

Fourth ADLITH BROWN Memorial Lecture

The Caribbean and Europe in the 1990s

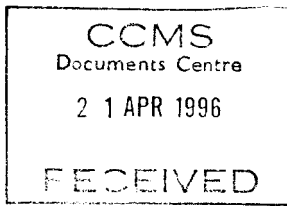


Edwin W Carrington

Dr Edwin W Carrington began his working career in 1964 as an administrative cadet in the Trinidad and Tobago Government Service. He did his post-graduate work at McGill University where he also worked as a teaching assistant. From 1969 to 1970 and 1976 he was a junior research fellow at the Institute of Social and Economic Research, University of the West Indies, St Augustine. Between 1970 and 1976 he was Chief of Economics and Statistics and subsequently, Director of the Trade and Integration Division of the Caricom Secretariat.

In 1976 he became Deputy Secretary-General of the African, Caribbean and Pacific Group. In 1987, he was elected Secretary-General. He is eminently qualified as an authority on regional development to speak on the topic "The Caribbean and Europe in the 1990s".

Some of his publications include, *Industrialisation by Invitation—The Case of Trinidad and Tobago*. and *The Post-War Economy of Trinidad and Tobago*, *New World Journal* 1968.



Fourth

ADLITH BROWN

Memorial Lecture

The Caribbean and Europe
in the 1990s

by
Edwin W Carrington

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
UNIVERSITY OF THE WEST INDIES,
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FOURTH ADLITH BROWN MEMORIAL LECTURE

DELIVERED BY
EDWIN W CARRINGTON
SECRETARY-GENERAL
OF
THE AFRICAN, CARIBBEAN AND PACIFIC GROUP

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The Fourth Adlith Brown Memorial Lecture

Introduction

by
J. Edward Greene

This is the Fourth Annual Adlith Brown Memorial Lecture. The series has been institutionalized as an integral part of the annual conference of the Regional Programme of Monetary Studies. The lecture tonight coincides with the 20th year of this Programme, a unique one, that has been funded by the central banks of the region and one which sponsors research that is jointly done by the research divisions of the central banks in collaboration with the Institute of Social and Economic Research, University of the West Indies and the Institute of Development Studies, University of Guyana.

This annual lecture series is a fitting tribute to the late Dr Adlith Brown, who up to the time of her death in 1984, was the co-ordinator of this important regional programme. It was her idea, that in addition to the technical sessions, the annual conference should assist the Programme to reach out to the community. The idea materialized in 1983 when the first open lecture was given by the Director-General of the OECS, Dr Vaughan Lewis at the Dover Convention Centre, Barbados. To complete the record, that first open lecture was chaired by Dr Delisle Worrell then Director of Research of the Central Bank of Barbados, which sponsored/hosted the 1983 conference. I am pleased to acknowledge Dr Worrell's continued role in sustaining the high quality of work associated with the Programme.

The second open lecture took place under most testing emotional circumstances for all of us involved in the planning and who happened to attend the 1984 conference hosted by the Central Bank of Jamaica. Adlith died just three days before the commencement of that conference. But even throughout her brief illness and her rapidly weakening physical well being, she drew on all the reserves and inner strengths that characterized her life, to give instructions (and I mean **give** instructions) as to the details of the organization and structure of that sixteenth annual meeting.

In spite of the fact that the second open lecture as

scheduled, coincided with the date of the commemoration service for her life, we had no doubt that she would have wished for no other action than for us to go on with that lecture. Hence just a few hours after attending that service at the UWI Chapel in Mona on 11 October 1984, the delegates and members of the public attended a stimulating presentation by Mr Roderick Rainford, Secretary-General of the Caricom Secretariat. That open lecture was chaired by Prof Compton Bourne.

Please permit me to say a few words about Prof Bourne at this stage. He has been involved in this programme from 1970 when he joined the UWI as a lecturer in the department of economics at Mona and has participated actively in the annual conferences and the research agenda as attested to by the number of articles, working papers and books that he has produced. In a most recent publication, *A Bibliography of the Published and Unpublished Work of the Regional Programme of Monetary Studies* by June Stewart and Aldeen Payne, thirty entries are listed under his name. He was the part-time co-ordinator of the Programme between 1974 and 1980 before the appointment of Adlith Brown in 1980 as full-time co-ordinator. After her death, in spite of the heavy burdens imposed on him as the first University Dean of Faculty of Social Sciences, he readily assumed the role of part-time co-ordinator of the Programme between 1984–1987 prior to the appointment of Dr Leroy Taylor, our present co-ordinator.

