

# CARIBBEAN ECONOMY & INTEGRATION

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# Intro

- ▣ Globalization and marginalization
- ▣ Structural transitions
- ▣ Migration
- ▣ Trends in income
- ▣ Sovereignty and dependence
- ▣ Regional integration
- ▣ Opportunities and threats

# Globalization and marginalization

- ▣ Caribbean as a frontier of globalization, 16<sup>th</sup>-18<sup>th</sup> c.
  - Paradox of slavery and modernity
  - Export and (proto-)peasant production
- ▣ Declining significance since
  - Expansion of globalization
  - Technological developments (transport)
  - Advantages of scale become disadvantages

# Structural transitions

- ▣ Contraction primary sector
  - Plantation agriculture
  - Peasantry, fishery
- ▣ Growth and contraction secondary sector
  - Industrialisation
  - Extractive industry
- ▣ Growth tertiary sector
  - Services, tourism, trade

# Primary sector: plantations

- ▣ Decline traditional plantation sector
  - Innovation;
  - Declining interest in global sugar production 35% (1870s), 25% (1920s), 14% (1960s), < 1% (2010)
  - Competition and alternatives
  - Percentage sugar in Caribbean export 50% (1820), 80% (1920), < 5% (2010)

# Primary sector: peasants

- ▣ Post-slavery peasant production
  - Access to land
  - Comparative disadvantages
  - State policies
  - Impact of scale, population density
  - Psychological dimension?
- ▣ Today:
  - Overall dependence of food imports
  - Agrarian share in employment < 20%

# Secondary sector

- ▣ Agro-industry: limited share
- ▣ Industrial production
- ▣ Extractive industry: bauxite, gold, oil
- ▣ Share in GDP: only high in PR, Trinidad, Suriname, Guyana
- ▣ Comparative (dis)advantages
  - Location
  - Scale
  - Salaries

# Tertiary sector

- ▣ Trade
  - Free trade zones, transit ports, narcotrafficking
- ▣ Tourism
  - Comparative advantages
  - Social opportunities and challenges
- ▣ Financial services
  - Offshore finance
  - Money laundering



# Tertiary sector: significance

- ▣ 1960 - 2008 from 20 to 60% GDP, except PR, T&T (20 > 30%), Guyana, Suriname
- ▣ Also largest share in employment
- ▣ But unemployment remains high
- ▣ On top, negative effects tourism:
  - Benefits drain
  - Dependency
  - Environment
  - Psychological

# Migration

- ▣ Intraregional migration, emigration
- ▣ High emigration since WWII
  - Economic, social and political push factors
- ▣ Negative effects
  - (Brain) drain; loss of investment; psychological; demography/socioeconomic pressure
- ▣ Positive effects
  - Relief on tight labor market
  - Remittances (5-25% GDP)

# Income

- ▣ Extreme contrasts within Caribbean
  - Haiti \$ 455, Caymans \$ 43.000 (Bulmer-Thomas 412)
- ▣ Extreme domestic contrasts

# Sovereignty and dependency

- ▣ Link p.c. income and constitutional status
- ▣ Causal relation?
  - Economic support; dependence
  - Stability and good governance
- ▣ Implications
  - For economic development non-sovereign territories
  - For decolonization
  - For regional integration

# Context of regional integration

- ▣ Hegemony US (and Canada) in Americas
- ▣ LatAm economies primarily geared towards US, and increasingly also Pacific
- ▣ Economic significance Caribbean in LatAm negligible: GDP < 3,5% of total GDP LatAmCar (ECLAC 2012)
- ▣ Caribbean extremely open economies
- ▣ Hence, Caribbean are small partners in regional integration, little to offer

# Regional organizations

- ▣ Association of Caribbean States: politics
- ▣ ALBA
  - Initiative Venezuela and Cuba, later also other left-leaning states, 6 other Caribbean nations also member
  - Socialist alternative: reach and stability?
- ▣ CARICOM
  - Commonwealth Caribbean, Suriname, Haïti
  - Intra-CARICOM trade: < 20%, dominance T&T
  - Common market: chances, problems
  
  - OECS

# Opportunities and threats

## ▣ Opportunities

- Global growth tourism
- Cooperation within tourism industry
- Productive capacity Guianas, Cuba

## ▣ Threats

- Small-scale and contrasts in scale
- Environmental decay
- Limited room for diversification
- Competition between islands
- Political and administrative instability