XXX Annual Monetary Studies Conference

The Central Bank of The Bahamas

In conjunction with

Caribbean Centre for Monetary Studies

Small Island Economies In the New International Environment

By

Wendall A. Samuel
Eastern Caribbean Central Bank
Basseterre, ST. KITTS

Sheraton Grand Resort
Paradise Island, THE BAHAMAS

October 26 – 30, 1998

SMALL ISLAND ECONOMIES IN THE NEW INTERNATIONAL ENVIRONMENT

By
Wendell A. Samuel
Research and Information Department
Eastern Caribbean Central Bank
P.O. Box 89, Basseterre
St. Kitts
E-mail: eccbrei@caribsurf.com

Small Island Economies in the New International Environment

By

Wendell A. Samuel

Abstract

This paper examines the situation of small developing states in the new international environment and provides some evidence on the adverse international transfer of income. It contrasts the position that the international community has taken on the major issues raised in the debate on the New International Economic Order two decades ago, and concludes that the current international environment encourages an adverse transfer of income from developing to developed countries. The emphasis on reciprocal trading relationships, reduction in the quantity of development assistance, as well as its association with governance issues, the disciplines of the World Trade Organisation with respect to trade in goods and service, and the changes in the international financial system have increased competition among developing countries. The paper briefly reviews the experiences of the OECS economies with the changes in the international environment and outlines the strategic response of the OECS countries. It argues that while individual small developing states can benefit if they become more competitive, collectively they stand to lose by competing away productivity gains and transferring the same to the developed countries. The discussion suggests that while it may not be possible or even desirable to turn back the tide of globalisation, it would be necessary to put mechanisms in place to mitigate the worst effects of globalisation on developing economies. These include allowing adequate time for vulnerable countries to adjust to the new international environment, the coordination of economic and social policy and international transfers of income to assist developing countries in making the transition, and compensate losers in the process of globalisation.

Key Words: New International Economic Order, small island economies, economic development, and terms of trade.

INTRODUCTION

Trade liberalisation has always been advanced by the countries which are most able to benefit from free trade because the superiority of their production structures gave them a decided advantage. There has always been an almost hypocritical extolling of the virtues of the benefit of free trade for the world as a whole, and a rather less enthusiastic indication that economic theory has little to say about the distribution of benefits under perfect competition which underlies the analysis of free trade. The most that is said is that the distribution of benefits depends on the initial distribution of resources, the share of which puts developing countries at a severe disadvantage. Thus, from the superiority of the first-mover advantage gained during the industrial revolution, the British were the most ardent supporters of free trade during the nineteenth century. A similar position was taken by the USA after the Second World War, as its industries were unscathed by the ravages of the war. The developed countries which are most able to benefit from free trade also drive the current phase of free trade, and the developing countries have had to sign on as unwilling participants or face marginalisation if they opt out of the arrangements.

The nature of small developing economies makes them totally dependent on international trade for development stimuli. Both theoretical studies and empirical evidence have conclusively confirmed the locomotive effect of international trade on economic development, Lewis (1980), (Soderston (1990), Rydell (1983). The changes in the international environment have drastically altered the way in which small developing states are able to access opportunities for development. All of the tenets of the New International Economic Order (NIEO) have been totally reversed and small developing countries now find themselves having to eke out development opportunities in a largely hostile economic environment. The emphasis on non-reciprocal trading relationships requires that small island economies, at very short order, become internationally competitive to survive in the new international environment.

This paper contrasts the position that the international community has taken on the major issues raised in the debate on the New International Economic Order two decades ago, and

concludes that the current international environment encourages an adverse transfer of income from developing to developed countries. The emphasis on reciprocal trading relationships, reduction in the quantity of development assistance, as well as its association with governance issues, the disciplines of the World Trade Organisation (WTO) with respect to trade in goods and services, and the changes in the international financial system have increased competition among developing countries. The paper briefly reviews the experiences of the Organisation of the Eastern Caribbean States (OECS) economies with the changes in the international environment and outlines the strategic response of the OECS countries. It argues that while individual small developing states can benefit if they become more competitive, collectively they stand to lose by competing away productivity gains and transferring the same to the developed countries.

The discussion suggests that while it may not be possible or even desirable to turn back the tide of globalisation, it would be necessary to put mechanisms in place to mitigate the worst effects of globalisation on developing economies. These include allowing adequate time for vulnerable countries to adjust to the new international environment, the coordination of economic and social policy and international transfers of income to assist developing countries in making the transition and compensate losers in the process of globalisation.

Section I of the paper briefly outlines the main elements in the New International Economic Order developed in the 1970s, and discusses how the trade and related issues have been resolved in the current environment under the aegis of the WTO. Section II briefly outlines how the countries of the OECS have fared in the new environment and the strategic policy responses. The third section of the paper discusses some implications of the developments in New World Order and the policy responses of developing countries. The final section consists of some concluding remarks.

The New World Order

In recent times, there have been significant changes in the international economic environment, which have resulted in the creation of what has been called the New World Order. It has effectively turned the issues in the debate over the New International Economic Order on their heads. In this section of the paper, the major issues in the 1970's debate are briefly reviewed indicating how they have been resolved in the new international economic environment.

The major objectives of the NIEO were: the regulation and stabilisation of international commodity markets; non reciprocal access of manufactured goods from developing countries to the markets of the developed countries; reform of the international financial system; the regulation of the activities of transnational corporations; a creation of an enforcement code of conduct governing the transfer of technology; the promotion of economic cooperation among developing countries; increased resource flows to developing countries; and in general, the alteration of existing institutional mechanisms and structures to support the objectives of development in developing states (Helleiner (1982)). Needless to say, the developed countries never really accepted the premises of the NIEO and continued to promote their own agenda. The politico-economic framework for their objection to the NIEO and the consequent emergence of the 'New World Order' is based on the following: (i) the global economy, operated on a free market basis under the aegis of the Bretton Woods institutions and the GATT functioned reasonably effectively and needed no further management (if anything more free market was preferred); (ii) the developing countries were not sufficiently important to play a greater role in global decision making than it did; (iii) the most important influences on the welfare of the developed countries were determined in negotiations between themselves; (iv) the developing countries should be handled in a manner similar to how distribution is handled in the traditional theory - as a separate matter for independent bargaining.

Since the 1970s there has been movement on most of the areas of the NIEO, but unfortunately not in the direction which is beneficial to small island developing economies. The

issues identified in the NIEO constituted a comprehensive programme of negotiations and the current review will be unable to do justice to all of the issues in the debate. It would therefore focus attention on the issues related to trade and to a lesser extent, the reform of the financial system. It is recognised that such an approach may be less than optimal since all of the issues are closely related.

