

Caribbean Development and the “New American Century”

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Paper presented at The 8th Annual SALISES Conference on the theme Crisis, Chaos and Change: Caribbean Development Challenges in the 21st Century, St. Augustine Campus, Trinidad and Tobago, March 26 - 28, 2007.

Abstract

The Caribbean countries attained their political independence during the cold war in which they had to choose between the development paths provided by capitalism or socialism, or find “another development” alternative commensurate with the historical experiences of the region. The end of the cold war changed that situation in that the US emerged as the global “hyper-power” hegemon with its neoconservative leaders envisioning US military and economic domination of the globe for the entire twenty-first century. The US pursues this vision through its doctrines such as “pre-emptive strike,” “globalization,” “war on terror,” and “democracy promotion.” It appears that the Caribbean has only one choice concerning its economic development path, which is to mirror the US “free trade” ideological economic model. Compounding this view is the idea that the Caribbean is now in the “front yard” of the US national security arena. The reality, which is the central theses of this paper, is that there are different economic-power centers in the globe with diverse approaches to development than the US “free trade” model, on which the Caribbean must draw strength for its own economic and social development. China and Russia are successfully pursuing state-led market development approaches, and there is the Bolivarian Alternative for Latin America and the Caribbean (ALBA) in this hemisphere. The argument is that a new imperialist rivalry involving the US, the European Union (EU), Russia, and China created a fresh instability in international political economy that represent a new external situation favorable to the Caribbean breaking out from the US “free trade” model. Caribbean peoples are actually living in a period characterized by imperialist rivalry, not as colonial subjects but in politically independent states unified in the Caricom. Never before did a unified bloc of independent states exist in the region, simultaneously that multiple poles of economic power differentiated the globe. The Caribbean needs to find ways to use this qualitatively different situation to its advantage for economic and social development. The purpose of the paper is to present a perspective on Caribbean development that has as its objective an exploration of the region’s future in the context of these alternatives to the US “free trade” model.

Introduction

The Caribbean countries¹ attained their political independence during the cold war in which they had to choose between the development paths provided by capitalism or socialism, or find “another development” alternative commensurate with the historical experiences of the region.² The end of the cold war changed that situation in that the US emerged as the global “hyper-power” hegemon with its neoconservative leaders envisioning US military and economic domination of the globe for the entire twenty-first century.³ The US pursues this vision through its doctrines such as “pre-emptive strike,” “globalization,” “war on terror,” and “democracy promotion.”⁴ It appears that the Caribbean has only one choice concerning its economic development path, which is to mirror the US “free trade” ideological economic model.⁵ Compounding this view is the idea that the Caribbean is now in the “front yard” of US national security arena. The reality, which is the central theses of this paper, is that there are different economic-power centers in the globe with diverse approaches to development than the US “free trade” model, on which the Caribbean must draw strength for its own economic and social development. China and Russia are successfully pursuing state-led market development approaches, and there is the Bolivarian Alternative for Latin America and the Caribbean (ALBA) in this hemisphere.

The argument is that a new imperialist rivalry involving the US, the European Union (EU), Russia, and China created a fresh instability in international political economy. This instability, compared with the stability in the post-World War II period in which the US dominated the so-called “free world” and the ex-Soviet Union, controlled the former socialist bloc represent a new external situation favorable to the Caribbean breaking out from the US “free trade” model. Conditions in the Caribbean are different as well, since the commencement of the nationalist movements, and the attainment of political independence. There is some economic prosperity but worsening poverty, crime, new diseases, AIDS, and insufficient economic development.⁶

Nonetheless, Caribbean peoples are actually living in a period characterized by imperialist rivalry, not as colonial subjects but in politically independent states unified in the Caricom. Never before did a unified bloc of independent states exist in the region, simultaneously that multiple poles of economic power differentiated the globe. The

Caribbean needs to find ways to use this qualitatively different situation to its advantage for economic and social development. The purpose of the paper is to present a perspective on Caribbean development that has as its objective an exploration of the region's future in the context of these alternatives to the US "free trade" model.

These new conditions demand that the Caribbean change its focus on development from its earlier stance in the decades immediately after World War II. Theorizing about Caribbean development emerged then in the context of the transition of these countries from colonies to independent states. Poor socio-economic conditions internally, European imperialism, the cold war, and the ascendancy of the US to super-power status were, defining characteristics of the period of initial search for Caribbean development. The principal ideas that emerged involved the pursuit of independent self-reliant development strategies as a means to split the development atom and break out from colonial underdevelopment. Development thinking either supported variations of the colonial approach, promoted a brand of Caribbean nationalism based on state and market-led approaches, or advocated socialism.⁷

The rethinking of Caribbean development that has gone on took place in the light of the shift from nationalist policies towards structural adjustment.⁸ This paper recognizes the need however for a rethinking of the rethinking of Caribbean development. The call for a return to "independent thought,"⁹ probably a code phrase for a return to plantation dependence analysis but updated to take into consideration the current conditions of global capitalism – plantation economy further modified, is acknowledgment of the need for reassessment of Caribbean development thinking and practice. Updated plantation dependence theory would improve on the analysis of current globalization from a Caribbean perspective, but like the pure plantation economy, the plantation economy modified, will maintain its significant explanatory capabilities and inadequacies in terms of effecting Caribbean economic development. The reason is that the plantation model possesses explanatory but not transformative capabilities.

Prevailing Ideas on Caribbean Development

There are several prevailing theoretical and practical ideas on Caribbean development within the context of US-led globalization. First, there is an emphasis on economic integration, “free trade” and preferential trade areas, and foreign direct investment. Second, there is a set of ideas on how the region might achieve development through its “competitive insertion,” “strategic global repositioning,” and “collective lobbying,” in the global capitalist system, good governance (civil society), shifting resources from agriculture to services, and environmental protection and natural resource conservation.¹⁰ These are good but problematic ideas that would place the region deeper in the clutches of the dominant forces of global capitalism rather than reinforcing its economic and political independence.

Development through Integration and Trade Arrangements

The thesis here is that the Caricom states have positioned “free trade” as the principal engine of economic growth and development in the region, although the historical and current evidence especially in the developed nations indicate that the state is what guides the hand of domestic and international markets, and the process of economic development. The strong evidence in support of the theses is the variety of “free trade” arrangements that the region entered into with countries in the hemisphere in the past two decades, agreements that states and not private individuals signed. The Caricom and its goal to achieve the Caribbean Single Market Economy (CSME) are prime examples of the state-driven “free trade” as an engine of growth and development in the region. Thus, even in the Caribbean, the state is driving the development process but the argument is that it is not doing so enough because it is busy trying to implement measures to satisfy the “free trade” ideological demands of the dominant forces of global capitalism.

High profile trade arrangements the Caribbean entered into in recent decades include the Caribbean Basin Initiative (CBI) 1983, the Caribbean-Canada Trade Arrangement 1986, the Caricom-Venezuela Preferential Agreement 1992 (replaced by Petrocaribe in 2004), the Caricom-Colombia Preferential Agreement 1994, and the Association of Caribbean States (ACS) 1994. Furthermore, there are the Caricom-Dominican Republic FTA 1998, the Caricom-Costa Rica FTA 2004, and the China-

Caribbean Economic and Trade Cooperation Forum 2005. The region also became involved in the “free trade” Area of the Americas (FTAA) 1994, and is currently negotiating an Economic Partnership Agreement (EPA) with the European Union to replace the Cotonou Agreement and Lomé Conventions. Negotiations are in progress albeit slowly for a Caricom-Canada “free trade” Area, and there is talk about a Caricom-US “free trade” Area. The Caricom region is investing heavily in “free trade” as the engine of economic growth and development, in this state-driven but so-called “free trade” approach.

Concerning a possible Caricom-US “free trade” Area, the view is that if the Caricom countries entered into such an agreement they would gain favorable access to US markets. The region already knows however that the CBI, an arrangement to stimulate Caricom exports to the US ended up benefiting the US most.¹¹ Nonetheless, the argument is that if the Caricom entered into such an agreement the US could represent the region in the World Trade Organization (WTO) and the international financial institutions (IFIs) on the issue of special and preferential treatment from the rules that apply to larger states. The driving force behind the push by some Caricom countries to form a Caricom-US FTA seems to be fear that the region would lose market share to Central America due to the DR-CAFTA.¹²

The Economic Commission for Latin America and the Caribbean (ECLAC) warned however that few benefits would accrue to countries in the Caricom region from a Caricom-US FTA. In the ECLAC’s analysis, there are several deterrents to a Caricom-US FTA. First is the size of the Caribbean market – 14.4 million compared with 31.6 million in Central America that has greater economic significance to the US. Second, several Caricom countries have service-based economies in particular Barbados and the other OECS countries, with insignificant merchandise trade with the US, compared with the resource-based economies of Jamaica and Trinidad and Tobago. Nonetheless, the Caricom countries would benefit from access to US markets for both skilled and unskilled service providers in areas such as construction and professional services. However, the price that the Caricom countries would have to pay for this access is heavy since they would have to open sensitive sectors such as education, distribution, health and transportation, and accept “the negative list approach to service liberalization” to open

markets unless in cases of specific exemptions. The Caricom would have to “strengthen their cohesiveness in terms of deeper integration” and consider the experiences of other countries and groupings that have FTAs with the US. Such an agreement might also spell the death-knell for the CSME, in which the Caricom states have invested so much.¹³

The trade arrangements fall into different categories such as FTAs, trade and development assistance, and preferential agreements and have important features worth noting. First is the centrality of the private sector to stimulate growth and development. It is a well-known fact however that the concern of the Caribbean private sector is short-term profit rather than long-term investment necessary for development.¹⁴ Under such conditions, therefore, long-term investments would have to come from foreign sources. Most likely, therefore, private foreign capital would dominate growth and development generated through the FTAs. However, historically, foreign capital has a very poor record of accomplishment in the Caribbean for promoting growth and development. A second feature is that the FTAs seek to protect private investments. Historically, this protection comes through police and military repression, military invasion and US economic and political sanctions as in the case in Central America and Cuba. Third, the FTAs have a commitment to measures to repress anti-competition activities. This is indeed a very dangerous feature because, of its capacity for actual and potential political repression of people and institutions that oppose the US “free trade” model, witnessed in the anti-globalization protests in Europe, Latin America, Canada, and the US, itself.