I am sure that were Adlith present at this event she would wish me to do no less than to publicly acknowledge that like Delisle Worrell, Compton Bourne continues to provide that high quality of intellectual leadership and contribution to the programme that cannot adequately be expressed in words.

Indeed it was Professor Compton Bourne who echoed the sentiments of scholars and practitioners by proposing that the open lecture series be designated the Adlith Brown Memorial Lecture. That the central banks unreservedly agreed is a testimonial to the high esteem that they too held for her work and contribution.

It is also fitting that some of the people who touched her professional life have so far been involved in these series of lectures in her memory.

Prof C Y Thomas, [first Co-ordinator 1968-1971]. It is important to acknowledge the role of Prof C Y Thomas, the first co-ordinator of the programme, whose seminal work on money and banking in Guyana is a landmark for scholars and practitioners. His continued participation and prolific writing is an inspiration to us all.

Dr Courtney Blackman, former Governor of the Bank Central Bank of Barbados currently, an international consultant and honorary Associate Fellow of the RPMS gave the inaugural lecture in the Bahamas in 1985.

Dr Maurice Odle, Assistant Director, United Nation's Centre for Transnational Co-operation gave the second lecture in St Kitts in 1986. Significantly, Dr Odle was Co-ordinator of the RPMS (1971-1974) while he was Director of Institute of Development Studies (IDS).

Mr William Demas, esteemed Governor of the Central Bank of Trinidad and Tobago, gave the third lecture in Belize in 1988.

Adlith Brown Annual Prize

I wish to announce that from funds provided by her family, the UWI has approved an annual Adlith Brown Prize for a graduate student in the faculty of Social Sciences of any of the three campuses of UWI and from the Consortium Graduate School who has distinguished him or herself and who has demonstrated a capability for outstanding research. The inaugural prize for the year 1986-1987 was awarded to Mr Arnold McIntyre of the Department of Economics, UWI, St Augustine who was also attached to the RPMS as a Research Assistant. We wish to congratulate Mr McIntyre on his achievement.

UWI's 40th Anniversary

Before introducing the presenter of this Fourth Annual Lecture, please permit me to make a brief observation which has to do with the fact that this year, the UWI as well as the ISER celebrate their 40th anniversaries simultaneously. It coincides more specifically also, with the assumption of Mr

Alistair McIntyre to the office of vice-chancellor of the UWI. Indeed he took up his appointment exactly ten days before hurricane Gilbert which ravaged the UWI Campus at Mona and has led some observers to comment that our new V C came in with a bang.

We in this Regional Programme of Monetary Studies empathize with the dilemma of the new V C as well as with the Mona campus as a whole, if for no other reason than the fact, that as the director of ISER at the time, it was due to the vision of Alistair McIntyre and the positive response of the regional central banks and monetary authorities that this Programme was launched in 1968. Over the past 20 years it has been sustained as a collaborative venture between the central banks and university researchers in the region.

To mark the 40th anniversary year, the UWI has launched a Relief and development Fund. It is intended not only to *rehabilitate* the Mona campus (which is the relief aspect), but also to develop programmes within the UWI system as a whole to ensure that as we move from our 40th to our 50th anniversary by 1998, and indeed toward the twenty-first century, we would leave a legacy of work and service to our communities and the region that is path breaking, creative and relevant.

If Adlith were with us today, I have no doubt that she would be in the forefront of these challenges for development and I would think it most appropriate to call on all *alumni* and friends of the University to contribute generously to the UWI's relief and development fund. It is our view that strengthening the University will at the same time strengthen our capabilities in the region to deal with our development in a way that is appropriate to our needs. You have a choice (both alumni and friends) either to invest in the future *survival* of the University or to allow its potential for training of skilled manpower to decline. If you choose the latter, then be prepared to be condemned by *history*.

The University has established national and regional appeals committees throughout the Caribbean and in the USA, Canada and the UK. The chairman of the national appeals committee of Trinidad and Tobago is Justice Ulric Cross. Hurricane Gilbert has therefore created only a temporary setback. It is our intention through programmes such as

the Regional Programme of Monetary Studies to ensure that the University makes a difference to the lives of the people of the Caribbean. In paying tribute to Dr Adlith Brown, we are also looking to the future with the optimistic view that with your support and co-operation we can make the world of difference.