International Trade

The trade issues in the NIEO can be separated into two broad groups; those related to trade in manufactured goods and those related to trade in primary commodities. With respect to manufactured goods, the issues were related to the access of such products into the markets of developed countries. The call was for the reduction of protectionism in markets of developed countries, and dealt with both tariff protection and non-tariff barriers (NTBs) to trade. Progress on NTBs was particularly important since the level of tariffs in most developed countries was relatively low, but market access could be effectively curtailed by the application of non-tariff measures. The access to the markets of the developed countries was seen as non-reciprocal, as opposed to the General Agreement on Tariffs and Trade (GATT). UNCTAD (Prebisch 1964) distinguished between nominal reciprocity and real reciprocity. It argued that nominal reciprocity as contained in the GATT could be inimical to developing countries, resulting in a loss of income and a consequent reduction of imports from developed countries. On the other hand, non-reciprocal market access would allow developing countries to grow and increase their imports from the developed countries. In that sense, real reciprocity will be achieved. This argument was partly reflected in the trading agreements which were signed in the 1970s and 1980s. The Generalised System of Preferences (GSP), the Lome Convention, the Caribbean Basin Initiative (CBI) and the Canada Caribbean Trade Agreement (CARIBCAN) all made provision for non-reciprocal access. Limits in coverage, and in some cases, ceilings on volume were imposed in addition to the fact that some of the agreements were of limited duration and had to be renegotiated periodically.

The effectiveness of such reduction in trade restrictions would be reflected in the increasing share of developing countries manufactures in world trade in such goods. Specific targets for developing countries share of global manufactures by the year 2000 were identified in the Lima programme of United Nations Industrial Development Organisation (UNIDO).

Trade in Primary Commodities

The issues in trade in primary commodities were more complex and controversial than for manufactured goods. The cornerstone of the negotiations on trade in primary commodities was the integrated programme for commodities, which included a common fund for price stabilisation. It was a comprehensive stabilisation and development programme for 18 commodities of special export interest to the developing countries. It was to be supported by a central financing facility, which would tie the various commodity programmes into a cross-subsidising package.

The second major issue in primary commodity trade is price indexation. The theoretical basis for the indexation of commodity prices is the Prebisch-Singer thesis on the secular decline in the terms of trade of developing countries. Workers in the periphery are made worse off by technical progress there if the income elasticity of demand for goods from the centre is relatively high, and the price elasticity of demand for the periphery imports is sufficiently low.

The issues raised in context of trade in primary commodities found expression in the STABEX and SYSMIN components of the Lome Convention. If export earnings fall below the reference points, the exporting countries receive compensation to make up for the short fall. The aim of these funds is to provide income replacement for primary commodity exporters whose income declined because the price and or quantity of exports have declined significantly. The European Union (EU) would determine the level of export earnings for a commodity exported to the EU, which is viewed as normal for a country. The EU would then replace a percentage of the income via STABEX or SYSMIN transfers.

Development Assistance

The arguments on the provision of development assistance were made on the grounds that the developed countries had a moral obligation to provide such assistance, due to the fact that most of the developing countries were ex-colonies of the developed world which had been exploited. For such assistance to be optimally beneficial to the developing world, it should be significant, guaranteed and untied. In this regard, developed countries were expected to provide aid equivalent to 0.7 per cent of their GDP by 1980.

That such levels of development assistance have never been achieved is now history. In fact, in recent years there has been a decline in official development assistance as many developed countries have had to deal with burgeoning fiscal deficits, and have had to reduce these drastically. Currently, official development assistance is approximately 0.2 per cent of GDP of the developed countries. Development assistance has been more focussed on poverty alleviation in the least developed countries of the world, including sub-Saharan Africa and the least developed countries in the Far East. Additionally, more and more assistance is being tied to governance issues and effective utilisation of assistance in the past. Hence, transparency and anti-corruption issues are increasingly made a part of the discussion and some of the governance issues seem to be veiled attempts to impose foreign cultural values on the recipient countries. At the same time, procurement requirements have done little to loosen the shackles of tied aid.

Reform of the Financial System

The flow of official development assistance is but one of the elements in the finance of economic development and as such, complements the efforts to mobilise domestic resource, lending by multilateral lending agencies and the flow of international private capital. The NIEO focussed on the reform of the international financial institutions and the improvement of mechanisms for the flow of international capital. In particular, there was much emphasis on the reform of the Bretton Woods institutions to ease the conditionalities of their lending and to give them a human face.

While there has been incremental changes in the operation of the international financial institutions, the major changes have been slow in coming. The distribution of SDRs are still based on subscription quotas and the recent 45 per cent increase in quota has left the balance of power in decision making in these institutions largely unchanged. The insistence on the liberalisation of the capital account has, in part, led to the increased flows of private capital, but for most countries, this has been a mixed blessing.

Technology Transfer

The major issues in the transfer of technology revolved around persuading the developed countries to share technological know-how with the developing countries, tailoring the know-how to suit the peculiar social and economic circumstances of the developing countries, and overcoming the resistance to technological innovations in the developing world. The sharing of know-how on basic research is easily achieved since basic research is usually publicly funded and is disseminated in journals and other scholarly publications. The issue then would be the capacity of the developing countries to assimilate such know-how. The sharing of applied research is of a totally different genre, since the majority of this type of technology is done by private firms that require a period of exclusivity in order to recoup their investment. Patents and copyrights usually provide the required protection. The transfer of technology in this instance is usually through the establishment of subsidiary of the firm in the developing country or the payment of royalties for the use of the technology. The establishment of subsidiaries raises the issue of the control of multination firms, which was one of the other issues in the NIEO. Despite the efforts of UNCTAD, there has not been much progress on the control of multinational firms and if anything, competition for the flow of direct investment has increased the power of multinational firms. The developed countries have also moved to safeguard the returns to investment in research and development by insisting on an international framework for the protection of intellectual property rights. While this framework provides protection for both developers and officially licensed users of the technology, it is also a mechanism through which developing countries can be exploited by international firms.

Since the factor endowments and social structure of developing countries differ from the developed countries in which the technology has been developed, factories can be transferred without modification. Here again incentives have to be provided for the inventors of the technology to adapt it or allow its adaptation to the local conditions. Again these incentives are in the form of profits on FDI or royalties.

The rules and disciplines of the World Trade Organisation provide a comprehensive framework for international trade and trade related measures. In a sense, the resolution of the debate on the trade issues in the NIEO. This framework is discussed in the next section.