Indeed, US companies are the primary beneficiaries of the trade and development assistance arrangements under the CBI. “The CBI turned a US trade deficit with the beneficiary countries of the Caribbean into a sustained surplus.”¹⁵ The major beneficiaries in the region were the Dominican Republic and Costa Rica that account for 50 percent of all CBI duty free imports. Honduras, Guatemala, Haiti, and Jamaica are the other beneficiaries.

However, the CARIBCAN trade and development assistance agreement is more beneficial to the region in that consistently since 1992 Canada imported more from the Caribbean than it exported to the region, simultaneously that the dollar value of imports and exports were on the increase (Table I).

The Caricom cooperative and preferential agreement with China and Venezuela respectively has the potential to become the major alternatives to the US “free trade” model in the Caribbean. They both embrace “free trade” as a means to development not as an engine of growth and development. In both cases, the state plays a central role in guiding the development process.

Table I: Total Canadian Imports and Exports to CARIBCAN 1992-2002 (C\$000)

Year	Imports	Exports
1992	328,937	242,887
1993	420,212	269,794
1994	526,555	272,561
1995	447,890	328,641
1996	551,046	332,667
1997	536,630	343,680
1998	557,608	397,371
1999	549,954	476,570
2000	540,178	430,811
2001	797,254	496,443
2002	716,475	552,061

Source: 2003 Report of the Government of Canada on the Trade-Related Provisions of CARIBCAN under the Decision of 14 October 1996, to the WTO General Council Dec 15, 16, and 18 2003 WT/L/545.

Foreign Direct Investment

Foreign direct investment is one of the major planks of the neoliberal “free trade” model that the Caribbean embraces. The data on Greenfield FDI projects by investor/destination region for 2002-2005 demonstrated the problem for the region in terms of its banking on FDIs. The Caribbean is not a major destination region for FDIs; it attracted only 17 in 2002, 27 in 2003, 26 in 2004, and 27 in 2005. Of the 17 in 2002, 14 went to Bermuda, and one each to Jamaica, Puerto Rico and Trinidad and Tobago. Of the 27 in 2003, 22 went to Bermuda, and one each went to Antigua and Barbuda, Cayman Islands, Cuba, Dominican Republic, and Puerto Rico. Of the 26 in 2004, 17 went to Bermuda, 4 each to Jamaica and Puerto Rico, and one to Cayman Islands. Of the 27 in 2005, 21 went to Bermuda, 2 to Cayman Islands and one each to Bahamas, Dominican Republic, and Saint Lucia. Guyana received only one for the period, while the other Caricom countries none. In 2005, Bermuda had the highest number of parent corporations 362, followed by Netherlands Antilles 101, Cayman Islands 84, and Bahamas 44. In 2005, Cayman Islands

had the highest number of foreign affiliates located in its economy 539, followed by Bermuda 348, Netherlands Antilles 179, Bahamas 165, Dominican Republic 147, Barbados 145, and Jamaica 78. Trinidad and Tobago had 61 in 2004.¹⁶

Table I: Distribution of FDI Inward and Outward Stock and Flows 1980-2005 (percent)

Region	Inward stock				Outward stock			
	1980	1990	2000	2005	1980	1990	2000	2005
Developed Economies	75.6	79.3	68.5	70.3	87.3	91.7	86.2	86.9
European Union	42.5	42.9	37.6	44.4	37.2	45.2	47.1	51.3
Japan	0.6	0.6	0.9	1.0	3.4	11.2	4.3	3.6
United States	14.8	22.1	21.7	16.0	37.7	24.0	20.3	19.2
Developing economies	24.4	20.7	30.3	27.2	12.7	8.3	13.5	11.9
Africa	6.9	3.3	2.6	2.6	1.3	1.1	0.7	0.5
Latin America and the Caribbean	7.1	6.6	9.3	9.3	8.5	3.4	3.3	3.2
Asia and Oceania	10.5	10.8	18.4	15.4	2.9	3.8	9.5	8.2
West Asia	1.4	2.2	1.1	1.5	0.3	0.4	0.2	0.3
South, East and South-East Asia	8.8	8.5	17.2	13.8	2.5	3.4	9.3	7.8
South-East Europe and CIS	..	0.01	1.2	2.5	..	0.01	0.3	1.2
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Region	Inflow				Outflow			
	1978-1980	1988-1990	1998-2000	2003-2005	1978-1980	1988-1990	1998-2000	2003-2005
Developed economies	79.7	82.5	77.3	59.4	97.0	93.1	90.4	85.8
European Union	39.1	40.3	46.0	40.7	44.8	50.6	64.4	54.6
Japan	0.4	0.04	0.8	0.8	4.9	19.7	2.6	4.9
United States	23.8	31.5	24.0	12.6	39.7	13.6	15.9	15.7
Developing economies	20.3	17.5	21.7	35.9	3.0	6.9	9.4	12.3
Africa	2.0	1.9	1.0	3.0	1.0	0.4	0.2	0.2
Latin America and the Caribbean	13.0	5.0	9.7	11.5	1.1	1.0	4.1	3.5
Asia and Oceania	5.3	10.5	11.0	21.4	0.9	5.6	5.1	8.6
West Asia	-1.6	0.3	0.3	3.0	0.3	0.5	0.1	1.0
South, East and South-East Asia	6.7	10.0	10.7	18.4	0.6	5.1	5.0	7.7
South-East Europe and CIS	0.02	0.02	0.9	4.7	..	0.01	0.2	1.8
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

UNCTAD: World Investment Report 2006

In addition, the data showed that the Caribbean is not among the 25 most favored locations for the largest 100 TNCs in the world and from developing economies. Of the countries in this hemisphere that attract these companies, the US is number one with a location intensity of 92, Brazil 81 and Mexico 78. In terms of the 25 most favored locations of TNCs from the developing economies, the location of intensity is 50 for the US, Canada 16.2, Cayman Islands 13.7, Virgin Islands (UK) and Bermuda 11.2, Brazil 10.4, and Mexico 9.5.¹⁷ This is more reasons why the Caricom countries need to protect their domestic capital, because the region is not a favored location for the leading TNCs. Nonetheless, this is a very good thing because state-protected domestic capital must fill the space.

The United Nations Conference on Trade and Development (UNCTAD) estimated that in 2006 foreign direct investment reached US\$ 43.3 billion in the Middle East and US\$ 38.8 billion in Africa. Estimates for Brazil for example were US\$ 16 billion, an increase of 6 percent. Globally, FDI was US\$ 1.2 trillion, 34 percent more than in 2005. Egypt and Morocco with flows of US\$ 5.3 billion and US\$ 2.3 billion respectively are among the African countries that received the highest amount of FDI. There was a reduction however in FDI to Egypt and Morocco by 1.9 percent and 20.9 percent, respectively in 2006. The cause of the general increase in FDI to Africa had to do with the US\$ 5.4 billion flow to Nigeria, an increase of 60 percent compared with 2005, due to high oil prices and the increase in demand for the commodity. Nonetheless, the rich countries were the main recipients of FDI with the US receiving US\$177.3 billion, an increase of 78 percent.

In 2005, the UK received the largest amount of FDI (US\$165 billion), followed by the US, but in 2006 the US took over the top spot from the UK. The flow of investment to the developing countries in general grew 47.7 percent and reached US\$800.7 billion in 2006. The flow to the transitional economies in southwestern Europe and Russia reached US\$62 billion, an increase of 56 percent. The EU received US\$422 billion, or almost half of the world's total FDI. South, East and South East Asia received US\$165, North America US\$133 billion, South and Central America US\$34 billion, and Latin America and the Caribbean region US\$104 billion.¹⁸

These global trends in investment increase the importance of development alternatives provided by countries such as China and Venezuela to the Caricom countries. Nonetheless, it is perhaps a good thing that the Caribbean region is not a favored destination for foreign direct investment. It gives the region the opportunity to save more towards its own long-term investments. A major part of the reason for the divergence in development in Latin America and East Asia in the last twenty years is the fact that the former was much more open to foreign investment than the latter. While Latin America imported luxury goods for the rich, East Asia imported capital goods for development. East Asia also had state-coordinated development programs, disregarding the Washington Consensus. East Asian societies were more egalitarian, authoritarian, engaged in much capital controls, and controls on export of capital, while promoting educational, health

and other social programs. “In fact, they followed pretty much the developmental paths of the currently wealthy countries, which are radically different from the rules that are being imposed on the South.”¹⁹

