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ONE-SIZE-FITS-ALL? AN EXAMINATION OF THE DIFFERING  
CAPACITIES OF BARBADOS, JAMAICA AND TRINIDAD & TOBAGO IN  
ENHANCING THEIR TRADE DEVELOPMENT

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THESIS SUBMITTED FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY IN INTERNATIONAL RELATIONS

UNIVERSITY OF SUSSEX

APRIL 2020

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## SUMMARY

The purpose of this thesis is to explore the impact of prior development on the contemporary capacity of three Commonwealth Caribbean Small Island Developing States: Barbados, Jamaica, and Trinidad and Tobago to improve their trade development. In this thesis, it is argued that the one-size-fits-all trade development policy prescriptions that emerged in the WTO context, ignores the differences in the contemporary capacities of each Commonwealth Caribbean to improve their trade development. To examine this argument, I used a multi-methodology of historical institutionalism and qualitative case study to trace and comparatively analyse the trade development paths of Barbados, Jamaica, and Trinidad and Tobago. More specifically, I examined how exogenous factors such as colonialism, foreign direct investment, multilateral trade and financial rules have caused path dependence in the evolution of these states' trade development trajectory. I have also explored the endogenous policies employed by each state to mitigate these exogenous threats. The comparative historical analysis reveals that there are differences in these states' contemporary capacity to improve their trade development and these differences are caused by formative moments. To date, of the three states, Trinidad and Tobago is the least dependent on foreign capital; has the most cohesive relationship between the state and private sector; least dependent on services; produces the most value-added export and is the most resilient to the erosion of trade preferences. This thesis highlights the use of historical institutionalism framework as an alternative lens to analyse trade development in the Commonwealth Caribbean. The empirical findings also demonstrate that trade policy analysis in the 21<sup>st</sup> century should not focus exclusively on contemporary capacities of Commonwealth Caribbean states. Instead, their development trajectories should be traced to identify development issues unique to each state's trade development path. This way, states will be able to design policies that address their specific trade development needs rather than relying on one-size-fits-all policy prescriptions.

## **DEDICATION**

**To my wife Ann Maria**

## ACKNOWLEDGEMENTS

I would like to express my gratitude to the persons and organisations whose support contributed to my completion of this thesis. First, I would like to thank my supervisors Kevin Gary and Rorden Wilkinson for their guidance, patience and encouragement to produce this body of work.

I would like to thank my wife Anna-Maria for her emotional and financial support while I conducted this study. To my mothers - Catherine Christian and Pauline McDonald - and other extended family members - the McDonalds of London, I thank you all for the emotional supported provided to Anna and me during our time in the United Kingdom.

The Commonwealth Scholarship Commission was also instrumental for the financial assistance which enabled me to complete this thesis in the United Kingdom.

I would to acknowledge the contribution of Ms. Cherry-Ann Smart for editing this thesis. Also, my appreciation to the staff at the British Library and the British Colonial Office for research assistance and access to their valuable archival data.

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## ACRONYMS AND ABBREVIATIONS

ACS	Association of Caribbean States
BIDC	Barbados Investment Development Corporation
CAP	Common Agriculture Policy
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean Forum of African, Caribbean and Pacific States
CBI	Caribbean Basin Initiative
CCSIDS	Commonwealth Caribbean Small Island Developing States
CSME	Caribbean Single Market and Economy
DBJ	Development Bank of Jamaica
EC	European Community
EPA	Economic Partnership Agreement
EU	European Union
EXIM Bank	Export-Import Bank
ExporTT	Export Trinidad and Tobago
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
IFI	International Financial Institutions
IMF	International Monetary Bank
ITO	International Trade Organisation
JAMPRO	Jamaica Promotions Corporation
LDC	Less Developed Country
MFA	Multifibre Arrangement
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
OECD	Organisation of Economic Co-operation and Development
SAPS	Structural Adjustment Programs
SDP	Settlement Dispute Body
SIDS	Small Island Developing States
SRC	Scientific Research Council
STABEX	Stabilisation of export earnings
SYSMIN	System of Stabilization of Export Earnings from Mining Products
WTO	World Trade Organisation

