regions.... [T]he region can only go as fast as its members, so trade capacity support is needed at both national and regional level. The institutional set up, role and mandate of the regional negotiating machinery remains a major challenge, and will evolve according to the deepening of the regional integration process. A fine balance needs to be struck between efficiency and negotiating strength on the one hand and concerns of participation and ownership by the members on the other. Well-established and good functioning communication channels are essential for trade preparations. (Dunlop et al. 2004: 5)

These remarks were well-judged and suggest the following three areas for ongoing policy attention in relation to the diplomacy agenda in the Caribbean.

Capacity Issues

These were highlighted at the outset of this section in relation to the demands posed by having to negotiate on several different fronts simultaneously. But capacity issues are in fact both fundamental and far-reaching in their impact. They embrace in this connection a paucity of human resources, a lack of money to attend meetings spread over a wide geographical location, a deficiency of up-to-date information, an absence of sufficient compelling research to sustain arguments such as the need for SDT and basic, debilitating limitations in the administrative competence of many regional states, not to mention the real difficulties in implementation that will inevitably arise as, when and if complex agreements are eventually reached. Extra-regional bodies like the Commonwealth Secretariat have carried out some studies for the RNM and an externally-funded special adviser was appointed to help the smallest states negotiate their way through the Doha round. The capacity problem also extends to the prior matters of identifying the policy questions that matter and charting even the broadest of responses to them. Patsy Lewis draws on a recent interview with a senior member of staff in the Jamaican office of the RNM in thus observing that, "despite the fact that the RNM was established to negotiate based on policy developed by regional governments, some CARICOM countries rely on the RNM to provide technical guidance in terms of positions they should adopt in negotiations" (Lewis 2005: 74). This exposes the RNM to political as well as technical criticism and of itself vividly highlights the fundamental capacity constraints experienced by the smallest of the CARICOM countries.

Unity Issues

The complexity attached to defining the region has also already been mentioned. It can hardly be denied in this connection that the role of the Dominican Republic has been shown consistently dysfunctional to the regional cause. Lodge has, for example, drawn attention to the dilemma that could be posed by an EPA signed with Cariforum that extends beyond the market access that CARICOM and the Dominican Republic afford each other under the terms of their bilateral trade agreement (Lodge, 2002). But, again, the problem of building an effective and unified negotiating stance goes much further than just this issue. CARICOM is itself divided between countries like Barbados, Jamaica and Trinidad and Tobago that have reasons to be interested in the prospect of an FTAA and the OECS countries that are relatively much more concerned about the outcome of the EPA talks. It has been questioned too whether Guyana had much to gain from an FTAA (Durrant, 2002). The Commonwealth Caribbean further lacks reliable allies beyond the region. As we have seen, problems still attach to relations between Commonwealth Caribbean and Central and South American countries, whilst ACP co-operation, so effective in dealing with the EU in the early days of the relationship, has been (deliberately) made harder by the sub-regional format of the EPA process. The grouping of 'small and vulnerable economies' within the WTO is also quite loose and so far of unproven delivery value.

Legitimacy Issues

Finally, there is a set of lesser but not unimportant issues that bear upon the legitimacy of the RNM's role. We have referred to its awkward relationship with the CARICOM Secretariat and with the various policy-making apparatuses of the national governments. The latter are now involved in negotiations via the appointment of a minister within the CARICOM Council for Trade and Economic Development (COTED) as principal spokesperson for each major negotiating arena. This is an improvement on previous practice, but scarcely solves all co-ordination problems (Dunlop *et al.*, 2004). Although genuine efforts have been made, further difficulties have arisen in respect of the incorporation of the private sector and other interest groups within civil society in the conduct of diplomatic negotiations. These have been various. It is partly that such groups are likely to be the most deeply affected by the outcomes of negotiations and therefore sometimes have strong, highly sectional views that cannot be fitted into collective

negotiating postures. It is partly that negotiation is inevitably a fast-moving, technical and, to some extent, secretive process. It is partly also that non-state groups suffer from even more limiting capacity constraints than do government and RNM personnel. All of these problems serve to beg questions about the legitimacy with which the RNM has been able to act on behalf of the region.