“Competitive Insertion” in the Global Capitalist System

The basic point here is that the Caribbean will achieve economic development if the region pursues a new market-driven approach to regional economic integration that would insert it competitively into the global capitalist system. Critical of the Caricom and the Association of Caribbean States’ (ACS) economic integration approaches, the presenter of the “critical insertion” perspective argues that powerful new forces such as globalization and the move towards a hemispheric trading bloc (FTAA) have surpassed them. The challenge identified for the region is the determination of the Caricom and the ACS’ roles in bringing about the “competitive insertion” of the region into the global economy dominated by trading blocs.²⁰

According to the “competitive insertion” view “education,” “enabling government,” and “export diversification” are three key ingredients missing in the process of economic development in the Caribbean. The argument is that historically the region has achieved considerable success in education, but that current expenditures on education and the quality of education have both declined. Enabling government requires state reform around a new consensus idea that government is not the engine of growth, or the custodian of the people. Instead, government is the facilitator and channel for the effective operation of the private sector in every respect. Export diversification requires that the Caribbean rely less on commodity-based exports and more on products/services that enhance their comparative advantage and increase value-added. This would entail the abandonment of the view that Caribbean economies cannot compete in international markets, and the embrace of the ideas that a small economy can be big and dominate specific niche markets, and that labor resources in the region can compete effectively with other areas in the world. This would set the foundation for future sustainable economic growth of the Caribbean economies in the global capitalist system. The Caribbean has the capacity to attract foreign investment with a high technological

content, and this will be a key factor in inducing a change in the region's economic development model.²¹

The problems with the “competitive insertion” approach are many first of all US companies are the prime beneficiaries of the CBI regarded as “gunboat economics” in the US’ national security interest.²² Furthermore, the problematic FTAA touted as vitally important in helping the Caribbean countries to strengthen their trade and investment linkages with the remainder of the hemisphere, to intensify their domestic economic restructuring, and to attract the desired direct foreign investment encountered serious opposition in Latin America. Brazil and Argentina are skeptical about the US’ commitment to “free trade” given among other things the US’ subsidies to its farmers that hurt the agricultural sector in region. The Caribbean banana and sugar industries experience major setbacks due to US and EU “free trade” policies, which are indicators of what is to come if Caribbean countries join the FTAA, a goal to which they are firmly committed.²³ The setbacks in the Mexican agricultural sector from Mexico’s participation in NAFTA, also sounds warning to the Caribbean that should deter these countries from joining the FTAA as envisioned by the US. In addition, the Caricom countries must take heed from the widespread demonstrations against the US dominated Dominican Republic – Central American “free trade” Area (DR-CAFTA) that the Dominican Republic and US ruling elites implemented against the wishes of their respective peoples.²⁴

The Caribbean need to take warning from the recommendation on “export diversification” that requires the region to downplay commodity-based exports and promote products/services to enhance its comparative advantage and increase value-added. This means the disrupting of the basis of regional economies, and their re-development based on precarious services, subject to the wishes of the few rich foreigners that buy Caribbean services. Predictably, the real effect of the FTAA would be the smashing of the commodity-based export economy in the region and converting it into a haven for Casinos and other such services that do not generate high-skilled jobs. This will further deskill the region since the education system will have to switch from teaching science and technology to offering courses in hotel services, etc. Out-migration will also compound the de-skilling effect of the FTAA on the Caribbean. The deepening of neoliberal economic reform to attract foreign investments is the bottom line for the

“competitive insertion” approach. As noted above however, fortunately, the Caribbean is not a major destination for FDIs.

The “competitive insertion” idea is ahistorical because it ignores the fact that European imperialism manifested as the globalization of capitalism created the Caribbean “as a production and trading location” in the mercantile international economic system.²⁵ The Caribbean is a full participant of this process since its incorporation into the global capitalist system in the 16th century. Described as a “cyclical phenomenon for millennia” the expansion of capitalism is a historical process “associated with the rise and fall of empires.” It is the “process of integrating previously loosely linked or even autarkic countries and regions through freeing flows of goods, services and capital.”²⁶ The “competitive insertion” approach therefore seeks to insert the Caribbean into a system to which it already belongs. “National states are already in the international system, so much so that they do not have the ability to be outside of the system.”²⁷

Furthermore, since the Caribbean must intensify neoliberal structural reforms to achieve “competitive insertion” the idea comes across as a decoy to reinforce foreign extraction of the economic surplus produced in the region. Historically, the imperial powers that controlled the Caribbean have enriched themselves simultaneously as poverty and inequality deepened in the region. Those powers established the old mercantilism²⁸ that regarded the Caribbean as an excellent region for agricultural production and markets for industrial products from Europe. Nowadays, policymakers and scholars promote the idea of niche markets under current globalization for economic redemption in the region. Nevertheless, the evidence shows that current globalization is really a mask for the new imperialism and mercantilism, also described as a “reluctant,” “ethnic,” or “nascent” imperialism.²⁹

The US spearheads this new imperialism and mercantilism “based on unilateral state decisions and military supremacy designed to impose policies on international, regional, and national competitors.”³⁰ This constitutes the greatest external threat to the Caribbean, since the US could punish the region through covert and overt actions including sanctions, destabilization, military invasion, etc., for failing to allow the US to have its way in the area. Furthermore, while the Caribbean region must deepen free market economic reforms, to strategically insert itself into the global capitalist system,

“increasingly Washington is moving toward import controls, quotas and tariffs to protect non-competitive local industries, from steel to shrimp,”³¹ and agriculture.³²

Take for example the harsh position the US government, Congress, and political parties adopted towards banana in the Caribbean that threatens to destroy several regional economies.³³ The US-led WTO attack on the Caribbean banana industry in the interest of Chiquita Brands International is devastating for the Caribbean’s Windward Islands. The US complained to the WTO in 1999 that preferential treatment of Caribbean bananas in the EU market was not in accordance with “free trade”. In 2001, the EU agreed to change its import rules by 2006. The EU planned to introduce a \$296/ton tariff on Latin American crops beginning in 2006, but the Africa, Pacific, and Caribbean countries (APC) argued for a higher tariff of \$354/ton, which would better allow them to compete in the banana trade. The EU is going ahead with its new import regime to finally phase out the Lomé Convention mandated preferential trade agreement with the Caricom countries that could spell the death-knell for the banana industry in the region. Banana exports account for more than one third of all jobs, and between 50-70percent of export earnings in the Windward Islands of Dominica, St. Lucia, and St. Vincent and the Grenadines.³⁴

The historical evidence is clear that the region’s insertion into the global capitalist system from since the late fifteenth century has failed to transform the living conditions of the people there in the same measure as it did for people in the old and new imperialist countries. The Caribbean became a part of the global capitalist system around the same time as the US, and while the conditions of the working people in Europe were horrendous.³⁵ However, after continuous participation in globalization the conditions of the working class in the Caribbean are drastically different to those in the US and Europe. Why is it that the living standards in the Caribbean are so poor compared with the high standard of living in the US and Europe? The conclusion drawn from the concrete historical experience of the Caribbean’s participation in globalization is that globalization works in a manner that generates poverty and inequality within and between nations.

Strategic Global Repositioning

Strategic global repositioning is the “process of repositioning a country in the global economy and world affairs by implementing a strategic medium-to long term plan formulated from continuous dialogue of the public sector, private sector, academic community and the social sector.”³⁶ Regarded as different to structural adjustment, it involves improving among other things the “competitiveness and productivity in existing export sectors” in the Caribbean industries. The premise of strategic global repositioning like its counterpart idea about “competitive insertion” is that the globalization “process in which national barriers to the international flow of goods, services, capital, money and information are being increasingly reduced or eliminated is well advanced and in many respects irreversible.”³⁷

In other words, US-led imperialism masked as globalization is inevitable, so the Caribbean must do everything it could to reposition itself in the global capitalist economic system. Nothing is inevitable about capitalist globalization, however, capitalism is a social system invented by humans it is not a natural phenomenon. It appears that the ideas about “competitive insertion” and “strategic global repositioning” regard capitalism as a natural phenomenon that all humans are compelled to embrace.

The claim is that “strategic global repositioning” is different to structural adjustment, but in reality, it belongs to the neoliberal scheme of thinking, and in several ways is similar to “competitive insertion” idea. First, they are both reacting to the current restructuring of global capitalism by trying to come up with ideas on what small states such as those in the Caribbean could do to participate in capitalist globalization with maximum benefits. Second, they both focus on improving competitiveness in the region, which in essence means the reduction of production costs, and the increase in labor productivity, focal points of neoliberal structural adjustment. The idea is that low production costs and high productivity would attract foreign direct investments and increase exports.

Third, they do not seek to change the neoliberal framework for the assessment of economic activity in the region. Their concern is with how to make the Caribbean participate more efficiently in a system that has historically deprived the region of the wealth it produces. Fourth, they are both oriented towards the promotion of growth

through “free trade” in capitalist markets. Experience has shown that “free trade” without deliberate state controls is ruinous to small island developing states (SIDS) such as those in the Caribbean. Fifth, they are both about the deepening of the failed economic reforms implemented from the outside and from the top by the IMF and World Bank. Even World Bank officials now embrace Third World criticism and question the wisdom of IMF/World Bank policies in the Third World.³⁸ Sixth, although the “strategic global repositioning” idea accord a role to the masses in policy formation, there is no real mechanism for this to take place, and along with “competitive insertion” it is the regional elites that must carry out these processes. Thus, “strategic global repositioning” and “competitive insertion” do not necessarily lead to democracy, and will promote the same old top-down authoritarian approach to political and economic decision-making and resource allocation that has plagued the region in centuries of capitalist globalization.

Strategic global repositioning assumes a homogenous globe dominated by US-led globalization, whereas that is not the case because of the existence of competitive alternative paths discussed below.

