The Challenges of the Contemporary Caribbean: on overcoming

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1. Introduction

Highlights of A Time to Choose:
Caribbean Development in the 21st century

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Economic Growth

During the last four decades the Caribbean as a region has grown at a rate faster than Latin America but not as fast as East Asia, and it has been slowing down since the 1970’s. Per capita GDP growth average 2.8 percent per year during 1961-2002 and is expected to reach 2.3 percent for 2001-2010. The countries that have had the highest trend growth in the long-run are St Kitt’s and Nevis, St. Vincent and the Grenadines, Grenada, and Antigua and Barbuda. The slowest growing countries in the region over the last four decades were Haiti, Jamaica and Guyana. The performance across countries ranged from 1.0% in Haiti to 4.8% in St. Vincent and the Grenadines.

Public Debt

In 2003, the average debt for Caribbean countries was 96% of their respective GDP (Antigua and Barbuda, 142%; Bahamas, 48%; Barbados, 84%; Belize, 100%; Dominica 122%; Dominican Republic, 56%; Grenada, 113%; Guyana, 179%; Haiti, 44%; Jamaica, 142%; St Kitts and Nevis, 171%; St. Lucia, 69%; St. Vincent and the Grenadines, 73%, Suriname, 44%; Trinidad and Tobago, 54%) (Table 1).
The very high debt has placed seven Caribbean countries among the 10 most indebted countries in the world, and 14 among the top 30, which exacts a toll on sustainable growth and worsens expectations about macro stability. Improvement of the debt profile will have significant payoffs, especially for Jamaica, St. Kitts and Nevis, Grenada, Antigua and Barbuda, and Belize.

**Poverty**

With the exception of Haiti, where the poverty level remains high at 76%, poverty in other countries ranges between 12% in the case of Antigua and Barbuda and 35% in the case of Guyana. While times series data is scanty, it appears that poverty has been on the decline in the case of the Dominican Republic (from 33.9% in 1993 to 28.6% in 1999), Jamaica (from 44.6% in 1991 to 19.7% in 2002), and Guyana (from 43.2% in 1992 to 35% in 1999), but on the rise for Haiti (from 65% in 1988 to 76% in 2003).

**Income Inequality**

While average income inequality in the Caribbean, as measured by the Gini coefficient at 0.38, is lower than in Latin America, some countries suffer from higher inequality, such as Haiti (0.65), St. Vincent and the Grenadines (0.60), Antigua and Barbuda (0.50), and the Dominican Republic (0.47). (Annex Table 1.7).

**Unemployment**

Despite some decline over the last decade, unemployment rates in most countries except the Dominican Republic (5.9%) and St. Kitts and Nevis (5.1%) tend to be high (Barbados, 10.3%, Belize, 10%; Jamaica, 15.1%; St Kitts and Nevis, St. Lucia, 18.9%; St Vincent and the Grenadines, 21.1%; Trinidad and Tobago, 10.8%). High levels of open urban unemployment prevail in the larger countries while rural unemployment and underemployment exist in the Organization of Eastern Caribbean States (OECS).

**Migration & Remittances**

Migration in the Caribbean plays a major role in economic and social development. Most of the migrants are generally in the most productive age group 20-45 (Haitians 63%, Dominicans 53%, and Jamaicans 48%) and generally have a high level of education. The Caribbean region has received increasing amounts of remittances over the years, from about US$400 million per year in the early 1990s to about US$4 billion in 2002. Representing an average of 6% of regional GDP over 1998-2003, remittance flows now exceed both FDI inflows as well as official development assistance. There is a great deal of country variation, with Haiti receiving the most (14% of GDP) and Trinidad and Tobago receiving the least (around 1% of GDP). On the other hand, migration represents a brain drain, thus weakening skills and capacity in the country. An extreme case in point is Guyana where the country has been losing teachers and nurses at high, unsustainable rates. In Jamaica, roughly 80% of the potential number of tertiary graduates has left the
country. Moreover, in the Dominican Republic, as well as in Jamaica, even the secondary graduates leave.