Summary

In sum, it is apparent that the Commonwealth Caribbean, for all its efforts and notwithstanding the novelty of the RNM concept, has not fully honed the diplomatic structure that it needs to have at its disposal if the complex diplomatic agenda that it faces is to be handled to advantage. There is more that it could and should do, but it is as well to concede one obvious truism that cannot be managed away, namely, the fact that it is involved in negotiations with some of the biggest, most powerful and ruthless countries in the world. The US and the EU regard the WTO round as fundamental to their own economic and political interests, and they have played their hands selfishly. Within the FTAA the US has not hesitated to use the potential carrot of offering separate arrangements to particular countries and was quite prepared at one sticky point in the talks to act behind the scenes to seek to undermine Bernal's standing with CARICOM heads of government (Lewis, 2005: 77). Within the EPA process the European Commission has yet to rein back the tough tactics of its trade negotiators. Other Central and South American countries are also rivals much more than they are allies in all of these processes. The problem of confronting massively disproportionate power in all their diplomatic dealings is one that small Caribbean countries cannot escape even when acting collectively.

Governance

The importance of 'good governance' for economic and social development has been a major theme in development policy since the early 1990s. While attention has been mainly directed to sub-Saharan Africa 'good governance' has also been explored within the Commonwealth Caribbean in various reports, conferences and academic studies. The main focus of attention has been whether the system of governance inherited at independence is any longer 'fit for purpose' in maintaining democracy, delivering development and coping with globalisation.

This section examines these elements in three parts. The first quickly looks at the concept of governance and provides a 'snapshot' of the current state of governance in the region as provided by governance indicators. The second discusses the debate on 'good governance' within the Commonwealth Caribbean, while the third identifies some aspects of governance that need further attention if the region's general development agenda is to be fully implemented.

Overview

The use of the word 'good' and the quotation marks that are frequently found around the concept of 'good governance' point to it having a high normative content. As such, there continues to be a debate about its meaning and relevance in delivering development. Nevertheless, and despite differences in detail, there is now broad agreement on what might be termed the essential elements of 'good governance': open, transparent and accountable government (often defined as liberal democracy); efficient, effective and responsive administration; respect for human rights; and the rule of law. At the same time, the practical application of 'good governance' programmes in various parts of the world has led to a growing understanding that, "while it is possible to identify concepts and principles of governance that are universal, they make no sense without adequate contextual references. The particular conditions of each country provide both constraints and opportunities to improve governance" (ODI, 2006). In practice, this has meant an approach to 'good governance' that increasingly begins from the existing realities of the state (or region) and then builds appropriate programmes in accordance with whether the state is deemed to have 'failed', suffers from pronounced personal rule, is institutionalised minimally, or whatever.

In the case of the Commonwealth Caribbean the starting point is the reputation of the region as among the best governed in the poorer world. This can be demonstrated using indicators developed by the World Bank. These measure six dimensions of governance: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and control of corruption. They are not universally accepted and the World Bank itself recommends caution in their use. Nevertheless, they do provide a contemporary snapshot of governance in the Commonwealth Caribbean that allows some patterns to be identified even if individual features, as reflected in the scores for each indicator, "remain a rather blunt instrument for specific policy advice at the country level" (Kaufmann, Kray and Mastruzzi, 2005: 42). The measure used is that of 'percentile rank', which indicates the percentage of coun-

tries that rate below the selected country (subject to a margin of error). Higher values therefore imply better governance ratings. Along these categories, they report for the year 2005 (<http://www.worldbank.org/wbi/governance/govdata>): *Voice and Accountability* - measuring political, civil and human rights. All the Commonwealth Caribbean countries have higher than global average ratings. The highest rating was given to The Bahamas (87.4) closely followed by Barbados and Dominica (86.0 each). The lowest was Trinidad and Tobago at 59.9, which was below the regional average for the Caribbean as a whole of 66.9, as also were Antigua and Barbuda (62.3), Guyana (60.9), and Jamaica (63.3).

Political Instability and Violence - measuring the likelihood of violent threats to, or changes in government. Three Commonwealth Caribbean countries have below global average ratings - Guyana (32.5), Jamaica (34.9) and Trinidad and Tobago (43.4) - while Belize (56.9) and Grenada (61.8) have below Caribbean regional average ratings (67.5). The highest ratings go to St Kitts-Nevis (93.9), St Vincent (88.2) and St Lucia (87.3).

Government Effectiveness - measuring the competence of the bureaucracy and the quality of public service delivery. The only country below the global average was Guyana (34.4), although Antigua and Barbuda (68.4), Belize (59.3), Grenada (62.7), Jamaica (51.2) and Trinidad and Tobago (63.6) were below the Caribbean regional average of 68.9. The best performing countries were The Bahamas (86.6) and Barbados (85.6).