The Uruguay Round of Multilateral Trade Negotiations

The declaration adopted on September 20, 1986 at Punta del Este, Uruguay initiated a three-part programmme covering general principles, standstill and rollback, and negotiating objectives for trade in goods and services. The negotiations ended on December 15, 1993 and the results were formally endorsed by Uruguay Round participants at Marrakesh, Morocco on April 15, 1994. One hundred and twenty-five (125) countries participated in the Round, which will reduce tariff and non-tariff barriers to trade in goods, strengthen trade rules and extend multilateral rules to new areas - services and intellectual property - and establish the World Trade Organisation (hence finally completing the trilogy of international economic bodies).

The WTO is a single institutional framework encompassing all the agreements and legal instruments negotiated in the Uruguay Round covering trade in goods, services and intellectual property protection, as well as the dispute settlement procedures and provisions for the regular monitoring of policies of WTO members. There are a number of ministerial decisions and declaration that supplement the accord reached. The WTO is headed by a Ministerial Conference meeting at least once every two years. A General Council was established to oversee the operation of the WTO between meetings of the Ministerial Conference, including acting as a Dispute Settlement Body (DSB) and administering the Trade Policy Review Mechanism (TPRM). The General Council will have three principal ancillary bodies - the Goods Council,

the Services Council and the Trade Related Intellectual Property Rights (TRIPs) Council - reflecting the tripartite nature of the Multilateral Trade Agreements. Unless otherwise provided for, continuing the GATT practice, decisions will be taken by consensus. Five specific tasks have been given to the WTO:

(i) To facilitate the implementation of the results of the Uruguay Round;

(ii) To provide a forum for multilateral trade negotiations an a framework for the implementation of their results;

(iii) To administer the dispute settlement procedure;

(iv) To administer the TPRM; and

(v) To co-operate with the IMF and the World Bank.

For a country to become a member of the WTO, a nation must agree not only to accept the Uruguay Round obligations of the General Agreement on trade in goods, but also those of the GATTS, TRIPs, TRIMs and the dispute settlement and trade policy review procedure of the WTO.

Trade Policy Review Mechanism

Regular monitoring and surveillance of members trade policies and practices and their impact on the functioning of the multilateral trading system have been achieved by the TPRM, which has been in place since 1989 on a provisional basis. Each WTO member will report regularly to the Trade Policies Review Body (TPRB), the WTO Secretariat will also make a report and the TPRB will hold a session to discuss the contents of these reports. The WTO members will also continue to appraise, on an annual basis, developments that are having an impact on the multilateral trading system, assisted by an annual report by the Director General setting out major activities of the WTO and highlighting significant policy issues affecting the trading system.

Agriculture

Agriculture has been integrated into the multilateral trading system through new rules of general application to market access, export subsidies and domestic support, with an important step being made toward liberalising trade in agriculture. The Agriculture Agreement prohibits the use of non-tariff border measures on agricultural products and binds all tariffs. For agricultural products where intervention took the form of non-tariff measures, the 'tariffication' process led to a tariff being established and provisions were made for the maintenance of current market access opportunities and the establishment of new minimum access opportunities (at reduced tariff rates). Minimum access was to be expanded from 3 to 5 per cent of domestic consumption over the six-year (ten years for developing countries) implementation period. Certain countries have made special arrangements for the import of pork and alcoholic beverages. Tariff reductions were required for both the products subjected to tariffication and the vastly more numerous tariff-only products (products in the past, facing only tariffs at the border). The schedules of industrial countries show tariff reductions on agricultural products amounting to a simple average of 37 per cent.

Trade Related Investment Measures

The agreement on TRIMs for the first time established a degree of multilateral discipline on investment practices. It applies to performance requirements such as local content requirements or trade balancing requirements (which can be found to be inconsistent with the national treatment provision or the prohibitions quantitative restrictions). GATTS inconsistent TRIMs are required to be notified and eliminated within a transition period of two years (industrial countries), five years (developing countries) or seven years (least developed countries). Developing and least developed countries may request a further extension.

Agreement on Non-tariff Barriers

The agreements on technical barriers to trade, subsidies and countervailing measures, antidumping, import licensing, and customs valuation are more extensive versions of the agreements concluded on these issues in the Tokyo Round, while new agreements concern the application of sanitary and phytosanitary measures, safeguards, pre-shipment inspection and rules of origin. For WTO members applying non-tariff measures, the agreement provides for precise guidelines concerning their application, including transparency, predictability (including specified criteria for decisions) and procedural guarantees for exporters. Most of these agreements also contain provisions to ensure more favourable treatment of developing country exporters in the application if non-tariff measures.

Trade Related Aspects of Intellectual Property Rights

The agreement on TRIPs was motivated by a desire to reduce distortions in the condition of international competition resulting from widely varying standards in the protection and enforcement of intellectual property rights, and the lack of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods. The TRIPs agreement will be implemented within transition periods generally of 1 year (developing countries), 5 years (developing countries and transition economies facing special problems in structural reform of their intellectual property systems) or 11 years (least developed countries).
WTO members subject to limited exceptions must provide national treatment and treat nationals of trading partners on the same basis (most favoured nation (MFN)). The agreement specifies minimum substantive standards of protection, building on those in the Paris and Bern Convention for copyright and related rights. These include standards include minimum standards for computer programmes, databases, sound recording and films; trademarks and service marks; geographical indications, including appellations of origin; patents; industrial designs; the layout designs of integrated circuits; and undisclosed information, including trade secrets.

WTO members must provide procedures and remedies under their domestic law to ensure that foreign right holders can effectively enforce intellectual property rights. Requirements

include provisions on evidence, injunctions, damages and other civil remedies, including the right of judicial authority to order emergency provisional action, special border measures against imports of trademark counterfeit and pirated copyright goods, and criminal action including imprisonment or fines (or both) to act as a deterrent to willful trademark counterfeiting or copyright piracy on a commercial scale.

The General Agreement on Trade in Services

The objectives of establishing a multilateral framework of principles and rules for trade in services and the liberalisation of trade in sector has been achieved by the General Agreement on Trade in Services (GATS). The GATS consists of four main elements: (1) a set of general concepts, principles and rules that apply across the board to measures affecting trade in services; (2) specific commitments on national treatment and market access that apply to those service sectors and sub-sectors that are listed in a members schedule, subject to sector-specific or cross-sectoral qualifications or conditions (if any); (3) an understanding that periodic negotiations will be undertaken to progressively liberalise trade in services; and (4) a set of attachments that include annexes that take into account sectoral specificities and ministerial decisions that relate to the implementation of the GATS.