Collective Lobbying

The idea here is that the Caribbean states need to lobby collectively in global institutions to squeeze from current globalization as much opportunities for their development.³⁹ First, lobbying must be collective because the small states will speak with one voice in the global arena, and this will give them more influence in the global institutions compared with if each country goes it alone. Second, the Caribbean must support collective lobbying “partly on the power of ideas, i.e. the quality of their concepts and philosophies” and on the ability of Caribbean peoples “to disseminate these effectively in the communities of the wealthy and powerful.”⁴⁰ Third, the region must base collective lobbying on its ethnicity in the same way that within the US there are pro-Israeli, Cuban-American, Irish-American, Armenian, Arab, and Polish-American groups that push the US Congress to take decisions that benefit those respective communities.⁴¹ These groups gain to their advantage access to the highest levels of the political decision-making process in the US influencing economic decisions that benefit their communities the US and their home countries.⁴²

In addition, the arguments are that Caribbean governments have lost their autonomy as steering institutions,⁴³ and that in the past two decades two poles of power have emerged – the mega-corporations and the US government that determine and dominate governance and economic policies.⁴⁴ Furthermore, the Caribbean exists in a post-national world in which “The nation state may still be important for political and emotional reasons, but economically it is all but dead.”⁴⁵ In the light of these prognoses, the region has no other choice but to engage in collective lobbying.

The reasoning about the economic death of the nation-state is problematic because it tends to wish away the resolve of people in Latin America, the Caribbean, Africa, and in other geographic regions to acquire economic independence. The overwhelming evidence is that the nation-states in the Caribbean have not lost their sovereignty nor are they dead in an economic sense. The existence of the Caricom and other regional institutions such as the CRNM, and the explicit commitment by Caribbean states to the CSME, demonstrate the resolve of Caribbean people to secure their economic and political sovereignty. The Caribbean people are engaged in a struggle with imperialist forces, an effort in which they have made significant gains, to secure their economic and political sovereignty since the social unrests in the 1930s.

Furthermore, the mega-corporations and the US are not necessarily two different poles of power. Because of the great overlap between them, they are more the same power center. US shareholders dominate the 100 most powerful corporations in the world, and there is a very close relationship between the US Congress and these corporations. Indeed, these corporations help to write and determine US legislation and foreign policy.⁴⁶ The real poles of power that compete with the US are the EU, China, Russia, and an emergent Latin America.

The Caribbean states must combine collective lobbying with other state-led developmental policies such as those employed in China, Russia, and the ALBA. Caribbean countries have correctly engaged in collective actions globally in organizations like the Non-Aligned Movement, the G-77, the ACP group, and in the call for a New International Economic Order (NIEO). They remain active in various groupings engaged in a struggle for fair trade and WTO reform. Nonetheless, although the Caribbean

involved itself in these actions, the problems of growth, inequality, and poverty continue to persist in the region.

The potential developmental role of the Caribbean Diaspora in the US is a complex issue. The Caribbean Diaspora is not a homogeneous or unified entity, and factors such as small island insularity, color, class, and race differences that divide the region remain a problem among Caribbean peoples outside the region. This makes it difficult for them to reverse the declining trends in US economic assistance to the region. The US' assistance to the Caribbean in the 1980s amounted to approximately US\$3.2 billion, but declined to US\$2.0 billion in the 1990s, representing an annual average reduction of \$205 million. Haiti received the most assistance from the US in the 1990s about US\$1.1 billion, or 54 percent of the total, followed by Jamaica with about \$507 million, almost 25 percent, and the Dominican Republic, about \$352 million, or 17 percent. The Eastern Caribbean nations received about \$178 million, almost 9 percent. The US' assistance to the region was of an economic nature, including Development Assistance, Economic Support Funds, and P.L. 480 food aid. Military assistance to the region amounted to less than \$60 million during the 1990s.⁴⁷

The Caribbean Diaspora continues to play an important role in the economic affairs of the region however through remittances. Remittances to selected Caricom countries reached US\$14.6 billion between 2002 and 2005, averaging US\$3.4 billion per annum. Remittances increased from roughly US\$2.9 billion in 2002 to approximately US\$4.5 billion 2005, or by 48.1 percent over the period. Remittances as a percentage of GDP averaged 48.6 percent in Haiti, 20.0 percent in Guyana, and 17.2 percent in Jamaica between 2002 and 2004.⁴⁸

“Good Governance” and Development

Another important idea that has taken hold in the Caribbean is that of “good governance” as a condition for human development leading to increases in income, decreases in poverty, and improvements in social indicators such as literacy or infant mortality.⁴⁹ Furthermore, good governance requires decision making free from ideology and hard-line positions, and based on a common sense approach driven by “Principled Proactive

Pragmatism” (PPP).⁵⁰ Founded on cost-benefit analysis the PPP implements policies that maximize benefits and minimize costs.

The problem with the current push for good governance is that it is not coming from the masses, as was the case in the anti-colonial struggle but from the elites in the global institutions that are not themselves accountable to the Caribbean constituencies. Indeed, “Today, political independence has been subordinated to the more abstract and obfuscating trope of “governance.” Where once states were vested with the powers of managing national modes of accumulation and redistribution, now states are compelled, under the guise of governance, to embrace financial reforms to improve global market access.”⁵¹ “Good governance” conceived along the lines of neoliberal political ideology is more about external political control than it is about the creation of popular bottom-up democracy in the region.

The neoliberal argument on “democracy promotion” is that “good governance” is that the best form of political arrangements to facilitate capitalist growth and development. Research established however that there is no correlation between economic growth and type of political system. “Between 1951 and 1999, total GDP grew at an annual rate of 4.40 percent under dictatorships and at a rate of 3.69 percent under democracies.”⁵² This is not an argument in favor of dictatorships but a critique of the neoliberal ideology, which says that democracy is a political condition for economic prosperity. Nonetheless, good governance entrenches neoliberal democratization, a new form of authoritarianism,⁵³ rather than bring about popular democracy. This guarantees the smooth operations of the US owned and controlled mega-corporations in their extraction of the economic surplus from the Caribbean and Third World countries.

The US regards “good governance,” as an integral component of its national security strategy. USAID operatives define “good governance” as a concept that “encompasses the capacity of the state to deliver public services, the commitment to the public good, the rule of law, and the degree of transparency and accountability.” US agencies such as the National Endowment for Democracy (NED), and the USAID spend millions of dollars on “democracy promotion,” which in essence is the Americanization of political processes in Third World countries. The NED expended approximately US\$10,983,856 in the Latin American and Caribbean region for “democracy promotion”

in 2005. USAID budget for democracy promotion efforts for fiscal year 2004 was \$685 million, with an additional \$500 million for democratization efforts in Afghanistan and Iraq. USAID increased its financing on “building democracy, strengthening governance, promoting human rights and addressing conflict in Latin America and the Caribbean region” from approximately \$106 million to about \$271 million between 2001 and 2005. The US efforts to Americanize the political systems in Latin America and the Caribbean are undeniable. USAID is involved with “creating and strengthening the justice-sector institutions, including independent prosecutors, constitutional courts, judicial councils, and human rights ombudsmen” in the region. Furthermore, the US has “trained thousands of judges, prosecutors, litigators, law professors, and community activists to ensure the smooth transition to modern judicial systems” in the region.⁵⁴

In this way, the US seizes control of the judicial system in the region. The new imperialism therefore attempts to take over the economic system in the region through structural adjustment, and the political and judicial systems through “good governance.” While economic adjustment attempts to strip Caribbean countries of their economic resources and wealth, US-styled democratization and good governance endeavors to take away their political freedom by subordinating the regional political system to US “democracy.” In essence, “good governance” is really about providing the appropriate political environment for the US owned and dominated TNCs to operate smoothly in their extraction of the economic surplus produced in the region, and to facilitate capital flight.⁵⁵

The observations on “good governance” presented above are not against democracy, but for more democracy. Neoliberal democratization has not produced democracy for the masses; it merely reproduces the conditions for wealth extraction by the TNCs and their local political elite clientele and for the protection of their property. “Democracy promotion” produced a wide array of semi-authoritarian, and new authoritarian states in the Third World. Thus, despite the emphasis on “good governance” in the Caribbean region Guyana’s political economy is under the domination of a new phenomenon described as the “criminalized state.” In this new authoritarian “criminalized” state, there is an absence of government support for the public’s right to share economic information and to participate in decision-making. The “criminalized

state” has emerged with the full protection of the forces of globalization, namely the IFIs that do not uphold in poor countries such as Guyana the same standards of democracy they identified for themselves.⁵⁶

From Agriculture to Services

Progressively since the 1950s, the Caribbean labor force has shifted out of agriculture into other areas. Furthermore, the services sector has progressively taken over from the agriculture sector as the main contributor to the domestic product in countries such as Barbados, Jamaica, Saint Kitts, and Antigua. In addition, recent growth experiences in the Organization of Eastern Caribbean Countries (OECS) suggest a decline in agriculture and rise in services. OECS agriculture declined from 14.4percent of GDP in 1984 to 8.5percent of GDP in 1998, while that of various services increased considerably. For example, hotels and restaurants services grew from 9.05percent in 1984 to 10.02percent in 1998, communications services increased from 3.5percent in 1984 to 9.6percent in 1998, and financial services (banking and insurance) increased its contribution, from 6.7percent in 1984 to 10.8percent in 1998. The view is that these data provide the evidence that OECS economies have restructured away from agriculture towards the provision of services.⁵⁷ Rather than addressing the cause of these developments, and trying to address them, some Caribbean politicians, academics, and policy makers argue that the region must abandon agriculture and focus its attention on building the services sector as the lead sector in economic growth and development.⁵⁸

There are major problems associated with this idea that also has its origins in the IMF-World Bank liberalization framework. Preferential agricultural markets to aid regional development stood in the way of capital accumulation of the giant transnational corporations in agriculture and food production. Agricultural liberalization increases capital accumulation of the TNCs in agriculture by destroying the region’s agricultural sectors, reducing regional agricultural exports, and increasing its agricultural imports, thereby transferring its agricultural wealth to external locations, and forcing agricultural workers to find jobs elsewhere.