**The Caribbean and Europe
in the 1990s**

by

Edwin W Carrington

Mr Chairman, distinguished guests, ladies and gentlemen,

Mine is the honour and the privilege to have been invited to give this 4th Lecture in the Adlith Brown Memorial Lecture Series.

Adlith is a friend. Adlith *was* a colleague. The friendship lives on forever, embodied in the various experiences we shared together and in all she helped to teach me. She had an impact on many of our lives. She certainly made a contribution. It is right that we honour her memory. More importantly, it is our duty to carry on where she left-off, sadly all too soon.

Mr Chairman, Adlith was not simply a monetary economist, nor even a monetary and a development economist. Nor was she either just a monetary, development and international economist. Indeed, Mr Chairman, she was not merely an economist at all. Adlith was **all** that and more.

It is against this background that like Adlith would certainly have wanted Ed to do, I seek to bring you up to date on certain international developments – North/South and South/South – of relevance to the Caribbean region, formulate certain desiderata from a Caribbean viewpoint, with a hope that this may help to trigger some action on the part of the region, in its own interest.

Mr Chairman, international development cooperation is essentially a post-war phenomenon which draws a measure of its theoretical underpinnings from the Keynesianism of the mid and immediate post-war years. The Bretton Woods institutions established at the end of the war, particularly the International Bank for *Reconstruction and Development* and the International Monetary Fund, supplemented by the GATT – the Havana initiative to establish an International Trade Organisation (ITO) having died at birth – constituted the critical institutional constellation. Their first preoccupation found expression in the IBRD – the *reconstruction* of a Europe ravaged for the second time in less than twenty-five years by a horrific war.

That pre-occupation spearheaded by the Marshall Aid Plan of some 12.5 billion US dollars in four years, helped to re-establish the economies of Japan and of a Europe groping towards reorganisation for co-operation rather than confrontation, and prepared to concede in the process the decolonisation of overseas territories.

The process of European reorganisation saw the establishment of the EEC with the signing of the Treaty of Rome in 1957 – the very year Britain lost from among its colonial possessions, Ghana, the former Gold Coast. The UK was not then the member of the European Community she was to become some fifteen years later, by which time the overwhelming majority of her colonies including most of those in the Caribbean and those of her other partner states in the EEC had been “set free” (adrift). With this passing, international co-operation for *development* rather than for *reconstruction*, was to become the priority.

It is in this general environment that the sovereign life of the Caricom nations began (after a near mishap – some may even say near strangulation by their umbilical cord.)

One of the region’s first actions was to establish a single co-ordinating machinery at home, while establishing separate representation abroad. This mixture of the region’s approach to economic development and international development co-operation.

Even starting from a co-ordinated base however was not enough to ensure an effective united approach to the region’s premier external co-ordinated initiative – the Lome arrangement. There are a number of reasons for the region to return to this theme at this time.

The Coming of the European Market

First of all, the coming together of Europe and particularly from this region’s standpoint the entry of the UK into the European Economic Community in 1973—an act by which the UK clearly put its European priorities over those of any Commonwealth – served to galvanise the so-called Commonwealth English-speaking countries of Africa, the Caribbean and the Pacific to join with their French-speaking African partners to form the group now known as the ACP Group. Much of the political and technical foresight and impetus and initiatives for that process came from the Caribbean, involving men such as Sonny Ramphal, P J Patterson, William Demas, Alister McIntyre and others.

The European Community has since enlarged itself to include the entire Iberian Peninsula and the islands of the Aegean Sea – that is, to include Spain, Portugal and Greece.

With its twelve member states, it now covers the entire west European area spreading from the Mediterranean sea up along the border of Eastern Europe to the southern tip of Scandinavia, to include Denmark and all the territories to the West between Europe and America except for Iceland and Greenland.

Not satisfied with this widening, Mr Chairman, it has now decided to deepen – Oh yes, one particular head of government may shy away from the thought – and the Single European Act, signed by all EEC states in February 1986 and which came into force in July 1987, commits them all to establish by 1992, a single internal market without frontiers for promoting the free movement of persons, goods, services and capital. This Single European Market – whether or not it leads to a full monetary union with a single currency and single central bank – is already a key international development of great importance for the international economic community, for the ACP and for the Caribbean. Its impact may be felt in a number of ways. It threatens Caribbean banana exports to the UK by removing the restriction to free circulation of bananas within the entire Community on which Caribbean bananas depend for their protection in the UK market; it can open wider market avenues for Caribbean rum, now itself restricted by lack of free circulation; it can threaten investment flows to the region, while increasing its demand for our tourism service. It can, through harmonisation of various standards lead to the exclusion of number of products and services now exported by the ACP. It can change the pattern of European production and consumption.