The GATS applies to measures imposed by a member to the agreement that affect the consumption of services originating in other members. The agreement applies to all four modes of supply:

(1) Cross-border - supply of a service (that is, not requiring the physical movement of supplier or consumer);

(2) Consumption abroad - supply of a service involving movement of consumer to the country of supplier;

(3) Commercial presence - services sold in the territory of a member by (legal) entities that have established a commercial presence there but originate in the territory of another member; and

(4) Temporary presence of natural persons - service supplied by nationals of one member in the territory of another.

Thus, the GATS covers trade in services in all forms. The agreement does not apply to services supplied in the exercise of governmental functions.

Two basic principles apply to government policies affecting trade in services. The first basic principle is MFN, although measures that are inconsistent with this obligation cannot be maintained in principle for more than ten years. The second is that of transparency, this applies to domestic regulation relevant to trade in services. Article III (Transparency) requires all members to establish inquiry points to provide specific information concerning any laws, regulations and administrative practices with respect to services covered by the agreement. Another obligation is that of Article VI (Domestic Regulation), which requires that members establish discipline to ensure that qualification requirements, technical standards an licensing procedures are based on objective and transparent criteria, are no more burdensome than necessary to ensure the quality of services concerned and do not constitute a restriction on supply. Other obligations address issues such as recognition of licenses and certification, payments and transfers and the behavior of public monopolies.

Since transparency and MFN do not, by themselves, necessarily lead to liberalisation, governments have made specific commitments in the schedules. In the service activities inscribed in the schedule, foreign service-suppliers benefit from market access (Article XVI) and national treatment (Article XVII), subject to the limitations specified in the schedule. Thus, market access and national treatment obligations apply only the services that are included in the schedules of members and then only subject to whatever qualifications or conditions are listed.

Six types of market access restrictions are in principle prohibited. These consist of limitations on,

(1) The number of service suppliers allowed;

(2) The value of transactions or assets;

(3) The total quantity of service output;

(4) The number of natural; persons that may be employed;

(5) The type of legal entity through which a service supplier is permitted to supply a service (for example, branches versus subsidiaries for banking); and

(6) Participation of foreign capital in terms of a maximum percentage limit of foreign shareholding or absolute value of foreign investment.

National treatment is defined as treatment no less favourable than that accorded to like domestic service and service providers. However, such treatment may or may not be identical to that applying to domestic firms, in recognition of the fact that identical treatment may actually worsen the conditions for foreign based firms (for example, a requirement for insurance firms that reserves be held locally). However, no exhaustive list is provided for measures restrictive of national treatment, unlike market access, given the wide range of government policies covered by this principle. Both the market access and national treatment provided for in the schedule must be extended to all foreign service-suppliers on an MFN basis. Since national treatment and market access are not general obligations in the GATS context, the schedules of commitments of members are very important in determining the extent of market access opportunities resulting from the agreement. Hence the GATS provides for the progressive liberalisation of trade in services through the scheduling of commitments. At the signing of the Uruguay Round Agreement in 1994, there were 95 certified schedules covering 106 current and prospective WTO members.

No service sectors were excluded from the scope of the agreement, but participants were free to specify the services for which they would provide market access and national treatment. Accordingly, there are important differences in the coverage of schedules of different participant. The schedules of major industrial participants, for example, cover nearly all sectors, although with exceptions in such areas as maritime transport and audiovisual services. For developing countries, the sectoral coverage of commitments is generally much lower than for industrial countries. Tourism related services contain the highest level of commitment, reflecting the importance of this sector in the foreign exchange earnings of many developing countries. Many developing countries have also made commitments in financial services, business services and construction services.

In summary, the GATS contain the general obligations of transparency and MFN applicable to policies in all sectors. Governments have made further commitments on the service activities inscribed in the GATS schedules, ranging from market access and national treatment to an absence of restrictions on international transfers and payments. Every such indication in a schedule is a binding commitment to allow supply of the service in question on the terms and condition specified, and not to impose any new measures that would restrict entry into the market or operation of the service. Therefore, a government taking such a step signals to the domestic and international business community that policies affecting access of foreign service suppliers are bound (standstill commitment) and may in the future, be liberalised (rollback commitment).

Other Trade Liberalisation

At the same time, that general trade liberalisation is taking place under the auspices of the GATT/WTO, there is a spate of negotiations for trade liberalisation within economic groupings. These include: the Free Trade Area of the Americas (FTAA), the European Single of the European Union (EU), MERCOSUR, the American and Pacific Economic Cooperation (APEC) agreement and the renegotiations of the Lomé Convention that governs the development cooperation relationship between the EU and the African, Caribbean and Pacific Countries (ACP). Closer to home, further liberalisation is taking place as CARICOM tries to establish its

single market and economy. Since all of the countries participating in these agreements are members of the WTO and have agreed to the rules and disciplines of that body, any agreement that they undertake would of necessity imply greater trade liberalisation than under the WTO. Any agreement that implies a lower level of trade liberalisation, including relationships with third countries, would have to receive a specific waiver from the WTO. It is for this reason that the banana regime which governs trade in that commodity between the EU and ACP countries was ruled inconsistent with the WTO rules.

The FTAA was initiated by a Summit of Heads of Government of the Western Hemisphere, held in Miami in 1995. It seeks to build on the North American Free Trade Area (NAFTA) agreement that exists between Canada, the USA and Mexico. The objective of the FTAA is to unite the countries of the North, Central and South America and the Caribbean in a free trade area by the year 2005. A number of working groups was established to identify the preliminary issues that were to be negotiated. These working groups covered all of the likely areas to be included in the negotiations, among which are market access, customs procedures, non-tariff barriers, rules of origin, and trade in services. At the insistent request of the small economies participating in the process, a working group on smaller economies was also established. Reports of the various working groups were given at a second Summit of the Heads of Governments in March of this year and the negotiations for the FTAA are expected to start in September. The negotiations will take place in the context of negotiating groups, which cover the same areas as the working groups, which were established earlier.

All of the signatories to FTAA are expected to accept a single undertaking, meaning that all of the countries are expected to sign the same agreement. The implication of this is that the principle of reciprocity will be enshrined in the agreement in contrast to the former agreements between the Caribbean and USA and Canada respectively. Under the Caribbean Basin Initiative (CBI) and CARIBCAN, the Caribbean countries exported a variety of goods in the US and Canadian Markets free of duty, but were only required to off MFN treatment to goods imported from these countries. Under the FTAA, goods and services imported from all participating countries, given that they meet the origin criteria, would qualify for duty free access. It is

expected that the smaller economies would be given longer phase-in periods for the agreement to allow them to adjust their economies, however, it is expected that they would have to be fully liberalised at some time in the future. The length of the phase-in periods is still to be decided.