However, the services sector is no basis on which to build sustainable economic development in the Caribbean. Furthermore, the jobs created in tourism, the leading

service industry, are low skilled and cannot take the region to higher heights. In addition, there are major barriers to Caribbean services' entry to US and European markets in a wide variety of services.⁵⁹ The region needs to address the real causes for agricultural decline including high specialization in a few tropical export staples; limited processing of these staples; the absence of a vibrant livestock/dairy industry; and underdevelopment of the domestic food crop sector.⁶⁰

The New Imperialist Rivalries: Challenges to US Economic Dominance

The European Challenge

The collapse of the former USSR has occasioned the reemergence of economic power centers – the European Union, Russia, China, and the US creating new imperialist rivalries and challenges to US economic dominance, rather than establishing the US as the single global economic authority. Furthermore, there is stronger opposition by these economic centers especially in Russia and China, and in Latin America to the US “free trade” model. There is also evidence of Caribbean opposition to US economic liberalization measures given the role of regional governments in direct economic activity in the area.⁶¹

In the early post-World War II years, the US was an economic superpower that controlled about 50 percent of the world's industrial production, and approximately 80 percent of global capital reserves. It dominated the Bretton Woods Institutions, and launched a global capitalist development strategy through measures to reconstruct Western Europe and Japan, and forge capitalist development in the Third World, including in Taiwan and South Korea, to counter the socialist/communist alternative to capitalism. Germany and Japan former US enemies reemerged in those years termed “the golden age of capitalism,” as major challengers to US economic power, increasing their share of world trade from 6.3 percent in 1960 to 18.8 percent by 1970, while the US' share fell from 20 percent to 15 percent. The US' responded to the resultant crisis of overproduction by establishing the Council for Foreign Relations and the Trilateral Commission to bring about a form of “collective management” of the global economy.⁶²

A new international division of labor emerged in the 1970s and 1980s with the NICs – Brazil, Singapore, Taiwan and South Korea, and the second generation NICs –

Thailand, Malaysia, Indonesia, and Vietnam, becoming new growth poles in what became known as the “flying geese pattern” of rapid export-oriented growth. The “Asian Miracle” slowed down in the 1990s and the global accumulation scenario changed with the ascension of neoliberalism as the dominant macroeconomic policy framework, bringing about economic recovery in the US and Western countries, although growth and productivity lagged behind the levels attained in the 1950s and 1960s. Meanwhile, neoliberalism in Sub-Saharan Africa and Latin America led to a “decade lost to development” in the 1990s.⁶³

The EU and China emerged in this process as new economic power centers that when combined control the “largest trading bloc and emerging market in the world, accounting for a third of the global production and 50percent of world trade.” They doubled trade from 1999 to 2003, and China is now only second to the US in exports to the EU and comprises the Europe’s third largest export market. Furthermore, although the US objected, China and Europe came together on the Galileo project. Indeed, China bankrolled the European Galileo system that broke the US technological supremacy in space. In addition, in 1992 the EU launched *Envisat*, a satellite produced by European technology that now orbits the globe. *Envisat* provides in real time the data requested by institutions to control the enforcement of the Kyoto Treaty that the US refused to sign. Before the launch of Galileo, the world depended on the American GPS or the Russian Glonas both developed to guide nuclear missiles. The basic issue now in Europe is “how to deal with the question of competitiveness and growth, and the prospect of global competition with the US.”⁶⁴

The Challenge from Russia and China

The challenge from Russia to US economic dominance comes from its control over strategic natural resources. Russia is now positioning back the state to stimulate the country’s economic development. Indeed, Russia now recognizes due to its experiences with market liberalization in the 1990s that the economic development process has to be state-led.

The state-owned Gazprom, the energy giant, with its new petroleum wing, Gazprom-Neft, is Russia’s number one firm with an 80 percent growth in net profit in the

first nine months of 2006. Gazprom, a natural gas monopoly outperformed other companies such as Shell and British Petroleum (BP) in 2006, and is now the world's second largest energy company after Exxon-Mobil. Considered a global energy bloc, Gazprom constitutes itself as the Kremlin's flagship "in a strategy to restore state control of Russia's booming but petroleum-dependent economy, and, use that accumulated power to further Moscow's agenda at home and abroad." Gazprom is the only company with the legal authority to export Russia's gas.⁶⁵

Twice in over a year Gazprom cut energy supplies to Europe demonstrating the new power of Russia in global affairs. The Russian state now controls 35percent of Russia's oil industry, an increase from 7percent in 2004, due to the take-over of private oil companies. The Russian state de-privatized Russia's aircraft producers, and merged them into a state run conglomerate in 2006. Rosoboronexport, the state arms monopoly took over AVISMA, the world's largest titanium producer that supplies Airbus and Boeing. Furthermore, the Russian state has plans to engage in a massive expansion of Russia's nuclear power industry and has begun to expand into diamonds, forestry, telecommunications, automobiles, and banking.⁶⁶

Gazprom is a \$US262 billion company formed from assets of the former Soviet Gas Ministry largely privatized in the 1990s. Gazprom controls approximately quarter of the world's natural gas reserves. The company's net profits increased from US\$490 million in 2001 to US\$11.7 billion in 2005, due largely to increasing global energy prices. Gazprom owns a bank, an insurance company, a football team, has a Gazprom-Media wing through buying-up media houses, including NTV and the central newspaper Izvestia.

In the case of China, "the basic motor of economic growth" is not the "world market but the extraordinary rate of internal savings and domestic capital formation – 44percent of GNP."⁶⁷ The cause of China's economic success today is its state-led policies that deliberately control the market. China finances its economic growth not by the importation of capital through liberalization and integration, but with internal savings. Foreign investment in China is just about 5.6percent of its GNP, but its participation in global trade causes it to be of significance to the major economies in the world including the US and Germany to which it contributes directly to 21percent and 28percent,

respectively, of export growth. Furthermore, about two-thirds of Japan's economic growth depends on growth in Chinese exports. Exports from China increased, by 111 percent over a five-year period to reach US\$82 billion in 2004. China surpassed Mexico as the second largest exporter to the US and, is set to surpass Canada as well that exports US\$100 billion to the US, annually. China is set to become an economic superpower in the coming decade, surpassing the US economy in size and importance.⁶⁸

The Challenge from Latin America

The challenge from Latin America comes in the form of state opposition to the US neoliberal "free trade" model. Concrete examples of noteworthy alternative developments in Latin America include Petrocaribe envisioned by President Hugo Chávez an integrated energy system of the kind that China is trying to initiate in Asia. Second, the new Ecuadorian president, Rafael Correa, proposed a land-and-river trade link from the Brazilian Amazon rain forest to Ecuador's Pacific Coast – a South American equivalent of the Panama Canal. Third, there is Telesur, a new pan-Latin American TV channel based in Venezuela, in an effort to break the Western media monopoly in the region. In addition, Argentina, Brazil and now Bolivia have moved to free themselves of IMF strictures. President Lula of Brazil dedicated a bridge over the Orinoco River, a Brazilian project in Venezuela, and favored other joint ventures on the South American continent. President Lula also inaugurated the Mercosur Parliament, and there is the possibility for a South American Parliament, when the South American Union comes into place. Within these trends, furthermore, an important development in 2005 was the strengthening of the Ibero-American Summits (IAS) process by the creation of an Ibero-American General Secretariat (SEGIB), the key mechanism through which Spain intends to rebuild its policy towards Latin America.⁶⁹

The inter-American system that the US spearheads through the Summits of the Americas (SOAs) therefore faces serious competition from the Ibero-American Conference. Nonetheless, the SOAs and the IAS are very different organizations in structure, scope and objectives. The SEGIB pursues an international role for example by seeking an observer seat in the UN, similar to the EU. In addition, the SOAs have a trade and investment dimension that the IAS does not possess. Currently, the EU undertakes

trade relations with Latin America, but there is advocacy for a link between the IAS and the European-Latin Summit. Thus, the Latin American countries could use the closer ties between the EU and IAS to advance trade negotiations with the region including Mercosur. A shift in Latin America from the SOAs to the IAS would definitely undermine the US' inter-American system and damage Canadian and US influence in the region given the extent to which these two latter countries conduct their regional policies through the inter-American system.⁷⁰

Furthermore, in the light of the financial difficulties in the Organization of American States (OAS), and the suspension of negotiations on the FTAA, many countries are now seeking bilateral agreements with Europe. Through the IAS, the Latin American countries could conduct their affairs without the domineering presence of US political ideological demands such as democratization as a condition for economic assistance. Furthermore, they could include Cuba an integral part of Latin America and the Caribbean that the US continuously seeks to exclude from regional development loop.