And should the Single European market lead Europe to become, as some fear, “a fortress Europe”, the Caribbean access to that market through the Lome arrangements would constitute a vital access point to that “fortress”.

The coming into being of the Single European market certainly raises questions regarding the efficacy with which the Caribbean is now organised internally as well as in regard to its external representation to deal with the more deeply united form of Europe. As an indication, six of the thirteen Caribbean ACP states have no representation in Brussels to deal with the Lome Convention and as many do not participate ministerially or technically in ACP/EEC institutions, no one there holds even a watching brief for them.

Uruguay Round of Multilateral Trade Negotiations

Mr Chairman, the *second* major international development which poses significant questions for the Caribbean and its external organisation for international economic co-operation is the Uruguay Round of GATT Multilateral Trade Negotiations, now heading for its critical mid-term review in Montreal in December 1988.

This review of the world's trading regime, designed as it is to achieve, inter alia, the greatest possible liberalisation of trade, is certain to result not simply in unprecedented tariff concessions across the board, but also in a major reordering of international economic relations. Trade in tropical products, in agriculture and in services are but three of the central subjects in which significant development seems certain to occur.

Already the EEC has taken the lead in offering to reduce at the December Montreal mid-term review, tariffs on a number of tropical products. Should this offer be taken up by the other countries especially the USA, Japan, etc., then the ACP will lose, as early as from next year, much of its preferences in the Community markets. The EEC's attitude has been that the ACP would be able to gain in the rest of the world's market what it loses in the Community's.

The ACP's loss, including the Caribbean's of course, will therefore be *certain*, its compensatory gains, highly uncertain. For the Caribbean, that loss will also not only be in relation to the EEC's markets, but in every market in which it has a preferential access for the particular product.

The Caribbean, one must appreciate, probably has had more absolute and relative preferential access than any other grouping of developing countries. For a population of approximately 6 million it enjoys with other ACP states under the Lome Convention, extensive preferences in the 320 million inhabitant markets of the EEC. Unlike the other ACP states, it also enjoys certain preferences under the CBI in the 260 million inhabitant market of the US and in the 25 million inhabitant Canadian market it enjoys certain preferences under the Caribbean arrangements. While the preferences are by no means of equal comprehensiveness, or even on the same products, I cannot think of any other grouping of six million people who have available to them such extensive

preferences in such high income markets. Having the greatest preferential access, the Caribbean is now certain to be among the major losers in the general erosion of preferences which is certain to come with the general lowering of the tariff barriers.

The Caribbean can therefore ignore the developments in the Uruguay Round of Trade Negotiations and in the coming into being of the Single European Market, only at great cost to itself.

The Current ACP/EEC Negotiations for a Fourth Convention

The harshness of the international economic climate of the 1980s has forced developing countries to seek greater support from, and reliance on the Washington institutions – the World Bank and the IMF. The crucial influence of these institutions has also forced the international community of donors of aid in both public and private sector to take account of them. This includes the Community and its member states. This greater concertation between the EEC and the multilateral financial institutions is serving to colour the tone of the ACP/EEC relationship.

That relationship embodied in the Third Lome Convention is now up for renegotiation and it is mainly in relation to the Caribbean's vested interest in those negotiations for a fourth Lome Convention, that I will devote the rest of my presentation. Of course, Mr Chairman, the Caribbean's interests are in great measure the ACP's interests.

The discharge of their fundamental duties by states begins with the discharge of their fundamental responsibilities by their citizens.

Let me quickly remind you that the ACP is a grouping of sixty-six developing countries – all forty-five black African countries south of the Sahara (this of course excludes South Africa), thirteen from the Caribbean, i.e. all of Caricom plus Suriname, and eight from the Pacific, mainly the Commonwealth like, Tonga, Western Samoa, Papua New Guinea and Fiji, etc. The Group first came together in the early 1970s when the UK joined the EEC and negotiated an aid, trade and

development co-operation agreement with the EEC, called the Lome Convention. In June 1975 in Guyana the Group signed the Georgetown Agreement formally establishing itself as an international grouping of states with its own international legal personality, registered with the UN and enjoying observer status in that body. The Group has its Council of Ministers, its Committee of Ambassadors and its Secretariat headquartered in Brussels.