As stated earlier, the Lomé Convention governs the development cooperation relationship between the EU and the ACP countries, which cover the areas of trade, aid commodity price stabilisation and industrial development. The first Lomé Convention was signed in 1974 in the capital of Togo for an initial period of five years. Since then, there have been three extensions to the Lomé Convention, the first two for five years and the final one for a period of ten years. The principle of non-reciprocity was enshrined in the Lomé Conventions up to this point, but the EU has indicated that it is looking to negotiate cooperation agreements with the ACP countries, which include a free trade area (FTA) component which would be reciprocal trading agreement. Under the Lomé Convention, ACP countries can export a wide variety of goods into the EU free of duty and they are only required to provide MFN treatment EU goods in their markets. Thus, even if the EU does not insist on a FTA, once the Caribbean countries sign the FTAA, they would be required to give duty free access to EU goods because of this MFN clause. There are special protocols for the importation of some commodities including bananas, sugar, rice and rum. In the past, the Caribbean countries have been unable to exploit the opportunities offered under the trade regime because their production structures have not been competitive enough to make significant in-roads into these markets.

Although these challenges wrought by the New World Order apply to all developing countries and even developed ones, small island states face special challenges because of their vulnerability to economic shocks and natural disasters. It is not that large economies are immune to economic shocks and natural disasters, but small economies lack the size and capacity to deal with them. The next section illustrates how these challenges have affected the OECS economies – a prototype of small island economies.

ECONOMIC DEVELOPMENT IMPERATIVES FOR THE OECS ECONOMIES

During the decade 1980 to 1990, the OECS economies grew at an annual average of approximately 6 per cent. The real growth rates ranged from 4.4 to 7 per cent (see Table 1). This growth performance was achieved in spite of two recessions in the developed countries at both ends of the decade and the passage of several destructive hurricanes. The growth in the economies was due to the conjuncture of favourable circumstance, which may not be repeated.

- Expansion in agricultural production as a result of trade preferences and favourable exchange rate movements;
- Growth in tourism due to the expansion of the infrastructure (airports and hotels) largely funded by concessional financing and Foreign Direct Investment (FDI);
- Improved fiscal performance of most of the OECS countries;
- Increasing economic integration both at the OECS and CARICOM level which implied freer trade between the states;
- The OECS countries ability to attract concessionary external financing from multilateral and bilateral donor agencies.

During the 1990's, real growth rate in the OECS countries fell off drastically, averaging about 2 per cent. This was mainly due to the international recession of the early 1990s, but also reflected some of the structural weaknesses of the economies. These weaknesses include:

- The narrow resource base and consequently the export concentration of the economies.
- The OECS economies were operating under protective trade regimes, which adversely affected their competitiveness and inhibited structural changes.
- There was too heavy reliance on the government sector for growth and development. The Public Sector Investment Programme (PSIP) of these countries largely drove growth.

An examination of the sectoral changes reveals that the economies have been restructured away from agriculture and manufacturing towards the provision of services. The most surprising has been the phenomenal growth in communication services, which has experienced growth at an average in excess of 25 per cent per year.

TABLE 1
GROWTH IN OECS ECONOMIES
1980 – 1996

	GDP at Factor Cost Constant 1990 Prices ($ million)		*Average Growth Rate 1980-1990 (%)*	*GDP at Factor Cost Constant 1990 Prices ($ million)*	*Average Growth Rate 1990-1996 %*
	1980	*1990*			
Anguilla	66.7*	125.9	14.8	148.2	3.0
Antigua & Barbuda	506.8	893.6	5.8	1,034.5	2.5
Dominica	240.8	369.8	4.4	425.5	2.3
Grenada	295.4	477.8	4.9	542.9	2.1
Montserrat	96.5	157.3	5.0	97.5	0.1
St Kitts-Nevis	203.4	360.3	5.9	459.7	4.1
St Lucia	484.3	950.0	7.0	1,050.7	1.7
St Vincent & The Grenadines	253.4	452.9	6.0	522.2	2.4
Total OECS**	2,080.6	3,661.7	5.8	4,133.0	2.0
Population ('000)	519.9	523.9	0.1	547.7	0.9
Per Capita Income ($)	4,000	7,000	5.7	7,500	1.1

Source: ECCB National Accounts Statistics 1997
* Refers to 1984 ** Excludes Anguilla
Economic Development Strategy

The developments in the international environment suggested that there is a need to urgently agree upon and put mechanisms in place to implement a coherent economic development strategy. The outline of such a strategy has been developed since 1992. The strategy takes into consideration, the small, open, dependent and undiversified nature of these economies and suggests that:

(i) The main aim of economic activity is to improve the quality of life of the citizens of the region. Hence, economic development should result not only in increases in real income, but also in structural/institutional changes which improve the capacity of the economies to generate self-sustaining growth, improved employment opportunities and improvement in the distribution of income.

(ii) Given the pressing unemployment problem in most OECS countries, the creation of employment opportunities (both in terms of number and quality of jobs) and the general improvement in living standards seem to be the most urgent tasks which need to be undertaken.

(iii) The size and openness of the economies suggest that the economies would have to engage in externally oriented policies of development. This would involve policies to encourage the export of goods and services, policies towards foreign investment and international economic relations of which the negotiation of trade and investment agreements are significant components.

(iv) The diversification of the economies is a critical element of the strategy to reduce the risk associated with export concentration and create diversity in employment opportunities for the citizens of the region.

(v) A policy of targeting high-value market niches is recommend since, given existing wage and exchange rates, the countries would not be able to compete in the lower end of the market.

(vi) Since market niches do not remain that way for very long, the identification of new markets has to be a continuous exercise to adopt to changes in the international environment. Resources would have to be allocated to market research and the development of statistical bases and information systems.

(vii) In a dynamic environment the economies would have to develop a degree of flexibility to give them the capacity to reposition themselves to take advantage of opportunities which arise.

(viii) This would require that both the public and private sectors reduce their response time to these changes and suggests the need for public sector reform and private sector development.

(ix) The OECS countries cannot hope to develop without significant inflows of foreign investment and technology. Hence the countries would need to re-evaluate their polices towards foreign investment. It would be necessary to establish as a matter of priority a harmonised OECS Investment Code that would ensure efficiency, transparency and consistency in investment promotion activities. This would also entail negotiation of investment promotion and protection agreements, as well as double taxation and bilateral investment treaties that accord with the OECS Investment Code.

(x) A stable currency relatively free of exchange restrictions is a necessary requirement for the attraction of foreign investment. The ECCB is progressively liberalising the exchange regime even further, but this can be supported by sound monetary and fiscal policies.