Another development of significance to the Caribbean coming from Latin America that challenges US hegemony is the outcome of the meeting of South American leaders in Cochabamba Bolivia in December 2006. The South American leaders at the summit called the South American Community of Nations agreed to create a high-level commission to study the idea of forming a continent-wide community similar to the EU.

Furthermore, the indigenous populations in Latin America are taking an active role in their own development with the coming to power of Evo Morales in Bolivia. The development effort must also embrace the indigenous populations in the Caribbean in countries such as Guyana, Dominica, St. Vincent, and Suriname. The Caribbean is an integral part of this region by historical circumstances and therefore cannot afford to exclude itself from the great restructuring away from the US "free trade" model that is taking place in the region and globally.

The EU, China, Russia and Latin America in the Caribbean

Currently, the EU, China, Russia and Latin America are competing with the US for influence in the Caribbean. The sections below examine recent developments in the region connection with these economic power centers.

The European Union in the Caribbean

The reordering of the relationship between the ex-colonies in the Caribbean and their former “mother” countries is taking shape through current Caribbean-EU negotiations of an Economic Partnership Agreements (EPA). Under the EU-ACP Lomé Conventions and Cotonou Partnership Agreement (CPA), the ACP countries benefited from their exports having preferential access to EU markets. Nonetheless, the current trade regime, mostly CPA arrangements with relics of Lomé relies on a waiver granted by the World Trade Organization (WTO), which will expire by the end of 2007. The EPAs will replace the current preferential trade regime, supposedly to help the ACP countries take advantage of the market access provided by the EU. The intention is that EPAs will foster regional integration within the ACP regions to enlarge ACP markets and provide greater incentives for investment and a more stable and reliable economic framework for private sector development. The EPA negotiations are to conclude by the end of 2007, and the belief is that the ACP private sector should intensify consultations until that date to identify key interests and define common negotiation positions. Caribbean regional EPA negotiations with the EU began in 2004.⁷¹

A key focus of the EPA negotiation in the Caribbean concerns the development of mechanisms and procedures for alternative dispute resolution (ADR) for trade and investment dispute settlement. These issues are strategizing to maximize the use of technical assistance for capacity building in, ADR; maximization of the technical assistance available for capacity building; the use of experienced mediators to reduce the incidence of disputes; the establishment of a Caribbean ADR body; and develop a special focus on CSME, WTO, FTAA, ACP, etc., with respect to ADR. Furthermore, the region should approach the EPA with caution both technically and qualitatively, and ensure an EPA provides for the various relevant processes for ADR. In addition, the Caribbean must create a core of suitably trained persons especially in the area of adjudication to serve the region. Finally, to build confidence in dispute resolution and promote the recognition of the dispute resolution mechanism the region must establish a Caricom Association of Adjudicators (CAA).⁷²

Historically, the relationship between the Caribbean and Europe evolved not purely on market forces. Given the method of the region's incorporation into the global capitalist system by the European powers, the Caribbean countries rightly believe that Europe holds some responsibility for their development and Europe seem to share a similar view given the developmental nature of the preferential trade arrangements negotiated by the two sides in the past. The US is of the view however, that the Caribbean-EU's trade arrangements are harmful because they interrupt the operation of the free market. The US position is that the EU must dismantle the preferential development trade arrangements with the Caribbean and replace them with free market arrangements. This is the main difference between the US and the EU approaches to Caribbean development. Thus, the EPA is to marketize the economic relationship between the EU and the Caribbean thereby removing the developmental aspects of the trade arrangements between the two sides. Three decades of market liberalization have failed to deliver the requisite development to the Third World countries. For the EPA to be beneficial to the Caribbean it must find ways to retain the development aspect that was present in the Lomé Convention, and improve on them. That is the challenge for the Caribbean in its EPA negotiations.

China in the Caribbean

China is no longer absent as an economic player in the Caribbean, where in the past it confined its activities to countries such as Guyana, Cuba and Jamaica.⁷³ China's "One China" policy gained significant ground in the Caribbean with a number of defections from support for Taiwan to China. Nowadays, China's economic role in the region is so significant that it draws complaints from Mexico and Central America that claim they are losing jobs and investments to China. The South American countries like Brazil and Argentina however, have seized the opportunity to sell their products in the new Chinese market. Chinese Premier Jiang Zemin visited the region in 2001, and since then there is heightened flow of representatives from China to Latin America, the Caribbean, and vice versa. The discussions between China and the region focus on issues such as security, trade, investment, and economic cooperation.

Grenada was the latest Caribbean country that switched support from Taiwan to China in 2005. The ravages of Hurricane Ivan pushed Grenada to China for economic assistance and the two sides, issues a joint communiqué that declared Grenada's support for China. China agreed to rebuild and expand Grenada's national stadium for the 2007 Cricket World Cup, construct 2,000 housing units, provide new hospital facilities, and give agricultural support to the island. Furthermore, China agreed to give a US\$6 million grant to Grenada to complete projects previously financed by Taiwan, and an additional US\$1 million scholarship fund. Grenada's Prime Minister Keith Mitchell perhaps saw glimpses of an alternative path to the US "free trade" model for the Caribbean when he declared, "the Caribbean has no other choice but to develop a relationship with China."

In addition, China pledged US\$112 million to Dominica for a six-year period in 2004, while Dominica switched its support from Taiwan to China. Presently, only five Caribbean countries – Belize, the Dominican Republic, Haiti, St. Kitts and Nevis, and St. Vincent and the Grenadines, continue to support Taiwan. Furthermore, President Martín Torrijos Espino of Panama is wavering towards support for China. China has commercial missions in the Dominican Republic and Haiti and, deployed 125 Chinese riot police as a part of the Brazil-led UN peacekeeping mission in Haiti.

Chinese trade with the Caribbean totaled US\$2 billion in 2004, an increase of 40.5 percent over 2003. The growth in trade is a reflection of China's pursuit of raw materials in the Caribbean – oil and gas in Trinidad and Tobago, bauxite in Jamaica, and nickel in Cuba. China provided the Bahamas with a very favorable trade and aid package in 1997. In addition, China joined the Caribbean Development Bank in 1998, taking a 6 percent capital stake and established a special US\$1 million trust fund for Chinese experts to provide regional assistance. China accounted for approximately 4 percent of Caribbean trade in 2005, a percentage that is bound to rise in the current period. Furthermore, Chinese Vice-President Zeng Qinghong led a 120-member high-level delegation to Jamaica in 2005 for the first China-Caribbean Economic and Trade Cooperation Forum to promote greater integration. In addition, the Caribbean is set to experience a boom in tourist arrivals from China, since the Chinese government recently added Antigua, the Bahamas, Barbados, Dominica, Jamaica, and St. Lucia to China's list of approved travel destinations.⁷⁴

Chinese President Hu Jintao visited Cuba in 2004 and entered into 16 trade and cooperation agreements between the two countries, including US\$500 million investment in Cuba's nickel industry that already provides half of China's nickel imports. China is Cuba's third largest bilateral trading partner accounting for US\$400 million, behind Venezuela and Spain. China provided Cuba with US\$7 million in 2004 to upgrade its technology, and has expressed an interest in Cuba's signals intelligence base at Lourdes on lease to Russia during the cold war. Furthermore, China won observer status at the OAS in 2004, and has a similar interest in the Inter-American Development Bank (IDB).⁷⁵

While China is increasing its role in the Caribbean the US cut military training and support to 11 states in the region that did not sign the Article 98 agreement that prohibits US soldiers from being handed over for prosecution to the International Criminal Court at The Hague.⁷⁶ Nonetheless, China's role in the Caribbean may cause the current Democratic administration in the US Congress to try to place sweeteners in the immediate US-Caribbean relations, and perhaps speed-up the push for a an ill-fated Caricom-US FTA, so long as it embraces the current US "free trade" model.

The Chinese government proposed and the Caricom states agreed to a China-Caribbean Economic and Trade Cooperation Forum that met in Jamaica in February 2005, under the theme "Promoting Cooperation and Development." The Forum will convene every 3-4 years in China or the Caribbean to promote and deepen the economic exchanges and cooperation to realize the common development of China and the Caribbean region. Five Chinese companies signed agreements involving US\$50 million with Caribbean partners during the forum, and China and eleven Caribbean countries signed a document outlining economic cooperation between the two sides.⁷⁷

The forum focused on cooperation in trade, human resources, tourism development and transportation, agriculture, fishing and finance, and there was an exhibition displaying Chinese and Caribbean products. China mainly imports timber, raw sugar, aluminum oxide, nickel, asphalt, and sea products from the region. It exports to the Caribbean ships, farm machines, port-use equipment and family appliances as well as garments, light industrial products, chemical goods and pharmaceuticals. By the end of 2004, Chinese businesses have implemented all kinds of labor contracts in the Caribbean region totaling US\$1.32 billion, fulfilling the business volume of over US\$900 million.⁷⁸

Russia in the Caribbean

The disintegration of the USSR in 1991 and the profoundly radical economic and political transformation in the new Russian Federation greatly expanded Russia's geographic presence in the Caribbean. The Russian Federation now has relations with, "all Caribbean states that previously had been out of Russia's field of vision."⁷⁹ The Caricom countries are now in a position to engage Russia on a multilateral basis. Indeed, the Russian Federation does advocate mutually beneficial constructive interaction with the Caricom. The Caricom must explore ways to bring about the maturation of the region's economic and cultural relations with the Russian Federation, and particularly in fields such as medicine, engineering, agriculture, information technology, architecture, and biotechnology as a deliberate attempt to foster an alternative development strategy for the Caribbean.