The Lome Convention which has been renewed twice, gives non-reciprocal preferences for ACP trade to the EEC markets, free and unlimited access for industrial products and preferential access for agricultural products. It has a special Protocol for Sugar, a special one for Bananas and another for Rum. It has special arrangements for rice and beef and veal. It grants a special subvention to support shortfalls in the average earnings of exports to the EEC for certain agricultural commodities such as coffee, cocoa, bananas, etc., special support to maintain mineral production, aid for development cooperation, disasters, etc. to the tune of 10 billion dollars in Lome III and a commitment to developing industry in ACP states.

The Caribbean benefits mainly from its sugar, banana, rum, rice and other exports, marginally from the Stabex Funds, and from about 6 per cent of the aid funds.

Over the years, the Conventions has established an effective framework for multilateral cooperation and has represented a significant progress in North/South relations. Overall, however, its economic impact on ACP states has only been modest.

On 12 October 1988 in Luxembourg, the seventy-eight countries comprising the ACP (66) and EEC (12) opened the negotiations for a fourth ACP/EEC convention. Those negotiations are certain to continue well into 1989 before any agreement is likely to emerge.

What are some of the critical issues facing the negotiators whose success or failure is going to redound quite directly on your welfare? First of all, what is the context of the negotiations?

We have already seen some of the implications of the Single European Market which is due to come into existence in 1992. The region's bananas, rum, sugar, investment, trade

volume, services, etc., are all likely to be affected – and not always to its advantage.

We have also seen that the current Uruguay Round of Trade Negotiations by lowering the world trade barriers could open the way for the strong to get stronger and the weak further marginalised if proper safeguards are not installed. The Caribbean region is prominent among the weak in this regard.

Both of these developments – the Single European Market and the Uruguay Round – are due to be completed *after* the Lome negotiations. Since their conclusions can greatly vitiate any Lome provision, special safeguards would have to be inserted in the Lome arrangements to pre-empt any such possibility. How and by what mechanism one is not yet sure nor confident that there is any mechanism on which agreement can be found which would achieve this result.

This is one of the reasons that makes the *duration* of the Lome Convention on this occasion an issue of greater than normal concern. The EEC would prefer a convention of indefinite duration. So far each convention has been for five years. A significant part of those five years were however spent in negotiating a successor convention (eighteen months before the termination of the current one), while for roughly a year after the end of one convention, the process of ratification of the new one is still in progress. It means that each convention never effectively lasts for five years – probably much more like a little over three effective years. This provides very little time for concentration on the implementation of the convention, too short a horizon for investors and traders to commit the necessary resources and efforts, without the long-term guarantee which they would need to justify making such investments. For all these reasons, therefore, many agree with the Community that a longer duration is likely to make the Lome Convention more meaningful in terms of its contribution to ACP/EEC cooperation.

But the case for a duration longer than five years is not the same thing as the case for *indefinite duration*. On technical and political grounds the principle of indefinite duration poses difficulty for many ACP states. Among other reasons it limits the opportunities provided by regular renegotiations of the Convention for effective updating and improvement of the

Convention. On *political* grounds, the spectre of sixty-six developing countries – erstwhile colonies of Europe – recommitting themselves *en bloc indefinitely* to such a close economic, cultural and political relationship with Europe, is a political act many ACP states are not prepared even to contemplate.

But even if the principle of indefinite duration were to be considered acceptable, the timing could hardly be more inopportune. With the twin uncertainties of the Uruguay Round and the Single European Market, leading the many “unknowns” around the corner, to enter into an indefinite duration relationship at this time would effectively be not only entering the 21st Century blindfolded, as one ACP representative described it, but handcuffed as well. Thus, while a duration of longer than five years seems advantageous, one of indefinite duration not only seems of dubious benefit, but also inopportune.

There are of course a number of other relevant developments which would influence significantly the negotiations. For the first time the EEC comprises twelve member states and the two new states bring into bold relief as a backdrop to ACP/EEC relations, Latin America. Everyone is also waiting anxiously to see in a few days time whether the US/Canada free trade initiative is on or off.

Equally, the reform of the EEC's Common Agricultural Policy (CAP) is a matter of major significance for the ACP, especially as Spanish and Portuguese agricultural production now makes the EEC agricultural producers of the ACP state-type of agricultural products. All these factors impinge, some more than others, but all quite materially, on the current negotiations.