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## **CHAPTER 1**

### **INTRODUCTION**

The 1990s were a watershed moment in the trade and development history of late-developing countries in the Commonwealth Caribbean. In 1995, after eight rounds of negotiations under the General Agreement on Trade and Tariffs (GATT), the World Trade Organization (WTO) was established as a formal trade institution (Wilkinson, 2018). For the first time in trade history, a global institution existed with the power to hear and settle commercial disputes. Almost immediately, the United States put the mechanism to the test by petitioning against the preferential market access granted to Commonwealth Caribbean exports by the European Community, claiming it contravened the principle of trade reciprocity (Clegg, 1997; Myers, 2004). The WTO's Dispute Settlement Body (DSB) subsequent ruling in favour of the United States unsettled a region whose undiversified export sectors relied mainly on preferential trade for survival. Even more devastating was the 1996 establishment of the North American Free Trade Area (NAFTA) and its subsequent denial of the Caribbean's request for parity. NAFTA's rejection resulted in the erosion of further preferential trade benefits granted to the Caribbean Basin Initiative (CBI) beneficiaries (Bernal, 2013; Clegg, 1997; Payne, 2006). Ultimately, these adverse rulings exposed the vulnerability and lack of trade competitiveness of Commonwealth Caribbean states in the absence of preferential treatment (Palmer, 2016).

In the post-WTO era, Commonwealth Caribbean states were compelled to develop new or prepare existing sectors to compete without trade preferences. This urgent need to upgrade terms of trade emerged in a multilateral trade environment which limited the policy space and the autonomy of states (Lindsay, 2012, p.4; Wade, 2003, pp. 23-30). The prevailing neoliberal ideology and practice among multilateral institutions such as the International Monetary Fund (IMF) and the World Bank reduced the role of developing states in the policy space (Lindsay, 2012, p.4; Wade, 2003, pp. 23-30). Any hope of these states being able to copy strategies used by previous late-developing East Asian states was further prohibited by multilateral trade rules (Bishop, Heron, & Payne, 2018; Griffith, 1991; Payne, 2009). Additionally, the TRIMs (Trade-Related Investment Measures) agreement prohibited the use of local content and trade balancing requirements, foreign exchange and export restrictions, while countervailing

measures restricted the use of trade-distorting subsidies (Lindsay, 2012, p.4; Wade, 2003. pp. 23-30). These restrictions raised essential questions over the relevance, role, and capacities of these Commonwealth Caribbean states to enhance their international trade performance. Moving forward, states were faced with a universal challenge: how to improve their trade competitiveness without violating multilateral trade rules?

During the post-WTO era, literature emerged dispensing policy prescriptions on ways to develop the trade competitiveness of states in response to these challenges. Political economists argued that even though multilateralism threatened the viability of developing states like those in the Commonwealth Caribbean, these late-developing states could improve their trade competitiveness by the 21st century (Amsden, 1999; Weiss, 2005). However, this would mean manipulating the flexibility of WTO rules, which provided some level of manoeuvrability (Amsden, 1999; Weiss, 2005). Political economists also suggested that states could improve their trade competitiveness by playing a dual role: ex-ante and ex-post. At the ex-ante stage, states should focus on disentangling issues and debugging the policy process by partnering with the private sector to identify issues affecting development and work towards solutions. At the ex-post stage, the state would be required to implement a monitoring and evaluation mechanism to ensure the private sector did not indulge in rent exploitation when accessing state facilities (Rodrik, 2004). Other authors recommended export expansion, capital provision, risk socialisation research and development, as well as cooperation between state and private sector (Bernal, 2013; Cerny, 2010; Payne & Sutton, 2007).

While these policy prescriptions appeared to be cogent suggestions, they were not without weaknesses. A critical review revealed economists' homogeneous and skewed focus on the contemporary capacities of late-developing states. By prescribing homogenous trade development policies, for instance, these strategists incorrectly assumed that all developing states, more specifically Commonwealth Caribbean states, had the same capacity to enhance their trade development. Moreover, by focusing on the contemporary moment (post-WTO context), existing literature abnegated the influence of historical formative moments on the contemporary capacity of states to improve their trade development. In fact, a historical review of the trade development path of some Commonwealth Caribbean states revealed conditions which shaped their current capacity to trade, and which supports the hypothesis that they should not be treated as a homogenous group.