Russia's drive to play a new post-cold war role in the globe is undeniably evident in the power it exercises in Europe through its oil wealth. Russia remains a nuclear power with an enormous endowment in technologies that the Caribbean lacks. Indeed, Russia is also seeking "dynamic cooperation with the Association of Caribbean States," and President Vladimir Putin "underscored the importance of a meaningful dialogue for the elaboration of specific forms of cooperation that would be of mutual interest to Russia and the Caribbean countries."⁸⁰

Latin America in the Caribbean: Petrocaribe as Energy Alternative

The Caricom countries need to find a way with Trinidad and Tobago on board, to engage Petrocaribe announced by Venezuela in 2004.⁸¹ The goal of Petrocaribe is to spread the benefits of the energy agreement to the social sectors, including health care and higher education, in the beneficiary countries. The basis of the Petrocaribe model is the concept of state involvement in the energy sector to utilize surpluses achieved there to help meet the expenses, through subsidies, in health care, education, and housing for the poor.

Petrocaribe involves the shipping of refined crude oil from Venezuela to Caribbean states, possible in Petrocaribe owned or contracted vessels, wholesaling to existing retailers, and retailing where necessary. Petrocaribe reaffirms the sovereign rights of the states over their energy resources, and it is a catalyst for the introduction of

alternative approaches to market access, product distribution and retail, and correction of pricing inequalities in some markets, while recognizing its significance to a framework that upholds multilateral commitments and facilitating greater market competition. The region's energy ministers and heads of governments finalized various bilateral agreements within the framework of Petrocaribe, in 2005.⁸²

Petrocaribe created some tension between Trinidad and Tobago and the Caricom states that participate in its energy arrangements.⁸³ According to some observers, the lack of a Caricom energy policy caused the tension in the region between over Petrocaribe.⁸⁴ Furthermore, Petrocaribe skeptics and critics posit that Venezuela was “buying” the support of Caricom countries through this petroleum agreement.⁸⁵ Nonetheless, the region faces serious challenges in obtaining continuous energy supplies and it must therefore recognize the need for energy integration to emphasize the economic and social development of its peoples rather than market imperatives and the profit motive. The Caribbean therefore needs to develop an appropriate energy plan to bring cheap energy to the people in the region. This would help to stimulate development by lowering energy cost.

Furthermore, the indigenous populations in Latin America are taking an active role in their own development with the coming to power of Evo Morales in Bolivia. The development effort must also embrace the indigenous populations in the Caribbean in countries such as Guyana, Dominica, St. Vincent, and Suriname. The Caribbean is an integral part of this region by historical circumstances and therefore cannot afford to exclude itself from the great restructuring away from the US “free trade” model that is taking place in the region and globally.

Conclusion: Development Alternatives for the Caribbean

Historically the search for “another development” in the Caribbean is in response to the private and state-capitalist development approaches experimented with in the region since political independence, which reinforce the persistence of poverty. In the current period, the search for “another development” must also involve finding alternatives to the US neoliberal “free trade” model. Thomas (1988) identified eight points that indicate what

development means in a Caribbean context,⁸⁶ and he outlined an “alternative conception of development” to tackle three principal problems.⁸⁷

While these fundamental conditions still hold true for the Caribbean, the dynamics of global capitalism have changed, as well as conditions in the region. The most fundamental transformations in the current period include the fragmentation of labor markets, and the transnationalization of production that increased workforce diversity and intensified the separation of workers into core and non-core for capitalist exploitative purposes. Other features are the internationalization of states, whereby the international financial institutions (IFIs) help to determine their national political and economic agendas, and the ascendancy of financial over productive capital as evidenced by the huge profit in the international banking sector, and the high returns on speculative capital traded in the world’s financial capitals. Another attribute is the revolutionary transformation in communications technologies that drastically reduced transportation costs and unified widely spaced markets.⁸⁸ A final characteristic is the dynamic political economy scenario created by the collapse of Eastern European communism.

These current global features are hardly new from a Caribbean perspective, given that historically extra-regional forces dominated and dictated to the economies in the region. Nonetheless, these features along with the retreat, recanting and almost decimation of the left in the region complicate the process of working class struggles in the search for another development in the area. Furthermore, most of the current thinking on development in the region takes place within the existing framework of the dynamics of global capitalism. This is one of the most problematic changes in the Caribbean, observed by Levitt.⁸⁹ The region needs to draw on all its independent thinking power to use the current unsettled conditions of global capitalism to its advantage.

Global capitalism is currently in an unsettled stage, unlike the period of stability in the post-World War II years up until the end of the cold war. The dynamics of this unsettled period involves the re-emergence of imperialist rivalries, and stronger challenges from the developing countries for another development. The Caribbean is now in a better position to configure regional economic transformation “founded on the logic of a dynamic convergence between social needs and the use of domestic resources,” because of the openings that the new unsettled conditions present, and the fact that the

region has more experience albeit only forty to fifty years of political independence. The challenge for the Caribbean is to utilize the new imperialist rivalry, and opposition to the neoliberal model to fashion a state-led development alternative.

The concrete development alternative options for the Caribbean to the US neoliberal “free trade” model are the Russian and Chinese state-led market approaches, the deepening of the state-led market approach already in place in the Caricom countries, and the ALBA led by Venezuela and Bolivia.⁹⁰ The Caribbean leaders must harness these development alternatives into a cohesive strategy to break away from the clutches of the US “free trade” model. The Caricom must be clear on what it wants to tease out from the economic power centers for Caribbean development, and how it will use the new imperialist rivalry to benefit the region.

First, the Caribbean countries must undertake state-led projects that employ people directly and implement measures to stimulate the employment of every citizen in the Caribbean. The Caribbean states must support the principle that people are more important than production costs. These states need to take action to swing the pendulum back and away from the failed free market policies that retrench workers through privatization. They must de-privatize strategic enterprises and develop competent management systems for these agencies. The Caricom states must learn from the failures of the early nationalization experiments in the region, and this time they must do it better. Jamaica and Trinidad and Tobago have already engaged in de-privatization, but this remains a challenge for these states as the resale of the BWIA indicates.

Second, the Caribbean must elaborate on the idea of a Caribbean Development Fund to foster development in the region outside of the clutches of the IMF and World Bank. The region must pursue vigorously and earnestly funds based on domestic savings to stimulate development. There already exist in the region the Unified Special Development Fund (SDF) of the Caribbean Development Bank, the Caricom Development Fund, and the ALBA-Caribbean Fund. The SDF offers loans to member countries on concessionary terms and at low interest rates, and carry repayment periods of 35 years, with a 10-year grace period.

The Caricom Development Fund (CDF) is a separate legal entity administered by the CDB, and capitalized at US\$250M of which US\$100M would come from Member

States via contributions, and \$20M from the Petroleum Fund operated by Trinidad and Tobago. Donor contributions would subscribe the remainder of the Fund.⁹¹ This Fund is to cushion any shocks faced by smaller and more vulnerable economies and sectors within the Caricom, with the establishment of the CSME.

The ALBA-Caribbean Fund for social and economic development in the region will have financial and non-financial contributions from member countries. Venezuela would provide US\$50 as start up money that would initially support health and education programs in the member-countries, while strengthening an aggressive cooperative, and small and medium-size enterprise micro-financing program.

These Caribbean Funds, especially the latter two that have total regional control need to become the central plank in the development alternative efforts in the Caribbean. Trinidad and Tobago must take the lead in the Caribbean in the same way that Japan led the “Asian Miracle,” and now China leads the world’s largest trading bloc through its involvement with the Association of South-East Asian Nations (ASEAN).⁹² In November 2003, the ASEAN summit in Phnom Penh together with China signed an agreement “to start negotiations which within ten years would produce the greatest trade area in the world 1.7 billion people, a total GNP of \$1,500-2,000 billion and an inter-area trade valued at \$1,200 billion.”⁹³

The Caribbean could borrow from the Asian model that succeeded in steering several Asian countries away from the IMF and World Bank for short and long-term financing. The building of regional capital markets is crucial in this regard and Trinidad and Tobago will have to do more than its share to make this work, by taking the lead as the most prosperous Caribbean country, at present, due to its oil wealth.

Third, the Caribbean states need to involve meaningfully the trade union movement and other civil society agencies in the development alternative process based on the unique historical experiences of the region. Trade unions and civil society agencies were at the very center of the demands for an alternative model to colonial development, and played a central role in helping to shape the nationalist alternative. This is the historical basis for the role of civil society in the process to find development alternative practices, and not the way neoliberal capitalism proposes through the promotion of non-governmental organizations (NGOs). Neoliberal capitalism hijacked civil society

agencies in the 1990s converting them into tools of US-led globalization, and now that they did their job in pacifying people that there is no alternative but to work within the liberalization framework, their external financiers dropped them leaving them in dire financial problems that threaten their existence. Caribbean civil society needs to return to the role they performed in the nationalist movement in the search of development alternatives, to European imperialism.

Tension will remain however, between utilizing Caricom funds to further capitalist development or to further a people centered development. The state must not only raise money for the funds but also spend it or supervise its spending wisely. The state must lead the way in terms of investing fund money for regional development and not leaving it to the emergence of big capitalist firms. The Caribbean private sector does not undertake long-term investment, but prefers short-term profits. That is just the way Caribbean economies have emerged leading to the divergences to which Thomas (1988) referred. The region depends either on foreign companies to make long-term investment or on the state.