Regulatory Burden - measuring the incidence of market-unfriendly policies. Once again, Guyana is the only country with below global average ratings (39.6), with Belize (55.4), Grenada (62.9), and Jamaica (60.4) below the Caribbean regional average of 66.3. The highest ratings were for St Kitts-Nevis, St Lucia and St Vincent, all of which were awarded 83.7.

Rule of Law - measuring the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. Two countries have below global average ratings - Guyana (26.1) and Jamaica (37.2) - with Belize (55.1), Grenada (59.4) and Trinidad and Tobago (52.7) below the Caribbean regional average of 65.2. The highest rated countries were The Bahamas (88.9) and Barbados (88.4).

Control of Corruption - measuring the exercise of public power for private gain, including both petty and grand corruption and state capture. Once again, the two countries with below global average ratings are Guyana (37.9) and Jamaica (39.9), with Belize (52.7) and Trinidad and Tobago

(56.2) below the Caribbean regional average of 69.6. The highest rated countries are again The Bahamas (89.2) and Barbados (84.7).

On these measures the country with the worst governance record is Guyana and those with the best The Bahamas and Barbados. Belize, Jamaica and Trinidad and Tobago also have relatively poor governance ratings using the regional average as the marker since they fall below it on five occasions. However, the regional average for the Caribbean is the best in the world (exceeded only by those for OECD countries) and so the standards are higher.

The ratings are also fairly standard over time. Data for all the Commonwealth Caribbean has only been collected since 2002. Comparing that year with 2005, significant changes (measured as one of 10% or more on one indicator) have only been recorded for Antigua and Barbuda (an improvement in voice and accountability) Barbados and Dominica (a reduction in political instability and violence), St Kitts-Nevis, St Lucia and St Vincent (an improvement in government effectiveness) and in Guyana a deterioration, St Kitts-Nevis, St Lucia and St Vincent (an improvement in lightening the regulatory burden), St Kitts-Nevis and St Lucia (an improvement in the rule of law) and in Guyana a deterioration, and St Kitts-Nevis, St Lucia and St Vincent (an improvement in control of corruption). As measured here, such limited change as there has been is largely for the better not for the worse.

It is tempting on this basis to conclude that the Commonwealth Caribbean as a whole does not have a real problem with governance. However, this would be mistaken. There have been concerns about the erosion of 'good governance' since 1992 when the matter was first raised publicly in the report of the West Indian Commission. It noted: "there has been so much complaint to the Commission of decline in the standards of governance and the erosion of the quality of civil society - again, not everywhere, but in too many parts of the region for us not to detect an unhealthy trend", thereby raising concerns about "whether we are going into the twenty-first century on the best possible basis of governance" (West Indian Commission, 1992: 494-5). The exact nature of what this should be has now been the subject of debate and discussion for more than ten years.

The Governance Debate

The opening shots were contained in a study originally undertaken for the West Indian Commission by Patrick Emmanuel. He identified the key areas of concern as the

electoral system, relations between parliament and the executive, the public service, and local government and recommended in the case of each "more representative electoral systems, more virile parliaments, less authoritarian executives, more responsive bureaucracies and more decentralised networks of representation and administration". He also argued that there was "growing evidence, especially among the large generation of youth, of alienation from both formal and informal political institutions" and a "febleness of will towards genuine change" which threatened the "legitimacy and authority of governance itself let alone any specific system of governance" (Emmanuel, 1992: 108, 111), thereby raising the prospect of sudden, violent and unpredictable change.

This has not happened, but the areas he identified have been the staples of much of the subsequent debate. They resurfaced, for example, in a paper prepared by Selwyn Ryan for the United Nations Development Programme in 1996 where he identified *inter alia* a 'spoils system' in which the winners of elections monopolised all the perks of office, a parliamentary system in which accountability and controls were weak, and a judicial system which was finding it difficult to deal with increases in crime, corruption and drug-taking as major threats to 'good governance' in the region (Ryan, 1996). A few years later these observations were developed further in his monograph *Winner Takes All: The Westminster Experience in the Caribbean* (Ryan, 1999). This considered the experience of government in most countries of the Commonwealth Caribbean (The Bahamas and Belize were excluded) and reflected on the need to reform the Westminster system as the model of governance. Ryan pointed to failing political parties, bureaucracies under stress, judicial systems in crisis and the erosion of the 'culture of civil discourse' which was undermining the political system and leading to increasing apathy, anomie and violence. These problems were compounded, in his view, by other region-wide practices of the political elite, chief among which were authoritarian leadership styles, adversarial politics (political and ethnic tribalism), the cultivation of political patronage and the encouragement of zero-sum attitudes in government in which 'the winner takes all'. Collectively, these were all signs of 'political decay', if that is defined as the 'fit' between political institutions and the economic and social environment, and were thus indicators of underlying political instability and tension.