**Investment Climate**

FDI is a very important source of investment in the Caribbean, averaging over 20% of gross fixed capital formation, as compared with about 15% in Latin America. The main recipients of FDI flows (as percentage of GDP) are Grenada, Guyana, St Kitts and Nevis, St. Vincent and the Grenadines, and Trinidad and Tobago.

- **Barbados** is considered strong on the policy and legal environment, the FDI framework, and reliable utilities, but, with its high tax rates and weak tax administration, relatively poor on taxation and customs.
- **The Dominican Republic** is perceived positively on account of its low cost and readily available pool of skilled and unskilled labour, advanced telecommunications, good and widespread shipping facilities, but negatively for its unreliable electricity supply and exchange rate instability.
- **Grenada** is perceived positively on account of the availability of unskilled labour, and a good power supply, but negatively on availability of technical and managerial skills, high tax rates and import tariffs, and complicated customs clearance procedures.
- **Jamaica**’s perceived strengths include telecommunications, a network of airports and seaports, access to skilled and unskilled labour, and weaknesses include low labour productivity, and high costs of crime.
- **Trinidad and Tobago** enjoys macroeconomic stability and abundant power supply, but suffers from high crime (especially targeted to business) and anti-competitive practices arising from a still significant public enterprise sector.

**Education**

On average, the adult population in six Caribbean countries (excluding the countries of the OECS) increased their average years of schooling from 4.8 years in 1980 to 6 years in 2000. Unlike at the school level, enrolment in tertiary education in the Caribbean has been historically low, and would appear to be an obstacle to achieving the goal of a knowledge driven economy. Average enrolment rates rose from 5 to about 15% over 1980-2000, but except for Barbados (41%) and the Dominican Republic (29%), remain well below the Latin American average of 24% or the world average of 26%.

Government education expenditures are high in the Caribbean compared to other countries. On average, Caribbean governments spent an average of 4.9% of GDP on education and US$330 per capita over the period 1995-2002, ranging from a high of US$860 per capita in Barbados to US$110 in the Dominican Republic. (Table 2.2).

**Health**

Caribbean government’s spending on health is relatively low, in contrast to their spending on education. On average, health spending by the Caribbean governments
averaged 3.16% of GDP and US$220 per capita over the period 1995-2002, ranging from a high of US$550 per capita in Barbados to US$40 in Haiti. (Table 2.2).

**International Environment**

CARICOM’s market share in merchandise imports of NAFTA fell from 0.71% in 1985 to 0.27% in 2000, and EU market share fell as well. Even in tourism, the most dynamic export segment, CARICOM’s market share in share of international tourist arrivals declined from 0.91% in 1990 to 0.69% in 2002. The Hispanic Caribbean, the Dominican Republic and Cuba, gained in tourism, partly at CARICOM’s expense.

**Medium-Term Growth Outlook**

Higher value-added products such as fisheries and organic vegetables are promising areas. Barbados and to a lesser extent, Antigua and Barbuda have gained from offshore business; Dominican Republic and Trinidad and Tobago have seen some increase in manufacturing activities. In the apparel sector, some comparative advantage in high value-added goods, especially where timeliness is important, may survive the dismantling of potential growth, particularly for English speaking countries. Finally, introduction of eco-tourism in Guyana; sports tourism such as diving and yachting; entertainment tourism ranging from the reggae sounds of Jamaica, to the Creole festival in Dominica, the jazz festival in St. Lucia, and the Carnival in Trinidad and Tobago; and health tourism in St. Lucia and Trinidad and Tobago, are slowly emerging in place of just sand-sea-sun related services.

*The OECS comprises six independent member states: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, the Federation of St. Christopher and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as three British dependencies: Monserrat, Anguilla and the British Virgin Islands. In the report, the term OECS has been used to refer to the six independent countries.*