Certainly, there were similarities shared by the islands of Barbados, Jamaica, and Trinidad and Tobago as it related to their trade history: colonialism, dependence on preferential trade, industrialisation by invitation strategy and forced pre-mature trade liberalisation in the 1980s by the IMF. These enterprises shaped their trade development path as well as provided the basis for these states to be considered the same, notwithstanding the prescription of one-size-fits-all trade policies.

As early as the 15th century, Caribbean states were unsettled by European conquest as we saw conquered colonies being incorporated into a mercantilist system. For over 300 years, under this hierarchical system, trade and commercial policies were formulated by the core (metropole) and imposed in the periphery (colonies) through a top-down approach. This hierarchical relationship set in motion institutional rules, norms and behaviours which shaped the capability of these states to respond to exogenous shocks in global trade. For instance, under colonialism British colonies were prohibited from formulating indigenous trade and commercial policies; instead, they were forced to cultivate agricultural crops for export to the metropole. Also, trade between the metropole and colonies was governed by Navigation Acts, which prohibited trade outside the British Empire. Whereas this protection provided colonies with guaranteed access to the British market, protected trade also fostered dependency. Therefore, it was not surprising that after passage of the 1846 Act, which liberalised the sugar market, the industry almost collapsed in the colonies (Barbados, Jamaica, and Trinidad and Tobago included), as they did not have the internal capacity to trade competitively in the absence of preferential treatment. Over a century and a half later, the export industries of these states were once more threatened by the removal of preferential market access in 1995.

Import substitution shaped the trade development of all three states in the postcolonial era. Commonwealth Caribbean states pursued a strategy of industrialisation by invitation like other states from the Global South. They used a combination of duty concessions, subsidies, import restriction, foreign exchange control and tax holidays to attract the transplantation of mature firms from the Global North (Sebastien, 1985; Williams & Morgan, 2012; Witter & Brown, 2004). Policymakers hoped this strategy would have resulted in the transfer of technology, technical skills and investment capital to expedite the industrialisation of these undeveloped states. However, a post-implementation review of industrialisation revealed failure of the strategy. While a number of foreign firms relocated and benefited

from these incentives, Commonwealth Caribbean states were unable to leverage the association because of their weak bargaining position and dependence on investment capital. Accordingly, they failed to subject these international firms to domestic trade policies, which resulted in the concept of industrialisation by invitation as a mere reinforcement of the pre-existing hierarchical relationship between the Global North (core) and the Global South (periphery).

Post-independence, the Lomé Convention also shaped the trade development path of all three states. Signed in 1975 between African Caribbean and Pacific countries (ACP) and the European Community, the Lomé Convention guaranteed preferential market access of raw material, agriculture, and mineral exports from ACP countries to the European Community. The exclusion of manufactured exports for preferential treatment indirectly reinforced an appetite for agricultural exports by these Commonwealth Caribbean states as well as fostered a dependence on trade preferences.

In the '70s and '80s, all three states experienced a balance of trade crisis, as their trade development path was significantly influenced by the IMF initiated one-size-fits-all Structural Adjustment Programs (SAPs) (Bernal, 1984; Hillaire, 2000). As a condition for financial assistance, these states were placed on SAPs which required that they undergo accelerated and, arguably, premature trade liberalisation such as: the liberalisation of imports, removal of quantitative restriction, and market and financial exchange deregulation (Clair, Henry, & Hlatshwayo, 2014; Witter & Brown, 2004).