At the same time a sense of proportion needs to accompany this analysis. While they are serious shortcomings, they are not yet fatal ones. There is still faith in the Westminster-Whitehall system and the ability to reform it incrementally. The short list of mainly modest recommendations for

change with which Ryan concluded his book on the Westminster system is an exemplar of this approach (Ryan, 1999: 347-9). So also are the deliberations of the Organisation for American States (OAS) Unit for the Promotion of Democracy, which convened a conference in Barbados in January 2002. This examined the relationship between the 'Westminster System' and 'good governance' with a particular focus on the democratic record. Various participants (including leading politicians) drew attention to the "excessive authority and overwhelming power constitutionally granted to the prime minister"; the "further concentration of power due to the ineffective separation between the executive and the legislature"; "the erosion of judicial independence due to infringement by the executive"; the dominance of an election system based on 'first-past-the-post' which "often produces outcomes that do not accurately reflect election results; and "excessive partisanship and polarization". These criticisms, whilst substantive, were not considered significant enough to reject the 'Westminster System' outright, since they were counterbalanced by the generally positive record of the Commonwealth Caribbean in maintaining democracy. The conclusion therefore was "that there were serious and substantial reforms that could be carried out that would go a long way toward correcting or at least alleviating imbalances and deficiencies of the current system" (OAS, 2002).

This is well understood by some in the political leadership in the region. In his address to the conference on 'The Governance Dimension' convened by the University of the West Indies in Jamaica in August 2002, Dr Ralph Gonsalves, the then and current prime minister of St Vincent, repeated many of the 'limitations' listed above and warned of an increasing "loss of confidence in the political system by the people of the region" in the absence of change. He also identified the areas in which action needed to be taken: "the strengthening of the individuals' fundamental rights and freedoms; the deepening and decentralisation of political democracy, including enhanced popular participation in government; making government much more honest, accountable and effective; and the consolidation of the independence and quality of the judiciary and related institutions" (Gonsalves, 2003: 11). They were sound suggestions and in some areas there have been some developments. For example, a regional symposium met in Jamaica in April 2004 to consider and make recommendations for 'Local Democracy and Good Governance in the Caribbean' (Commonwealth Secretariat, 2004) and a Caribbean Court of Justice has begun to function as a final 'court of appeal' to which some states are party. But most of this agenda remains to be implemented. The impetus for political reform by the political leadership has "stalled" (Duncan, 2003: 167).

The reasons for this are not immediately clear, but no doubt reflect in part the 'satisfactory' report as set out by the 'quantitative indicators' and the absence of overt 'political crisis' in the last few years. However, this is overly complacent (echoing the situation identified by Emmanuel in 1992) and ignores the warning of CARICOM itself that: "the cost of poor governance in a small society is very large, given the extreme difficulty in recovering from the consequences of inappropriate policies and practices sustained over a very long period. There is thus a clear need to build a national consensus on objectives; clear need for a national appreciation for the ease with which the system can go off-track, as a result of both domestic and external shocks; and a broad acceptance that the prospects of every individual are intimately bound up with the future of the community as a whole (CARICOM, 2000). Quite simply, 'good governance' matters: it cannot be left to chance and must therefore remain a matter that receives policy attention.

Key Ongoing Policy Issues

In March 2002 the Caribbean Development Bank (CDB) circulated a Strategy Paper on 'Governance and Institutional Development'. It argued that 'good governance' should be a major element in the work of the Bank in support of its objectives of poverty reduction, facilitating private sector development and encouraging the regional effort at 'strategic global repositioning' (CDB, 2002: 1.10). To achieve these ends, it proposed a 'Framework for Promoting Good Governance' with six essential elements:

- supporting the creation of a modern, effective and accountable public sector that is capable of delivering valued public services;

- building and reorienting capacities to meet the needs and challenges of globalisation and integrating market-oriented economic policies with poverty reduction through improved macroeconomic management, revenue/expenditure management, policy management and coordination;

- encouraging social partnerships and wider participation in national consensus-building, local public services that benefit the poor through strengthening civil society and mechanisms that foster, facilitate and encourage meaningful participation;

- supporting the establishment and/or strengthening of the regulatory systems through improved frameworks for environmental and social protection and orderly

private sector development, improved justice systems, and improved governance of the private sector;

encouraging regional cooperation in the development of frameworks, tools and human resources through strengthening regional governance mechanisms as well as national capacity for implementing regional and international agreements/commitments which can contribute to strategic global repositioning; and

mainstreaming governance in CDB's operations. (CDB 2002: 2.03)

These were much broader tasks than the narrow constitutional issues that have so far characterised much of the 'good governance' debate in the Commonwealth Caribbean. They are also more directly relevant to the development agenda of the region and therefore have much to commend them. But they remain, for the most part, as tasks for the region either to pursue further or complete. Two aspects of this agenda are of key importance: public sector reform and civil society participation.