There is one more issue I would like to raise regarding the context of the negotiations and that is the geographic coverage of the next convention.

On the side of the EEC, despite indications of interest by Malta, Cyprus, Austria and Turkey *inter alia*, to become members of the EEC Community, it is certain, except if there is an indefinite duration convention, that the Community's membership would remain at its current twelve, throughout the next convention. On the side of the ACP, however, there is no such guarantee. Both the ACP and the EEC have given

the undertaking since the negotiations for the Second Lome Convention began in July 1978, that on achieving independence, Namibia, if it wishes, would be welcome as an ACP state. That undertaking stands as far as the ACP states are concerned and I believe for the EEC also.

Two new applicants from the Caribbean – Haiti and the Dominican Republic – have however recently sought to become members of the ACP Group. Their dossiers are now being studied and it is hoped that a decision will be arrived at soon. As the matter is under study at this time, it would hardly be prudent to say much publicly about their cases. Suffice it to say therefore that they are both in need of the support which international development co-operation is supposed to bring. And while in terms of democratic record, they like many in the ACP, would hardly be eligible to cast the first stone, they are in good company and moreover both are Caribbean countries. It cannot be in the region's interest to permit poverty and discontent to fester in its own yard. Responsibility, like charity, begins at home! The Caribbean is not simply the English-speaking Caricom.

The Central Thrust of Current ACP/EEC Negotiations

The ACP has taken as the central thrust for the new negotiations *the greatest possible local processing of its raw materials and the development of services*. The Group is conscious that over the last fifteen years – and twenty-five years if earlier Younde Agreements were taken into account – its relationship with the EEC was fundamentally *infrastructural* in nature. The *development* emphasis so far has been dominated by the preparation of the physical, institutional and technical *infrastructure* for development. In Lome III, the priorities of agricultural and rural development and food security were emphasized. While these tasks continue to be highly relevant, the Group recognises that even the achievement of those objectives calls for a change in gear, an upgrading from improving their capability to supply primary raw materials for others' factories, to providing agro-industrial products, semi-processed raw materials, components, light and simple manufactures and services.

This change in orientation and emphasis, apart from

its fundamental economic development implications, carries with it significant psycho-ideological connotations for both sides. It also holds fundamental implications for a number of the current Lome instruments – the rules of origin, Stabex, Sysmin, regional co-operation, the functioning of the European Investment Bank, the Centre for the Development of Industry, the principle of joint ventures, technology transfer, the role of the private sector and the place of small and medium-sized enterprises, etc. All of these are affected.

This position tentatively taken by the ACP has put the Community in something of a dilemma. First it cannot deny that even the pursuit of agricultural and rural development and food security, the priorities set down in the Lome III Convention, cannot be successfully achieved without at least effective mechanisms for the processing of the very output of such efforts, yet it recognises that this road once firmly taken, can call for effective industrial restructuring in the EEC and in effect to a change in the division of labour between the ACP and the EEC. The EEC's response to this change in orientation by the ACP has been "cool" to say the least, recalling that provisions and institutions already exist in the Lome arrangements for this. These provisions are however devoid of real operational content thus rendering the institutions of limited effect.

While the Community's reaction has been tepid, the ACP's own show of conviction has not been overwhelming either. And in a struggle as fundamental as what this choice can imply, nothing but the greatest conviction, determination and imagination is likely to give the ACP states in time any chance of success.

That success would be more likely if, in the case of processed material, there was significant easing in the rules of origin which set the production or source of inputs and the method of production which an ACP product must fulfil if it is to benefit from preferential treatment in the EEC markets. These rules are and have been throughout much too stringent. Many of them are way beyond the capacity of ACP states to fulfil.

For many ACP states which are not major raw material producers, and that includes most Caribbean countries, the central thrust implies greater support – finance, market

access, etc. – for its agro-industrial, manufactured products and services. This support would, however, only be of substance if an effective marketing and distribution outlet is provided. It is for this reason that the following three factors are being increasingly considered for support by the next Convention:

- an ACP Trade, Marketing and Distribution Centre
- greater support for developing regional and inter-regional trade
- support by the Convention for developing ACP exports in non-Community markets.

Mr Chairman, in pursuit of greater production and trade, of processed goods and services which constitute the central preoccupation of ACP States in their relations with the Community, great emphasis must be placed on the flow of resources which the ACP states receive through the Convention. The total resources provided under the three Lome Conventions so far amount to approximately 20 billion dollars. The Caribbean ACP countries have tended to receive around 6 per cent of these resources. This low share results from the Caribbean's relatively high per capita income among ACP states and their small share of the population.