While Barbados, Jamaica, and Trinidad and Tobago shared many similarities in their trade history, there are important differences which shaped their capacity to shape their trade development. For instance, while all three states pursued a strategy of industrialisation by invitation, the 1970s oil crisis forced each state to impose modifications in different ways. Trinidad and Tobago used excess profits from the exponential increase in oil prices to expand its manufacturing industry. Its newfound oil wealth also gave the twin-island Republic leverage to renegotiate pre-existing and new agreements with foreign firms. In contrast, Jamaica abandoned the industrialisation by invitation strategy and embraced democratic socialism. Guided by its newly adopted ideology, the Manley-led government nationalised a significant number of firms in the private sector, even those that were foreign-owned (Stephens & Stephens, 1986). The Jamaican government's hostile attitude towards the private sector resulted in a mass exodus by many of its members, who took with them much needed investment capital (Harrison, 1988; Keith & Girling, 2007). Barbados, on the other



hand, retained the industrialisation by invitation strategy and reinforced its commitment to foreign and domestic entrepreneurs (Clair et al., 2014).

It can be argued, therefore, that the differences in the trade development path of these states shaped their contemporary capacities, to improve trade development in diverse ways. To date, as it relates to export value, Trinidad and Tobago is the most lucrative exporter of the three. Since gaining independence in 1962, Trinidad and Tobago's average annual export value of USD5,032,484,075 (see Appendix A) is triple that of Jamaica (USD2,854,001,09), and triple that of Barbados (USD1,021,297,801) (World Bank, 2016). Furthermore, in Barbados the percentage contribution of sectors to Gross Domestic Product (GDP) include agriculture (2%) (see Appendix B), manufacturing (9%), industry (16%), and services (68%). For Jamaica, the percentage contribution of sectors included agriculture (6%), manufacturing (9%), industry (21%), and services (63%).

In comparison, Trinidad and Tobago is least dependent on their agricultural (1%) and services sector (50%), while its manufacturing (16%) and industry (47%) sectors make a stronger percentage contribution to its economy than Barbados and Jamaica (World Bank, 2019a, 2019b, 2019c, 2019d, 2019e, 2019f). Moreover, the Government of Barbados and Trinidad and Tobago's amicable relationship with the private sector in the 1970s laid the foundation for the state and private sector to partner towards improving their trade competitiveness in the 21st century. For Jamaica, the reality differed as the strained relationship between the state and private sector in the 1970s had not healed, and so a chasm still exists between the state and the private sector. Lastly, whereas Trinidad had its oil wealth to use as leverage in negotiations with the private sector, the other two states are still vulnerable to oil shocks as well as a dearth of investment capital. They also remain dependent on foreign firms for market access and investment capital.

So in one respect, Barbados, Jamaica, and Trinidad and Tobago are similar because of their colonial history, political institutions and classification as SIDS. However, their trade development has evolved along different paths, causing different contemporary trade outcomes. Based on these identified differences, existing one-size-fits-all policy prescriptions should be re-examined.

## **Goals and Objective**

Against the aforementioned problematic, the major premise of this thesis is that existing Commonwealth Caribbean trade development literature should be extended beyond the skewed focus on contemporary trade development issues such as small market size, lack of diversification, and reduction of trade subsidies. Additionally, homogenous trade development policies should be revised to reflect the differences in Commonwealth Caribbean states' capacity to improve trade development. This thesis conducts an exploratory review of the literature to hypothesise how and why institutions emerged and evolved in order to demonstrate that the differences in the contemporary trade development of these states can be traced to their formative moments. It argues that in order to correctly diagnose issues in Caribbean trade development, the trade development path of each state should be mapped and differences in their trajectory identified. By identifying these differences, the diagnosis of contemporary trade development problems are more accurately determined, and the prescriptions more applicable and unique to each state. Policymakers, in turn, get a better sense of small island trade development. This is important and provides a genuine contribution to knowledge. To this end, this thesis provides answers to the following research questions:

1. What accounts for the difference(s) in the trade development path of Barbados, Jamaica, and Trinidad and Tobago?
2. How have these differences influenced the contemporary trade capacity of Barbados, Jamaica, and Trinidad and Tobago?
3. What are the implications for existing trade policies and trade policy formulation?

## **Analytical Framework.**

This thesis will use the Historical Institutionalism Analytical Framework to examine if there are differences in the capacity of the Barbados, Jamaica, and Trinidad and Tobago to improve their trade development. The Historical Institutionalism framework aims to provide an alternative lens to dependency and economic neoliberalism.