Public Sector Reform

In its presentation of the Framework the CDB argued that "the public sector in the contemporary Caribbean is expected not necessarily to do less; it is expected, perhaps, to do even more, but to do different things and to do them differently. In particular it must be more innovative, more effective and more efficient" (CDB, 2002: 3-4). In the Commonwealth Caribbean this has been pursued largely through a public sector reform programme employing the New Public Management (NPM) paradigm.

The region was first introduced to elements of NPM in the 'Kingston Declaration on Public Management' adopted in February 1992 and incorporated it as the 'guiding principle' for reform in the Report on 'Public Sector Reform and Administrative Restructuring in the Caribbean Community' approved by CARICOM heads of government in 1995. This identified principles and practices under four heads: (1) redefining the role of the state, under which "those in authority be prepared to examine all our institutions, procedures and systems of decision-making in the light of new paradigms and understanding of human behaviour and the need for personal satisfaction and creativity in the discharge of professional obligations"; (2) the primacy of human resource development, which would entail introducing in the public service the principles of promotion by merit not seniority, training at all levels, remuneration

according to skills and responsibilities, and delegation of authority; (3) greater dedication to service provision under which public employees would be customer-focused and "more responsive, timely and business-like in dealing with the public"; and (4) a strong commitment by the political directorate and senior public servants to public reform in a clearly articulated public sector reform programme, institutionalised in government and involving as 'stakeholders' public employees at all levels and their staff associations and trade unions (CARICAD, 1995).

The various elements of this vision have been rolled out in public sector reform programmes in the majority of countries in the region. The record is mixed (Sutton, 2006a). In Jamaica reforms have been largely successful, whereas in Guyana they have failed. In Barbados, Belize, St Lucia and Trinidad ambitious reform programmes have been 'scaled back', although elements of the programme still persist and are pursued in part. In other countries NPM has largely taken the form of initiatives targeted at particular parts of the public service. The only country without any public sector reform initiatives or programmes has been Antigua and Barbuda, although one is now under active consideration. Finally, action has been taken at the regional level, co-ordinated through the Caribbean Centre for Development Administration, to promote and support reform initiatives, most of which have had an NPM aspect. These have included regional conferences and workshops to spread 'good practice' and regional projects to develop 'strategic planning'. Again, the results have frequently not matched expectations.

It is tempting in the light of this record to write the NPM programme off as 'disappointing' at best and a 'failure' at worst. While understandable, this would be premature. Some elements of the NPM reform programme, such as thinking differently about government priorities, delivering public services more efficiently, and improving human resources through training and performance management (i.e. corresponding in part to the first, second and third points made in the previous paragraph but one), have become standard and now pass without comment nearly everywhere in the region. The missing element is point 4. While some countries have articulated a strong programme of reform embodied, for example, in various White Papers, the lack of political commitment to reform is a notable feature in many of them. The exception is Jamaica where political leadership at the highest level is involved in promoting, directing and monitoring reform and helps explain the comparative success of this country compared to others (Sutton, 2006a: 198-203).

The political leadership in the region must therefore re-engage with the public sector reform agenda as a development imperative. In so doing, it should take a broader view of the role of the state than that embodied in the NPM paradigm. This leaves too much to the private sector, which in many parts of the region remains very weak and unable to provide the public services that the fully developed NPM paradigm demands. This does not mean a return to the 'development administration' paradigm which was the dominant approach to purposive state action in the 1960s and 1970s, but suggests a more 'strategic' approach which identifies areas where the state must become fully engaged and lead the development process, including the controversial matter of production.

Civil Society Participation

The importance of civil society to 'good governance' and development in the Commonwealth Caribbean has been acknowledged in two documents. The first is the 'Charter for Civil Society' that was adopted in 1997 on the earlier recommendation of the West Indian Commission. The Charter endorsed the prevailing, largely liberal democratic, norms underpinning 'good governance' in the region and opened the way for greater engagement with 'social partners' in supporting regional development. The second is the 'Liliendaal Statement of Principles on 'Forward Together' which was adopted in 2002 at a 'special consultation' between CARICOM heads of government and civil society organisations (CSOs) from throughout the region. This recognised that "civil Society has a vital role to play in the development of regional, political and social policies" and proposed "the establishment of mechanisms for continuous dialogue" between civil society and CARICOM heads to carry the initiative forward.