Any future Convention which is primarily aid-oriented is likely to yield similar results for the Caribbean as low per capita income and large population are key criteria in the allocation of the aid – and both of these are relatively absent in the Caribbean.

These factors further reinforce the region's interest in ensuring that the next Convention carries, in addition to the agricultural and rural development and food security and aid priority of Lome III, an effective processing/manufacturing/service developmental thrust. Given the level of the state of technical arts in the Caribbean region, its nearness to, and preferences in, the great developed markets of the US and Canada, apart from the EEC's markets, the region's long-term developmental interests must certainly be advanced by a new Lome Convention which imparts an effective thrust towards processing, manufacturing and the development of services. Mr Chairman, the scope for ensuring that the

current ACP/EEC negotiations effectively pursue this objective is very much available to the region, but I fear, *it may not get itself sufficiently roused in time to grasp it.*

Debt

Mr Chairman, any scenario of that turbulent external economic environment or of the current ACP/EEC negotiations cannot be complete without at least a quick glance at the situation as regards the external indebtedness of the ACP states in general and the Caribbean in particular. The ACP states which together have a reported external debt of about 130 billion dollars. This is about one-tenth of the total debt of all developing countries and slightly less than the debt of Brazil. This debt problem presents a major obstacle to development for virtually all ACP countries because the debt overhang cripples the efforts and abilities of governments to tackle other problems.

Its size apart, the growth of debt and debt servicing is particularly acute for ACP countries. All the debt indicators—debt:service ratio, debt:GDP ratio and interests: GDP ratio—tend to be greater than for the heavily indebted Latin American debtors. For many of the ACP countries the debt:service ratio exceeds 60 per cent and for some African ACP countries it exceeds 100 per cent.

The Caribbean ACP countries hold under 10 per cent of the ACP's debt. Their debt:GDP ratios however are high and are increasing due to debt rescheduling, accumulation of arrears and declining GDP. Their debt service ratios are however yet to reach those of many African ACP states.

Faced with this situation ACP countries have reacted in various ways. Currently, Africa is only meeting about half of its scheduled debt service, 90 per cent of this servicing going to the IMF, the World Bank and to private banks which still provide trade credits. The net resource transfer between Africa and the IMF plus the commercial banks is negative, despite the IMF expanded structural adjustment facility designed to refinance the debt owed (by Africa) on longer-terms and at reduced rates. Even the transfer between the World Bank and a number of middle-income African countries is also negative.

To beat the problem, a number of ACP countries have adopted stringent structural adjustment policies over the last couple of years, some with, others without IMF/World Bank Structural Adjustment loans. These programmes have been at great social and economic cost in terms of lost output, employment, reduced living standards, etc., as adjustment has resulted in reduction of essential imports.

Since 1980 the average per capita income in Africa is estimated to have fallen by some 25 per cent. With the negative impact this has had on investments, reducing per capita levels below that of the mid-1960s, even future development has been severely prejudiced. *The instruments of international development cooperation have failed to secure development for the developing world.*

A large part of the cause of this condition of course emerged from the massive fall in commodity prices in the last decade resulting in astronomical terms of trade loss for developing countries. The ACP states alone have been estimated to have lost between 1980 and 1987 over 140 billion dollars owing to commodity prices falls, an amount in excess of their entire external debt and many times the entire EDF for the entire Lome period.

Given the ACP's close special relationship with the EEC, the benefits which the EEC member states enjoyed from these low commodity prices and the claims of the Lome Convention as an avant-garde instrument of development co-operation, the ACP countries are demanding that the EEC and its members agree firstly *to adopt as part of the Lome Convention the principle of a preferential debt relief regime applicable to ACP states.*

Secondly, to ensure that in keeping with their current undertaking in Lome III to work together in international fora to affirm the principles of their co-operation, to strive in the various relevant international debt relief institutions, such as the Paris Club and the London Club, and in political policy fora such as OECD and the summits of the Group of 7 to ensure that a general easing of the debt burden is provided for over the long-term.

Thirdly, to increase significantly the financial resources from the EEC in the context of the fourth ACP/EEC Convention, for the EDF, for a new separate structural

adjustment fund, and for greater investment resources from the EIB as well as from private capital sources.