An examination of research on state capacity and trade development in the Caribbean revealed polarisation between two extremes. At one extreme, Marxists theorists established a causal link between Commonwealth Caribbean states colonial past and their struggle to adjust to trade liberalisation (Beckford, 1972; Best & Levitt, 1975; Brewster & Thomas, 1969; Girvan, 1971a, 1971b, 1971c, 1972; Thomas, 1974). More recently, neo-Marxists theorists have made a strong case that even though countries within the Commonwealth Caribbean have been decolonised, power disparity between developed and developing countries is manifested in multilateral institutions such as the World Bank, International Monetary Fund and the World Trade Organisation (Byron & Lewis, 2007; Brewster, 2006; Girvan, 2008; Hinkson, 2008; Myers, 2008; Campbell, King, Thorburn, Rapley, 2010). Marxists based theorists, argue that policies designed by these multi-lateral institutions are skewed towards the interests of more powerful states, while the interest of small states such as those in the Commonwealth Caribbean are ignored as a result of their asymmetrical position. Consequently, this power inequality results in a structural imbalance of the global economy, where developed countries occupy the core and developing countries are subjected to the periphery; trapped in a perpetual cycle of dependency. While these Marxist based observations are valid, they are not absolute; this thesis argues that the capacity of some states to withstand these external shocks and improve their trade development differs from others.

At the other extreme are economic neoliberal theorists who argue that trade liberalisation is fundamental to economic growth (Alesina, Spolaore, & Wacziarg, 2005, p. 1509; David, 2007, p. 4; Krueger, 1998; Krueger & Rajapatirana, 1999; Rodriguez & Rodrik, 2001, p. 4; Williamson, 1990, pp. 10-14; 2008, pp. 4-8). However, for economic growth to be a reality, countries should pursue free trade by employing neoliberal policies and open their economies as opposed to pursuing protectionism. To substantiate the prescriptive power of their theory, the research of economic liberals rely heavily on cases of East Asian countries such as Korea and Singapore, which transitioned from developing to developed as a result of open trade regimes rather than protectionism.

The prescriptive power and timelessness of both theoretical extremes warrant questioning within the 21<sup>st</sup> century. Whereas the explanatory power of the Marxists can be considered strong in its description of the links between colonialism and structural dependency, there are gaps in the theory's explanation of the Caribbean's economic

development. The continued relevance of a dependency theory's application to the Commonwealth Caribbean warrants re-examination. Despite myriad like similarities in governance structure, vulnerabilities of size and so on, Trinidad and Tobago's capacity to improve its trade development appears stronger than that of Jamaica and Barbados. Moreover, structural dependency fails to explain the effects of political leadership and natural resources which cannot be solely attributed to these states colonial past or the stringent policies of neo-colonial multilateral institutions.

As for the economic neoliberals, it has become apparent that the narrowly defined policies manifested through multilateral agencies cannot be generalised to all countries; especially not in an international system, consisting of countries of different sizes, economies, geographical location and different stages of development. The Commonwealth Caribbean bears evidence of this distinct difference, and of the need for a fresh approach to analyse variation in trade liberalisation adjustment among its member states.

This thesis aims to shift the analytical lens away from the two theoretical extremes; Marxists' narrow explanation of Caribbean failures and neoliberalism's one-size-fits-all prescriptions. This paper forwards the view that, even within the Caribbean, irrespective of states sharing the same colonial past, and having similar vulnerabilities and systems of government, these SIDS, at this conjuncture, possess different capacities in their quest to improve their trade development.

Throughout this thesis, historical institutionalism (HI) guides the empirical chapters and provides a lens through which the findings are examined. It is also used to examine how these states, as institutions, engage with, confront, and make use of moments in their developmental trajectories that contain significant potential, known as critical moments and critical junctures in historical institutionalist literature.