In the event these two statements have remained largely at the level of 'declarations of intent'. The Charter has no force in national law and the proposal for regular institutionalised dialogue in the form of a Regional Council on Civil Society has not been followed through. CSOs remain influential largely at the national level, with the level of engagement within any one country dependent on the exact mix of organisations and their historic role in social and political development. Among the most important have been trade unions, churches and voluntary associations. Within the region there has been some discussion as to whether these organisations are in decline or undergoing renewal, with some indication that both processes are at work simultaneously, revealing a somewhat contradictory

picture (Munroe, 1999: 77-95). What is not in doubt, however, is that, while the capacity of some of these organisations to engage fully in community development may be relatively strong (e.g. the churches), on policy development they are more often than not relatively weak, leading one of the more articulate CSOs in this area, the Caribbean Policy Development Centre, to call for a major programme of support for capacity-building for non-governmental organisations throughout the region (Caribbean Beacon, 2002).

The importance of developing such a policy capacity is intimately related to the need to foster 'social capital' in the region. While this can have various meanings, we understand it to be the 'social glue' that holds groups and communities together, allowing them to work for common purposes as against singular and sectarian ones. The importance of 'social capital' for development emerged as an important contribution to the global development debate in the 1990s and its relevance for the Commonwealth Caribbean has been highlighted by Havelock Brewster, one of the region's foremost economists, in his insightful commentary contrasting the deteriorated state of social capital in Jamaica, which has acted as a brake on development, as against the still buoyant stock of social capital in Barbados, which gives the country a valuable resource for development and the citizen a stake in society (Brewster, 1996). More recently, similar arguments have been extended and applied to small island states in general, wherein it has been claimed that they have relatively high stocks of social capital that allow them to offset their inherent vulnerabilities and weather economic, social and political challenges (Baldacchino, 2005). The relevance of this to the Windward Islands, amongst other Commonwealth Caribbean countries, should be readily apparent.

The task is therefore to find ways to mobilise social capital for development. The most often cited case - which deserves study and emulation throughout the region - is the example of 'social partnerships' in Barbados. To date, Barbados has entered into five 'social partnerships' covering the period 1993-2007. Their original purpose was as a mechanism to cope with the financial crisis that beset the island in the early 1990s. The 'social partners' to the protocols were the government, business and labour and the purpose of the protocols was to hold tripartite discussions in a structured dialogue to reach consensus on national development goals. Of particular note is their institutional development, which has resulted in regular dialogue at the highest political level, and their expanding range of concerns. The current protocol for 2005-2007 covers general topics such as globalisation, the CSME, the productive

sectors of the economy and the role of the public sector, as well as more specific employment topics such as child labour, occupational safety and the termination of employment. The protocols have generally been regarded as a success, but this does not mean that they do not have their problems. A study in 2002 revealingly commented on capacity weaknesses "to participate meaningfully at the dialogue table" by the private sector and to some degree by the trade union movement (Brown, 2002: 45), the result of which inevitably puts the government in the lead. In itself, this is not necessarily a fault and in many ways is commendable since the government can be seen as both the ultimate source of legitimacy and the major enabling force for development.

Summary

The governance debate in the region is currently 'in recess'. It should be revived, but in a manner which gives greater prominence to the development dimension and provides a broader interpretation of the elements of 'good governance'. This will mean both more deliberative and purposive action by the state at the national and regional levels and more generally a reconsideration of the role of the state in the region. In so doing, the Commonwealth Caribbean must look beyond what Clive Thomas has described as 'the post colonial development state' and the successor 'neo-liberal state' (Thomas, 1998) to a new form of state with greater CSO involvement, a more supportive public sector and a wider vision. It must also be a more 'pro-active' state, given the generally weak record of the private sector outside of a few enclaves in relatively few countries. The key here is to build 'state capacity' in state management and planning in addition to the delivery of more effective and efficient public services to its citizens. In short, the role played by the state in the process of governance is another matter that has to be rethought in every dimension if Commonwealth Caribbean development is to proceed.