(xi) Effective international economic relations must buttress liberal trade and foreign investment regimes. Effective participation in international negotiations to try to protect the countries' interest is extremely important.

(xii) Lack of job skills is but one of the weakness of the labour market. Others include low productivity, work attitudes and lack of labour market information. These would need to be addressed.

(xiii) Greater attention to environmental issues including protection of the fragile ecosystem, bio-diversity, environmental impact assessment and general environmental issues. It is possible to turn the emphasis on environmental issues into profitable opportunities for these economies.

Economic Diversification and Economic Union

The major problem facing the OECS is the diversification of economies whose small size militates against this. Nevertheless, this objective is essential to reducing economic fluctuations, mitigating risk and to creating variety in employment opportunities for the citizens of the region. However, diversification would also have the effect of reducing the level of specialisation and consequently, higher production cost. In the context of small island economies, like the OECS, diversification and lower cost may be simultaneously achieved via economic union.

Most of the components of an economic union are in place, such as a relatively free trade in goods, co-ordination of some economic and social policy through the provision of common services and a currency union with plans in place for the free movement of capital. The missing components are the free movement of services and the free movement of labour. All of the countries have now signed Protocol II amending the CARICOM treaty, which provides for the free trade in services and the free movement of capital. The Treaty of Basseterre establishing the OECS is far-reaching in its purposes and functions and covers most of the areas of activities which the governments may wish to contemplate. Moreover, the OECS has a proud record in regional integration on which to build. The areas encompass economic, social and political co-operation and include the OECS single market and economy, the judiciary, civil aviation, regional security, the joint purchasing of pharmaceuticals, and sports.

Technology and Information

Technology is critical input that can be used to offset the paucity of other resources. In particular, information technology can be used as a basis for creating competitive advantage.

Information can now be viewed as a factor of production with the firms and countries that are able to acquire and process information most efficiently, having a decided advantage in the international arena. Telecommunications is a critical input into this process and it is imperative that countries have access to these services at the lowest cost.

It is not necessary for the economy to start from scratch to develop its own technology, but it may be possible to leap-frog the process by accessing technology through various processes of technology transfer, including FDI, franchising, purchasing and leasing.

Human Resource Development

The development of an economy with the necessary flexibility to respond swiftly to changes in the international economy will require more attention to human resources development. The private and public sector decision-makers have to be more highly trained in order to develop alertness to international business opportunities. The technical skills of the labour force have to be enhanced. The extent to which the OECS countries can make a living by competing internationally depends on their ability to turn a comparatively well-educated and trainable population into a skilled labour force.

- In the area of services, the emphasis must be on training a skilled and flexible labour force. The education system would therefore have to reflect the need for technical training as well as business and managerial skills. The nature of transfer of technology for information services would need to be different from the developed countries, given the limited access of OECS countries to telephone lines and computers. In particular, governments would have to provide public access points to the global information network in schools and other public places such as post offices and community centres.

- The importance of managerial and technical training must be emphasised, as well as the necessity to make the labour force multi-skilled. Improvements in managerial capabilities are

just as important as the inculcation of healthy work ethics to increasing the productivity of the labour force.

- Although the OECS countries have been quite successful in achieving high levels of participation in primary education, overall educational attainment is low. This is a result of low levels of enrolment at the secondary level. Enrolment in higher education is much lower, ranging from 0.5 to 1.1 per cent[1]. The quality of education is another problem, which the countries face as evidenced by the low pass-rates in the CXC examinations. The proportion of students passing five or more subjects ranges from 2.9 per cent in Grenada to 11.8 per cent in St Lucia[2]. A related problem to educational quality is the academic nature of education, which affect the preparedness of workers for the job market. Thus addressing the quality of education to attenuate the skills deficit of the sub-region would be one of the major problems facing the OECS countries. The OECS Education Project could conceivable assist in mitigating this problem but its contribution will be constrained by the shortage of resources to effectively carry out the exercise.

- The countries of the OECS already spend in excess of 20 per cent of their recurrent budget on education. The transition process requires greater expenditures to provide the labour force with the skills to successfully manage the transition. Thus, additional resources would have to be mobilised externally, since the limited financial resources of the countries would be insufficient to fill the gap.

Most of the components of an economic union are in place, such as a relatively free trade in goods, co-ordination of some economic and social policy through the provision of common services, and a currency union with plans in place for the free movement of capital. The missing components are the free movement of services and the free movement of labour.

---

1 Inter-American Development Bank (1998), *Workers and Labour Markets in the Caribbean*, Washington D.C.

2 Ibid.

Fiscal Reform

A stable macro-economic environment is a necessary requirement for growth and development, as the warranted levels of saving and investment would take place in an atmosphere of instability. The monetary arrangements of the ECCB places emphasis on fiscal policy in the maintenance of macro-economic stability. Additionally, it is imperative that the countries generate a sufficiency of government savings to assist in the implementation of the PSIP. It is via the PSIP that many of the economic development initiatives would be implemented. The liberalisation of international trade is also eroding the traditional tax base of the countries - prompting the need for fiscal reform.

One major problem the countries will have to face is fiscal adjustment, because all OECS countries are heavily dependent on taxes on international trade and because most rely on indirect, rather than direct, taxation measures. Only Dominica, Montserrat, St Lucia and St Vincent and The Grenadines have diversified tax structures involving both indirect and direct taxation measures (income taxes). The percentage of taxes on international trade as a percentage of total revenue ranges from 60 percent in Montserrat and 80 per cent in Antigua and Barbuda. The implication of the FTAA arrangements is that practically all of the trade of the OECS countries will eventually become duty-free. The USA and the other FTAA partners account for more than 60 per cent of OECS imports. The European Union, which would be entitled to most favoured nation (MFN) treatment under the Lomé Convention, accounts for another 17 per cent of imports; and intra-CARICOM trade is another 8 to 10 per cent of total trade. This means that approximately 12 per cent of imports will be subject to duty. It is quite clear that the countries would have to broaden their tax base, diversify their tax structure and improve their tax administration.

There are certain downside risks to the strategy adopted by the OECS countries related collective action of all developing countries. We turn to these in the next section.

Implications of the Changes in the International Environment

The explicit intention of the changes in the international environment is to allow market forces to determine the outcome of economic activity. Measures to ensure the contestability of markets would, it is argued enhance the efficiency of the world economy and increase world welfare. However, like much of the neo-liberal economics that underlie the framework it does not deal with the distribution of welfare gains. This section argues that some of the methods that developing countries have been forced to adopt in order to enhance international competitiveness would lead to a redistribution of welfare benefits to the developed countries.