The underlying assumption that guides historical institutionalist analysis is that the evolutionary trajectories are the consequence of historical decisions which shape institutions and the developmental paths upon which they embark. Thus contemporary institutional expressions are best understood with reference to evolutionary structures and their combination with new and enduring features at any given moment in time. In essence, states' development paths cannot only be explained by their contemporary traits they are also influenced by past formative moments that generated path dependence, and these formative moments must also be considered (Conran & Thelen, 2018; Edwin & Ramsey, 2010; Stinchcombe, 2010). Mahoney (2000) explained that

path dependence extends beyond merely linking present outcome(s) to remote historical moments. Instead, path dependence "characterizes specifically those historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties" (p. 507). Consequently, researchers who use the historical institutionalism framework have the capability to trace the emergence of an institution, examine how it changes along a specific path, and identify the consequence of this change (Bulmer & Burch, 1998).

Historical institutionalism assumes that there are two main models of institutional change: the evolutionary and transformative models (Bulmer & Burch, 1998, p. 605). In the case of the evolutionary model, institutional change is incremental and results in minor alterations to the developmental path. These changes are not substantial enough to significantly alter the core structure of the institution. However, transformative change may lead to change that produces an entirely different structure and changes the institution's core (Bulmer & Burch, 1998, p. 605). Whereas, with transformational change, the state may experience an ideological shift and review its policy structure, mode of trade and industrial policy over time, rendering it significantly different from its point of origin. For historical institutionalists, change is caused by endogenous and exogenous factors. Both endogenous and exogenous factors provide moments in an institution's evolution for possible change. This change can only occur if the institution seizes and acts upon the opportunities provided (Bulmer & Burch, 1998, p. 605; Campbell, 2004, pp. 2-4; Wilkinson, 2001, p. 399, 2006, pp. 14-15). Simply put, exogenous and endogenous factors create a 'critical moment' wherein change has the capacity to occur. If this change does not take place, the institution will continue along the same evolutionary path with very little difference from its point of origin. Conversely, where a critical moment arises and change occurs, this is considered a critical juncture and the institutional path will shift noticeably (sometimes dramatically so) from its point of origin (Mahoney, 2000; Soifer, 2012; Wilkinson, 2001, p. 399, 2006, pp. 14-15).

According to Thelen and Steinmo (1992, p. 11), historical institutionalism does not subscribe to universalism as this approach uses an individual hypothesis for each unit of analysis. Conversely, universalism does not use a hypo-deductive model as it strives to establish consistency across similar institutions within global politics (Hall & Taylor, 1996). The underlying philosophy of historical institutionalism is that not all units of analysis can be examined by the same universal tool. Each unit of analysis

presented a unique problem that can be studied via an individual hypothesis (Thelen & Steinmo, 1992).

Historical intuitionism (HI), therefore, provides the means to examine the evolution of the individual trade development path of Barbados, Jamaica, and Trinidad and Tobago. As illustrated in Figure 1 the HI framework is used to explore how exogenous factors such as colonialism, multinational corporations, multinational financial and trade rules shape these states' trade development path. The HI framework is also used to test for path dependence and divergence in the evolution of each state's trade development path. Within the context of this research, trade capacity and trade development are used in relation to each other. Trade capacity is conceptualised as the ability of the government to act ex-ante through cooperating with the private sector and to design policies to mitigate issues affecting their export competitiveness. Trade capacity also refers to the ability of government to act ex-post, that is to hold beneficiaries of state capital accountable through coercing their alignment with the state's industrial policy. Where a state can act ex-ante and ex-post, in the execution of its trade policy, its trade capacity is considered strong. Where a state trade capacity is strong, it is reasoned that the state will experience improvement in its trade development. Trade development in this study is conceptualised as the extent to which the state experiences a shift in its dependence on agriculture as a single industry to include industries that engage in value-added production and exports.