The options for the Caribbean in terms of agencies that could lead the long-term development process are as follows – the state, foreign enterprises, domestic enterprises nurtured by the state. Clearly, Caribbean countries should not place their hope for development on foreign enterprises because of the region's historical experiences with the TNCs.⁹⁴ Although Sir Arthur Lewis came out strongly in favor of state-supported private capitalist development,⁹⁵ the arguments against the state nurturing domestic private capital in the Caribbean are very strong.

First, local companies raise their capital in the region and then through capital flight send it abroad. The loyalty of these enterprises is not with the region but to their short-term private interests. Second, these enterprises do not have long-term investment interests an important ingredient in the development process. The suggestions by the Center for International Services (CIS) of the University of the West Indies to the Caribbean private sector on the kinds of recommendations it could advance in the EPA negotiations attest to the weakness of this sector to take the lead in development.⁹⁶ Third, the state nurturing of private capital approach will deepen capitalism in the region rather than build an alternative based on a more equitable distribution of resources.

The problems with the state-led approach include issues such as the nature of the state, and which class exercises its power, and in whose interests. The authoritarian origins of the state in the Caribbean will pose a major stumbling bloc to the success of this approach. The temptation will be great for the ruling elite to use the state for personal accumulation of wealth.⁹⁷

Notes

¹ These refer to the English-speaking Caribbean states that gained their political independence from Britain in the 1960s and 1970s. Currently, however, only a few English-speaking Caribbean countries, such as Montserrat and the Turks and Caicos Islands remain as British colonies.

² Development means that individuals and their respective communities possess adequate food, shelter, health, education, and social and utility services, recreation, and the opportunity to secure these through gainful employment. Thus, alternative development refers to the formulation of counter policies to those that dominate the region for the last three decades in which working class people remain without decent jobs, and adequate food, shelter, and social services, etc. In that period, top-down, “free trade”, market liberalization theories dominated Caribbean economic policies. Thus, the goal of alternative development is to replace those theories, and to bring about greater equity through state-led development. Alternative development is “a pathway to be carved out by the willing actions of the people themselves, working as much in concert as is socially and politically possible at a given time.” See Clive Y. Thomas, *The Poor and the Powerless: Economic Policy and Change in the Caribbean*, Great Britain, Latin American Bureau and New York, Monthly Review Press, 1988, p 352.

³ See *Rebuilding America’s Defenses: Strategy, Forces and Resources for a New Century*, A Report of The Project for the New American Century, September 2000 (Thomas Donnelly, Principal Author, Donald Kagan and Gary Schmitt, Project Co-Chairmen); Robert Kagan and William Kristol eds., *Present Dangers: Crisis and Opportunity in American Foreign and Defense Policy*, San Francisco, California, Encounter Books, 2000.

⁴ The National Security Strategy of the United States of America, Washington, The White House, September 2002; Thomas Carothers, “Democracy Promotion: A Key Focus in a New World Order,” in *Issues of Democracy*, Towards a Community of Democracies, Volume 5, No. 1, May 2002, pp 23-28; Paula J. Dobriansky, Under Secretary for Global Affairs, Strategies on Democracy Promotion, Remarks to the Hudson Institute, Washington, DC, June 20, 2005

⁵ The US free trade mode refers to the set of policy measures defined in various ways such as neoliberal economics, and the Washington Consensus.

⁶ Clive Y. Thomas “The Development Glass, Half Empty or Half Full: Perspectives on Caribbean Development,” Sixth William G. Demas Memorial Lecture, Caribbean Development Bank, May 2005, Guyana.

⁷ For recent studies on Caribbean development theory, see Norman Girvan, “Caribbean Development Thought Revisited,” *Canadian Journal of Development Studies*, Volume XXVII, NO. 3, 2006, pp 337-352; Denis M. Benn, *The Caribbean an Intellectual History 1774-2003*, Kingston, Ian Randal, 2004

⁸ Norman Girvan ed., *Poverty, Empowerment and Social Development in the Caribbean*, Mona, Jamaica, Canoe Press, UWI for Consortium Graduate School of the Social Sciences and UNICEF, 1997.

⁹ Kari Levitt, *Reclaiming Development: Independent Thought and Caribbean Community*, Kingston, Iran Randle Publishers, 2005

¹⁰ Caribbean leaders also outlined various strategic perspectives to chart the direction of the region in the current century. See Kenneth Hall and Denis Benn eds., *Contending With Destiny: The Caribbean in the 21st Century*, Kingston, Ian Randle, 2000

¹¹ Cedric Grant, “US-Caribbean Relations,” *Foreign Policy in Focus*, Volume 5, No. 19, 2005, pp 1-3

¹² Sir Ronald Sanders “A US-CARICOM Free Trade Agreement?” *Caribseek Caribbean News*, April 15, 2006.

¹³ United Nations, Economic Commission for Latin America and the Caribbean, “Should the Caribbean Seek a US-Caricom Free Trade Agreement?” *ECLAC Issue Brief* No. 13, March 2003

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¹⁶ UNCTAD, *World Investment Report 2006, FDI From Developing and Transition Economies: Implications for Development*, United Nations New York and Geneva, 2006.

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- ²³ Richard Bernal, the Director-General of the Caribbean Regional Negotiating Machinery (CRNM) observed, “The region is actively positioning itself to re-shape the ‘vision’ of the FTAA, in accordance with the regional development goals and priorities,” CRNM News Release No. 03/2005.
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⁸⁴ *The Jamaican Observer*, Editorial, "Caricom Lessons from Ukraine-Russian Dispute," January 4, 2006.

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⁸⁶ First, 'development requires a system of ownership, control and production oriented towards satisfying the basic needs of the masses.' Second, 'there can only be real development in the region if these basic needs are satisfied through planned and effective implementation of the right to work.' Third, 'to reverse the region's authoritarian tradition, the material conditions of life should be reproduced within a self-reliant and endogenous pattern of growth.' Fourth, 'development also implies that work, politics and social organization are based on democratizing power in society and on the effective (as opposed to nominal) exercise of fundamental rights, such as those to free expression and organization, respect for an individual's privacy and the abolition of repression and torture.' Fifth, 'development also implies preserving the stability of the environment and putting an end to the degradation it has suffered through the growth of national production in Caribbean societies.' Sixth, 'it is important to recognize that because of the polarity between the state and the private sector, the state would have to play an important part in the development of the region, but only within the context of a participatory political process in which the ordinary West Indian's status as a citizen, producer and consumer of wealth was enhanced.' Seventh, a realistic approach to development in the region must begin by recognizing the stark reality of the hostile environment created by living in imperialism's backyard.' Eighth, the external context is relevant to the region's development (Thomas, 1988: 356-362).

⁸⁷ First, 'that the pattern of consumption in the region fails to satisfy the basic needs of the broad mass of the population (instead it reflects the unequal distribution of wealth and income, disparities in urban and rural development and the poverty and dispossession of large social groups, particularly the peasants and urban poor.' Second, 'that because imperatives for bringing resources into production in the past derived largely from the needs of international capitalist expansion, the pattern of resource use and resource endowment are improperly reconciled.' Third, 'reflecting the situation in 1 and 2 above, the pattern of property ownership and the social relations centering on this, show sharp and worsening inequalities both at the national/international level within each national territory. Because of the systemic nature of these problems, it follows that the configurations of a transformed regional economy must be based on the *construction of a process of accumulation founded on the priorities required to ensure the eventual reversal of these divergences*. In other words, accumulation has to be founded on the logic of a dynamic convergence between social needs and the use of domestic resources' (Thomas, 1988: 363-364)

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⁹⁰ Both these countries are pursuing policies of state ownership of national economic assets. The Bolivian government recently nationalized the Vinto Metallurgical Complex, the country's largest, privately run tin smelter complex. Recently also, the Venezuelan government bought the country's leading privately owned power provider, marking a new phase in its nationalization program. The Venezuelan state paid \$740m (£378m) for the 82percent stake in Electricidad de Caracas owned by a US company AES Corp, while the Bolivian government expropriated Vinto.

⁹¹ The Caricom, "Contribution Formula Finalized for Development Fund," *Caricom News Release* 116/2006, June 20, 2006

⁹² The ASEAN organization originally comprised Indonesia, Malaysia, the Philippines, Singapore and Thailand but later extended to include Vietnam, Brunei, Laos, Myanmar and Cambodia. The US pushed its set-up and during the cold war, it had an anti-China function.

⁹³ James Petras and Henry Veltmeyer (with Luciano Vasapollo and Mauro Casadio), *Empire With Imperialism: The Globalizing Dynamics of Neoliberal Capitalism*, Zed Books, London, 2005, pp 175.

⁹⁴ See Norman Girvan, *Corporate Imperialism, Conflict and Expropriation: Transnational Corporations and Economic Nationalism in the Third World*, New York, Monthly Review, 1978. Kari Levitt, "The Old Mercantilism and the New," *Social and Economic Studies*, Volume 19, No. 4, 1970

⁹⁵ Sir W. Arthur Lewis, "Industrialization of the British West Indies," *Caribbean Economic Review*, Volume 12, 1950

⁹⁶ Roderick Sanatan, Caribbean Forum of Dispute Resolution Practitioners: Proceedings of EU-Caribbean Workshop for Trade and Investment Projects Under the Economic Partnership Agreements, in Collaboration with TRINNEX and CROSQ, The University of the West Indies, Cave Hill Campus, December 2004.

⁹⁷ See Dennis C. Canterbury, *Neoliberal Democratization and New Authoritarianism*, Aldershot, Ashgate, 2005. Clive Thomas, *The Rise of the Authoritarian State in Peripheral Societies*, New York, Monthly Review, 1984.