The overall net effect of this requirement must be to allow the ACP states *to grow their way out of debt*; debt repayment must be solely out of the growth element.

For the Caribbean ACP states, all of which are members of the Inter-American Development Bank, the initiatives in that institution such as the creation of an investment corporation to concentrate on small- and medium-sized enterprises, can serve to positively reinforce the Lome Convention initiatives.

In return, of course, ACP states must adopt a regime of a transparent, balanced and enterprising approach to the access, use and remuneration of such resources. One such step would be for the ACP regional development banks to manage the regional funds of Lome IV.

The major scenarios hinted at in this lecture cannot achieve their full success without the *strengthening of regional cooperation among the ACP states* particularly through their sub-regional and inter-regional arrangements.

The Lome Conventions so far have supported this process – not surprisingly given the nature of the European Community itself. Much greater support – financial and technical – and wider power of decision-making, not merely of choice preferencing, must be allowed these organs in the outlining, adoption and implementing of policies and programmes in support of the process of regional cooperation.

The scope for intra-ACP cooperation in trade, in production, in transport and communication, in education, training and technical assistance, in culture, in coordination in various international fora, is enormous, but it calls for commitment, determination, understanding, imagination and a long view. The ACP much more than the Community is responsible for the failure to achieve any significant coherent progress to date in this regard. And it is the ACP's efforts only which can fundamentally change that situation. Now that a South Commission has been established and is functioning, scope exists for a natural alliance between the ACP Group and the South Commission and the array of regional organisations throughout the ACP, in developing and furthering various initiatives in this critical international development

co-operation domain of South/South co-operation. Without effective progress here, North/South and general international co-operation for development, would continue to be characterised by lopsidedness and domination rather than by interdependence and mutual interest.

This brings me, Mr Chairman, within sight of where I began – regional coordination and external organisation for international development cooperation in service of regional economic and social development.

Our Caribbean institutions – the Caricom and OECS Secretariats, the Caribbean Development Bank, the universities, and the relevant national government ministries – which should be charged with regional coordination and the region's external economic representation – be it in Brussels, its premier external regional initiative, or in Geneva, where the Uruguay Round of Negotiations are in progress or in Japan where the region has no representation at all – needs to have a more operational organic relationship, if the region's external initiatives are to be in effective service of regional development and equally if regional coordination for taking of external initiatives is to be effective.

In the present context therefore, Mr Chairman, I hope that I risk courting the displeasure of no one and indeed probably I would gain the approbation of all, if in *conclusion* I propose the following modest agenda for increased Caribbean external economic cooperation in furtherance of regional development.

—The governments of the Caribbean ACP countries, should urgently reinforce at ministerial and technical levels their participation in the *current ACP/EEC Negotiations* for a fourth ACP/EEC Convention to ensure that the resulting Convention embodies the orientations, mechanisms, procedures and resources capable of fostering a development process relevant to the Caribbean's own long-term development aspirations and that of all other ACP states. With the first major ACP/EEC Ministerial Negotiating Session scheduled for Brazzaville, Congo, on 16 and 17 February 1989, time is critically short to commence this process.

— Given the fundamental reordering of international economic relationship which seems certain to emerge from the Uruguay Round of Multilateral Trade Negotiations, Caribbean governments must seek to ensure effective participation and close coordination of their position within these negotiations and between these negotiations and those of the Lome Convention.

— The strength of the Caribbean abroad is in great measure a reflection of its unity at home. Unless and until the Caribbean formally recognises this and closes ranks as indeed Chalkdust, Stalin, Rudder and others have advocated in that true Caribbean medium, the calypso, any disarray of the region at home will be reflected in its relative disorganisation and impotence abroad.

— The development objectives of Caribbean states, especially as small economies, stand to benefit not simply from more effective North/South co-operation, but also from greater inter-regional South/South co-operation. However limited the scope may appear today for quick material benefits in South/South co-operation, it is tomorrow's promise of lasting and significant returns which one must look towards. This vision of the importance of making progress in inter-regional co-operation within the ACP and beyond is certainly gaining ground and was strongly reflected by the Prime Minister of Trinidad and Tobago in his recent speech at ACP House in Brussels in September.

— The resources of the region are at best modest. Regional and national development require the fullest exploitation of all opportunities, the mobilisation of all the available resources, greater coordination between the various agencies involved within the region and those externally located. Critical in this process is the role the region's universities must play in helping to shape the region's future, in planning its development as well as in assisting in the current management of the region's affairs.