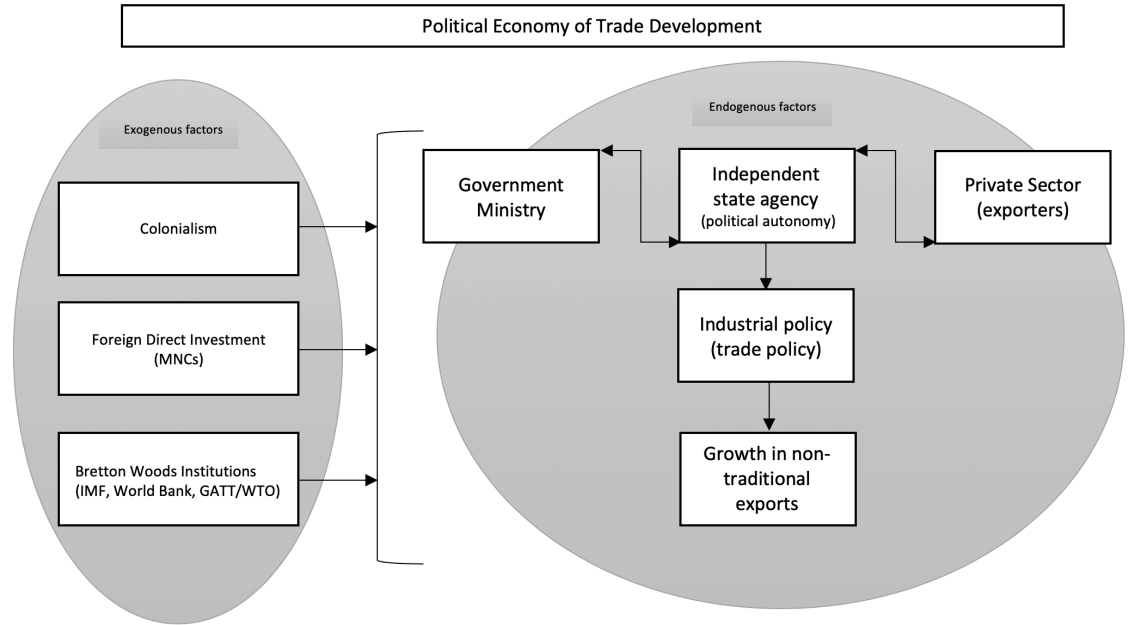


Figure 1: Conceptual Overview of Political Economy of Trade Development.

## Research Design and Methodology

The thesis integrates qualitative research design, case study methodology, elite interviews, and document analysis to theorise whether there are differences in the capacity of these three SIDS to shape their trade development. This section outlines the rationale for the case study methodology, case selection, and design. It provides an overview of the data collection process with emphasis on the instruments used. It further discusses the documents selected and the indicators for the document selection and analysis. This section also outlines the methods of analysis, the strategy of triangulation, and the process of constant comparative analysis across the primary and secondary data.

The case study methodology is considered when the researcher needs to answer “how” and “why” research questions (Yin, 2014, pp. 6-8). The case study is also defined as an intensive, detailed study of a phenomenon, event, programme, unit, nation, process or entity. The aim is to have a better understanding within a particular time frame or context (Creswell, 2003, p. 15). Case studies can be designed to be intrinsic, descriptive, explanatory, exploratory, collective, and multiple (Stake, 2010; Yin, 2014, pp. 4-5). In this thesis, the multiple case design was elected as the most appropriate strategy. According to Baxter (2008):

A multiple case study enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases. Because comparisons will be drawn, it is imperative that the cases are chosen carefully so that the research can predict similar results across cases, or predict contrasting results based on a theory. (p.548)

Yin (2014) and Baxter and Jack (2008) explained that defining the parameters of a case can be challenging, as cases are abstract concepts. Nonetheless, abstract descriptions can be more meaningful where the boundaries for meaning extraction are established prior to undertaking the evaluation (Baxter & Jack, 2008; Yin, 2014). If there are no restrictions, the research objectives may be too broad and obscure interpretation. The researcher must then determine the unit of analysis and choose to focus either on the individual, the programme, process, or differences between organisations. In this case, the phenomenon investigated were the factors shaping the trade development path of each state.