Conclusion

Where does our analysis lead by way of conclusion? We drew attention at the outset to the importance of Bernal's argument about the Commonwealth Caribbean's need for 'strategic global repositioning', but argued that his formulation of this conception had not been given sufficient critical scrutiny within the region and thus remained underdeveloped intellectually and politically. We identified

competitiveness, diplomacy and governance as the formative elements of SGR and have sought in this study to take the debate about SGR forward by working through in turn the key issues that arise in relation to these three policy agendas. They manifestly constitute the most pressing, and intractable, aspects of the Commonwealth Caribbean's current development problematic. They also feed off each other in a series of ways that have been repeatedly highlighted. We believe that they also point strongly in the same broad policy direction. In our view what emerges from the preceding analysis is an overriding need to create a Commonwealth Caribbean 'functional equivalent' at the regional level for the kind of 'developmental states' that were so crucial in the 1980s and 1990s in East Asia in breaking out of the impasse of underdevelopment in that part of the world. We describe this as a 'CARICOM developmental state' and set out briefly what we mean by this in the remainder of this conclusion.

The concept of a 'developmental state' has been endlessly debated in the academic literature, but has been classically defined by Adrian Leftwich as "a transitional form of the modern state ... whose political and bureaucratic elites have generally achieved relative autonomy from socio-political forces in the society and have used this in order to promote a programme of rapid economic growth with more or less rigour and ruthlessness" (Leftwich, 2000: 167). Although 'developmental states' are sometimes viewed as being necessarily authoritarian in their politics, this is not a defining feature and so does not preclude the idea of a democratic variant. The point is that the political and economic elites have to be sufficiently distanced from the push-and-pull of interest group politics to have the autonomy to chart a coherent development strategy - to identify and back the economic sectors that have growth potential ('picking winners'), to manage external market relations with the rest of the global economy ('selective seclusion') and generally to give strategic direction to a country's development ambitions. The key task is 'getting the control mechanism right' (Amsden, 1989), rather than 'getting prices right', the mantra of the neoliberals. However, it is also considered vital that the relative autonomy of the elites is 'embedded' (Evans, 1995), by which it is meant they should be well enough enmeshed with business and other potential development partners in the society that their proposed policies command legitimacy.

Like all development models, this package of characteristics obviously emerged at a particular time and in a particular place. It cannot be transferred in some simplistic way. At the

same time, that does not mean that important lessons cannot be learned and key elements of the model subsequently adapted for use in other parts of the world. However, with only a small number of exceptions (Griffith, 1991; Gayle, 1993), theorists concerned with Commonwealth Caribbean development have ignored the 'developmental state' model, most presuming that it somehow did not apply to a region that had as great a commitment to democracy as to development. Interestingly, the idea was recently picked up again in a paper delivered to a development strategy seminar held at the CDB in January 2003 by Nikolaos Karagiannis, a research fellow at UWI in Jamaica. He conceded that, as he put it, it would be "wrong to consider that Japanese economic policy-making could, or indeed should, be transplanted to Caribbean economies which are characterised by different historical and cultural circumstances, and different socio-political characteristics". But what it was important to learn from East Asia, he argued, was "how to approach development problems - i.e. the *strategic* approach" (his emphasis), the point being that, in his view, "governments may still pursue strategic industrial policy in a globalising world economy" (Karagiannis, 2003: 25-9).

We concur with the latter general point, which in a way is really what SGR has always been about, but prefer to frame it somewhat differently. Karagiannis focused exclusively on the national state as the potential vessel within which to pursue strategic developmentalism. We certainly believe that all Commonwealth Caribbean countries need to focus hard on the issue of competitiveness, improve their development diplomacy and take their interest in the reform of governance further than they have done thus far. But we also believe that we have shown in the earlier discussion of all three agendas that these goals will be extraordinarily difficult to deliver at national level alone. Considered as separate entities, all Commonwealth Caribbean countries, even the largest and most populous like Jamaica and Trinidad and Tobago, are too small to be able to acquire and sustain the necessary steering capacity. In a further manifestation of the politics of smallness Commonwealth Caribbean state machines are also, inevitably, too close to the pull of societal pressures to establish the kind of relative autonomy that is at the heart of the classic conception of a 'developmental state'. In short, however much one might wish it, the region is not going to give birth to a flock of 'mini-developmental states' at the national level. In that sense, at least, it was right to conclude that the various East Asian national experiences could not be transferred across to Caribbean states.