Exchange Rate Regime

The preferred exchange rate regime is one, which relies fully on market forces or allows the working of market forces within a specified range. This is to permit the discovery of the equilibrium exchange rate however defined. If the exchange rate is fixed, it should be adjustable to allow it to play a major role in the adjustment of the economy. In 1997, of the 181 members of the IMF 66 countries had some variety fixed exchange rate regimes, sixty-four and managed floats and 51 maintained flexible exchange rate regimes (IMF 1997). Since 1980 every developing except Singapore and Estonia has experienced depreciation in their exchange rate relative to the SDR. This has occurred either through devaluation (fixed exchange rate), depreciation (floating exchange rate) or implicit appreciation of the SDR relative to the US dollar.

There is no one to one correspondence between a devaluation/depreciation and the terms of trade, but the initial impact is the deterioration in the terms of trade. Deterioration in the net barter terms of trade is tantamount to a transfer of income to the trading partner whose terms of trade has improved. The terms of trade deteriorate because the exports of country are expected to be more concentrated than its imports. For the depreciation to have any effect, the price of exports in the foreign currency must decline. On the other hand, imports are more diversified and their prices are expected to remain largely unchanged (Soderston (1990). Thus export prices

will fall relative to import prices. Small island economies are price takers on the international market and hence both import and export prices are fixed in the foreign currency, thus a depreciation is unlikely to affect relative prices in the foreign market. Therefore even though the exports of small island economies are highly concentrated the effect on the terms of trade may be negligible. However, the exchange rate is but one of the factors that influence movements in the terms of trade and I the case of small island economies its effects may be quite negligible.

A second effect of currency depreciation is the diminution in the value of domestic financial assets. To the extent that these are used to finance imports of now more expensive commodities, there is a further transfer of wealth to the developed economies. Since reduced value of financial assets now represent a smaller claim on international resources. This is particularly impoverishing for the poor whose savings are reposed in bank deposits.

Wages and Labour Entitlements

It is generally accepted that for exchange rate depreciation to be successful, wage rates cannot rise and hence wipe out the effects of the cost advantage that results from the exchange rate change (Dornbusch and Helmers (1988). In small island economies, wage restraint is even more important given that the exchange rate change is likely to push up the cost of imported raw materials, which account for a high proportion of production cost. Thus while the exchange rate induced inflation increases, nominal wages are restrained hence, real wages decline. Thus the reward for domestic labour and its share of output would decline. The absolute share of labour would also decline except in the case where output increases sufficiently to offset the decline in real wages.

At the same time, much is made of the other labour entitlements, which lead to the inflexibility of the labour market. These other entitlements include paid leave, pension and social security schemes, unemployment insurance, severance agreements and other non-wage benefits. Such entitlements are hard won benefits of an era of more militant trade unionism that today are seen as impediments to international competitiveness. Measures to enhance labour

market flexibility have now become standard parts of adjustment programmes for developing countries. In this new environment the gains which formerly accrue to workers are exported away in order to enhance competitiveness.

Financial System Boom and Bust

In many developing economies the so called emerging markets have created vast amounts of wealth for investors the developed economies who initially picked up real assets in the developing countries at bargain basement prices after the debt crises of the 1980s. During the 1990s, as billions of dollars of portfolio investment poured into these markets, some of it to invest in new productive activities but most of it simply bid up the prices of existing real assets. The equities market in many of these economies increased their capitalisation several-fold as these countries threw open their capital markets as part of the adjustment programmes negotiated with the IFIs. For example, five and ten fold increases in price-earning ratios and market capitalisation were achieved in many emerging markets during the early part of the 1990s. The annualised mean return on equities in Argentina was nearly 100 per cent per year between 1988 and 1993.

Unfortunately with the liberalisation of capital markets, portfolio investments can flow out as quickly as it comes in an d the net result is a collapse in the asset prices in these economies. The resulting fall in asset values and accompanying currency depreciation makes it easier for investors from the developed countries to again pick prized assets at bargain basement prices to begin another round of boom and bust. The net effect is that foreign investors get a larger and larger share of domestic assets over time.

Harmful Tax Competition

This is the term that the Organisation for Economic Cooperation and Development (OECD) uses for a plethora of measures that countries (mainly developing) use to provide incentives to firms to set up in their country. The measures range from the early Pioneer Industry

and Hotel Aid acts for the manufacturing and tourism sectors to double-taxation treaties and International Business Companies (IBC) legislation to encourage the development of offshore centres. The OECD paper argues that many of the measures are of dubious benefit to the countries and only serve to distort the efficient flow of investment internationally. In some instances, generous incentives only redistributes tax revenue from developing countries to the home countries of the enterprises. This occurs when there is no double-taxation treaty between the host country and the home country of the enterprise, and the full tax liability is payable in the home country. Incentives also encourage transfer pricing which further distorts relative price comparisons and the assessment of the impact on the terms of trade.

Movement in the Terms of Trade

This section of the paper discusses the measurement of the impact of the changes in the environment on developing economies and provides some preliminary empirical evidence on the issue. The discussion points to the limitations of the traditional terms of trade measures and strengthens the case for a measure which looks at the retained value from export activities in developing countries (Helleiner (1982)).

The Net Barter Terms of Trade (NBTT) is the ratio of the index of export prices to the index of import prices ($N_t = P_x/P_m$). It measures how much a unit of exports exchanges for a unit of imports on a prices basis. Over the period 1967 to 1995, the terms of trade of the developing countries as a group improved an average of 1.84 per cent annually. Over the almost three decades there have been period of strong improvement and marked deterioration. During the 1970s especially 1974 and 1979, the terms of trade of developing countries improved significantly due to the hike in oil prices. The 1980s and 1990s have been largely period s of deterioration in the terms of trade also reflecting the decline in oil prices. During the period 1980-1996 the terms of trade for developing countries deteriorated an average 0.37 per cent annually. No precise pattern can be observed for non-oil developing countries as years of improvement were quickly followed by years of deterioration. The terms of trade deteriorated for 13 of the 27 years of available data on non-oil developing countries. On the other hand, the

terms of trade of the developed countries have been relatively stable over the period, declining by approximately one-tenth of one percent per year. The 1970s recorded a slight deterioration due to the increase in oil prices and the 1980s and 1990s have been periods of improvement in the terms of trade. During the 1980-1996, the terms of trade of developed countries improved an average of 1.14 per year. Therefore in the two decades since the discussions of the NIEO the terms of trade of developing countries has deteriorated while that of developed countries has improved.