However, the crucial missing element in the discussion of the potential of the 'developmental state' concept in the

context of the Commonwealth Caribbean has been the CARICOM dimension. We referred earlier to the failure of the region's political leadership to respond favourably to the proposal for the establishment of a permanent Caribbean Commission made by the West Indian Commission in 1992 and noted the resulting continuing weakness of the regional governance system operated within CARICOM. This remains in essence the weak version of inter-governmentalism that was all that was possible politically within the region in the immediate years after the collapse of the Federation, qualified only by the *ad hoc* creation of the RNM and the eventual establishment of a Caribbean Court of Justice. It may be, though, that another opportunity to reshape the basis of Commonwealth Caribbean regional governance is in the midst of presenting itself. For, meeting in Jamaica in July 2003 on the 30th anniversary of the original signing of the CARICOM treaty and aware, as they put it, that "the current geopolitical and geostrategic environment is significantly different from that which existed ... in 1973" and that "the process of globalisation and economic liberalisation continues to pose significant challenges for the economically fragile and vulnerable member states of the Community", the CARICOM heads of government adopted the 'Rose Hall Declaration on Regional Governance and Integrated Development'. In this statement they at last agreed to establish a CARICOM Commission, answerable to them, but nevertheless specifically charged with the deepening of the regional integration process in matters such as the creation and functioning of a single market and economy, as well as "other areas ... as the Conference of Heads may from time to time determine" (<http://www.caricom.org>). It was no more than a commitment of principle, but a CARICOM Commission was something that had never been promised before in the region and in that sense the Rose Hall Declaration was a momentous and potentially seminal decision.

Everything, of course, depended (and still depends) on what ensues. The heads set up a Prime Ministerial Group on Governance, chaired once more by the seemingly tireless Ramphal, to elaborate on the details of the proposal. This group did its work, including identifying an income stream to support the Commission to be derived from a percentage allocation of the import duties gathered by all CARICOM states, and reported to a further gathering of the heads in February 2005. They apparently felt that they had too little time to consider such a major change and passed the matter on to the Bureau. It was considered again at another summit in February 2006 at which a further 'technical working group' was appointed, led by Vaughan Lewis, a former member of the West Indian Commission, former Director-General of the OECS and former prime minister

of St Lucia. This group reported to yet a further CARICOM heads meeting in February 2007 (Lewis, 2006). Lewis endorsed the Commission proposal, but instead of moving immediately to adopt the report the heads established a process of further consultations and additional comment, including proposals for alternative models of governance. These were to be channelled through Edwin Carrington, as CARICOM Secretary-General, and included in an interim report to be considered by the heads at their next meeting in July 2007. Clearly, therefore, there has already been some slippage of time and perhaps some waning of intent since Rose Hall. All of this inevitably rebounds on any successful completion of the CSME. For example, the time table set out for consolidation of the single market and initiation of the single economy proposed by Girvan (2006) in his report to the heads in November 2006, which was also adopted by them in February, is likely to be an early victim of such continued prevarication.

We argue on the basis of the analysis presented in this study that the establishment of a CARICOM Commission is a necessity, but that it cannot be enough on its own. A new tier of three or four ex-regional politicians appointed as Commissioners will not be transformative of itself. It will not deliver the 'detailed Regional development Strategy' advocated by Girvan (2006) as essential to complete the CSME nor provide the competitive regional and national platforms for successful 'strategic global repositioning, being pursued by Bernal and the CRNM. But a Commission that built itself up into something akin to what we have here called a 'CARICOM developmental state' might well be. What this would involve in detail would require research and the writing of another paper. At the very least, it would mean that the Secretariat be revived as the administrative base of the Commission; that the RNM be fully incorporated as the external affairs division; that a range of other regional mechanisms of functional co-operation be deftly integrated into the ambit of the Commission; and, critically, that a new and dynamic economic planning bureau be set up to plan the region's overall development strategy, including fundamental questions of production. The Commission would need to be protected from day-to-day political pressures by the region's political leadership. It would need to be seen to offer the career of choice to the brightest and most energetic of the region's technocrats and it would need to work closely with the regional private sector and other key CSOs. The Commonwealth Caribbean may at long last be on the verge of setting up a Commission, but it must beware of once again doing too little too late. There must be advanced an ambitious vision of what a CARICOM Commission can become, a sense that the creation of a regional 'development state' is desirable and

feasible, if the Commonwealth Caribbean is to re-engineer for itself a viable position within globalisation. The region has in effect wasted a generation after the end of Federation in 1962. It partially redeemed itself with the initial establishment of CARICOM in 1973, but missed a big opportunity in 1992 in rejecting the key proposal of the West Indian Commission. It needs now to seize the Rose Hall moment, establish and properly fund a CARICOM Commission, and charge it with nothing less than charting all aspects of a region-wide development strategy capable of coming to terms with globalisation.

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57 Erb Street West
Waterloo, Ontario, Canada N2L 6C2
tel +1.519.885.2444 fax +1.519.885.5450
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