While there are down side risks for individual small island economies trying to compete in a hostile international environment, the biggest risk as that all developing countries together could start off a round of competitive action which would be to their detriment. The measures to increase the competitiveness implemented by one country gains market share at the expense of other developing countries. The losers try to regain competitiveness by implementing a set of measures that go further than those of the first movers. A second round of competitive measures is then implemented by the countries that have fallen behind, and so forth. The developing countries simply compete away productivity gains to the developed countries.

A second issue is that some of the non-market interventions that currently exist were put in place to counteract market failure in international markets, which emerged prior to the Second World War. These were also in part, the basis for the call for the NIEO. That many of these market interventions were excessive and only led to further economic distortions is not in dispute. What is equally not in dispute is that the conditions that resulted in market failure still exist and the reinstating of the sovereignty of free market forces would not solve problem. Some of the conditions that give rise to market failure include information asymmetries, missing and undeveloped markets and external effects that are not fully considered in the profit maximising calculus of private firms.

One consequence of ignoring external effects is that globalisation has been narrowly interpreted to be the globalisation of private markets. Thus the social consequences of globalisation on small developing economies are largely ignored. Given the size and

vulnerability of small island economies the burden of adjustment is extremely onerous for these economies. Thus there would necessarily be asymmetric burden sharing in the international adjustment process. True globalisation of economic relations would imply globalisation of the burden of adjustment and would call for policy coordination and the provision of adequate time for adjustment to the new international environment and the provision of financial resources to assist the countries that are disadvantaged by the process.

Even in the absence of market failure the operation of free market forces does not guarantee an equitable distribution of income. The theory of perfect competition is silent on the issue of distribution except to say that it depends on the initial resource endowments. These are highly skewed in the first place, and the successive boom and bust in the financial markets only serve to redistribute wealth away from the developing countries.

The discussion above suggests that while it may not be possible or even desirable to turn back the tide of globalisation it would be necessary to put mechanisms in place to mitigate the worst effects of globalisation on developing economies. These include allowing adequate time for vulnerable countries to adjust to the new international environment, the coordination of economic and social policy and international transfers of income to assist developing countries in making the transition and compensate losers in the process of globalisation.

Conclusion

The recent changes in the international economic relations and technological innovations have transformed the world economy into a virtual global village. The major issues in the debate over the NIEO, which took place during the 1970s, have been literally turned upside down. Many of the trade and trade-related issues have been incorporated into the rules and disciplines of the WTO in a way that was never envisaged two decades ago. In particular, the insistence on reciprocal trading relationships runs counter to the spirit of non-reciprocity embodied in the GSP and successive Lomé Conventions. Consequently, small island economies have been forced, at short order, to become internationally competitive to survive in an international environment that

is hostile to their economic development. While this has forced many developing countries to improve the efficiency of their production structures, it has resulted in hardships among vulnerable groups in the society and the international transfer of income and wealth from poor to rich countries.

The paper argues that while individual developing economies may benefit from improving their competitiveness, if all countries pursued the same competitive measures they may end up by competing away all of the productivity gains to the developed economies. It further argues that international trade liberalisation does not resolve the age-old issues of market failure, which prompted government interventions in the first place, and is likely to impose asymmetric adjustment burdens on developing countries. Small island economies are particularly at risk because of the exaggerated effects of economic shocks and natural disasters on these economies. Hence globalisation should not be interpreted narrowly with respect to international markets only, but should also include the external effects that arise from globalisation. It would be necessary to put mechanisms in place to mitigate the worst effects of globalisation on developing economies. These include allowing adequate time for vulnerable countries to adjust to the new international environment, the coordination of economic and social policy and international transfers of income to assist developing countries in making the transition and compensate losers in the process of globalisation.

REFERENCES

Briguglio, L. (1997). "Alternative Economic Vulnerability Indices for Developing Countries." Valletta, Malta: Foundation for International Studies, University of Malta.

Caribbean Council for Europe (1998). "Understanding the Trade Provisions of the European Commission's Negotiating Directive for a Successor Agreement to Lomé IV." Brussels, pp.1-13.

Commonwealth Secretariat (1997). *A Future for Small States: Overcoming Vulnerability.* Report by a Commonwealth Advisory Group, London Commonwealth Secretariat.

Demas, William G. (1965). *The Economics of Development in Small Countries: with Special Reference to the Caribbean.* Montreal: McGill University Press.

Demas, W. (1988). *Seize the Time: Towards OECS Political Union.* Caribbean Development Bank.

Dornbusch, R., F. Leslie and C.H. Helmes (1988). *The Open Economy: Tools for Policy Makers in Developing Countries.* EDI Series in Economic Development, published for the World Bank, Oxford University Press.

Eastern Caribbean Central Bank (1997). National Accounts Statistics, 1997. St Kitts and Nevis.

Hogendorn, J. (1987). *Economic Development.* Harper & Row.

Helleiner, G. (1982) *For Good of For Evil: Economic Theory and the New International Economic Order,* London

IMF (1997), *International Financial Statistics,* Washington D.C.

Lewis, W.A. (1955). *The Theory of Growth.* London: George Allen & Unwin.

Myint, H. (1958). "The Classical Theory of International Trade and the Underdeveloped Countries." *Economic Journal.* Vol. 68.

Organisation of American States Trade Unit (1997). "Participation of the Smaller Economies in the Free Trade Area of the Americas (FTAA)." Washington, D.C.

OECS (1997). "A Sustainable Development Strategy for the OECS," (restricted paper). Twenty-Seventh Meeting of the Economic Affairs Committee, St. Lucia.

OECS (1998). "Considerations for External Economic Negotiations: Towards an OECS Position," (restricted paper). Twenty-Ninth Meeting of the Authority, St. Lucia.

Prebisch, R. (1964). *Towards a New Trade Policy for Development.* Geneva: United Nations.

Samuel, W. (1990). *The OECS Trade under the Lomé Convention: The Promise and The Disappointment*, FES/UWI.

Schott, Jeffrey J. and Johanna W. Buurman (1994). *An Assessment of the Uruguay Round.* Washington, D.C.: Institute for International Economics.

Singer, H. (1950). "The Distribution of Gains between Investing and Borrowing Countries." *American Economic Review, Papers and Proceedings*, May, pp.473-485.

Soderston, B. (1990), *International Economics*, New York, Mac Millan

Stevens, C. (1990). "The European Single Market: Implications for Caribbean Manufacturing and Agricultural Trade." Paper presented to a senior policy seminar on EC and the Caribbean in the 1990s. Barbados.

The Independent Group of Experts (1997). "Overcoming Obstacles and Maximising Opportunities." A report on smaller economies and western hemispheric integration, Revised Edition, University of the West Indies.

The World Bank (1990A). Long-Term Economic Prospects of the OECS Countries. Washington, D.C.