Several constraints are associated with case study methodology. One is that findings are not generalisable although they may be useful for formulating hypotheses relatable to other cases. Another restriction is hypothesis formulation or pilot studies or, in extreme cases, the confirmation of theory/theory falsification (Firestone, 1993; Flyvbjerg, 2006; Tsang, 2013). Case study research can also be biased towards verification of pre-existing information, in that it does not have the propensity for theory formation or information that is generalisable (Flyvbjerg, 2006). Yin (1994) explained that, unlike quantitative studies, where the findings are generalised from a representative sample to a population, qualitative case study research uses a process of ‘analytic generalisation’. In this way, the findings of “previously developed theory is used as a template with which to compare the empirical results of the case study” (p. 31).

However, there are advantages to qualitative research as it allows the researcher to collect evidence from multiple sources. Yin (2014) outlined six sources of qualitative evidence in case study research: physical artefacts, archival records, document analysis, interviews, direct observation, and participant observation. Only three of these were employed in this thesis: archival records, document analysis, and interviews. The use and evaluation of multiple sources enhanced the validity of the study, while providing several safeguards. It protects the researcher against bias, that is, any preconceived notion about how the state facilitated trade. Moreover, multiple sources allow the



researcher to cross-check the evidence, rather than rely on a single body that may skew the findings. According to Drake, Graham, and Broadbent (2017), “bias in researchers’ collection and analysis of data can be counteracted by using multiple sources of evidence” (p. 286 37).

To map and understand the evolutionary development of the three case studies, the research draws from three principal sources: archival data, secondary materials, and interviews. The starting point of each state’s trade development path was identified using secondary data. This body of data provided an overview of the trade pattern of the indigenous people before the arrival of Europeans. A mixture of secondary and archival data from the British Colonial office was used to identify how colonialism shaped the trade landscape of these three states, specifically the impact of mercantilism and the Navigation Acts. Secondary sources also provided a basis to comparatively analyse each state’s trade development path to determine any significant differences. The post-independent phase of each state’s trade development path was mapped using secondary data such as scholarly research and individual trade reports to identify strategies used to shift their trade development. The study also used trade reports and statistical data to determine whether multilateral trade institutions caused uniformity or provided opportunities for divergence in these states’ trade development path.

The study also targeted past and present government officials to collect information on the historic role of state agencies in improving its contemporary trade development. This information is comparatively analysed to identify differences in the practice of each state. Primary data are also triangulated with archival and secondary data to establish links between past and present policies, and to determine if past policies shaped the contemporary capacity of the state to improve its trade development.

#### *Interviews*

Primary data from the respondents was collected using semi-structured interviews. Before going out in the field, a pilot instrument was designed and administered to five individuals: three government workers and two non-government workers who had no knowledge of the subject matter. The pilot exercise identified vague questions which were revised to avoid ambiguity or distortion of the intent of the study. Consequently, the feedback received from the pilot exercise allowed a better estimation of the time participants would take to complete the instrument. Prospective interviewees were sent an outline of the major thematic areas of the study instead of the

complete interview schedule with all the possible questions. This decision was based on the assumption that prospective interviewees would be more likely to agree to do an interview based on five key questions. It was surmised that a longer instrument would have been off-putting. Based on the interviewees' response, follow-up questions were asked to probe for more information. The five key questions are:

1. What is the role of the organisation (state organisation) in facilitating trade?
2. What are the issues facing the organisation (state organisation) in providing its mandated services?
3. How did the organisation ensure the monitoring and evaluation of its programme?
4. What are the issues facing the beneficiary stakeholder (state the beneficiary stakeholder) in accessing your services?
5. How does the organisation (state the organisation) coordinate with other government organisations to facilitate trade?

Table 1: Trade Experts and Occupation

First name	Last name	Role	Location	Organisation
Expert	A	Technical Advisor	Barbados	BIDC
Expert	B	Technical Advisor	Barbados	Academic
Expert	C	Technical Officer	CARICOM	CARICOM
Expert	D	Diplomat	CARICOM	CARICOM
Expert	E	Diplomat	CARICOM	CARICOM
Expert	F	Development Officer	Jamaica	JAMPRO
Expert	G	Loan Officer	Jamaica	ExIm
Expert	H	Loan Officer	Jamaica	DBJ
Expert	I	Marketing Officer	Jamaica	SRC
Expert	J	Field Officer	Jamaica	Bureau of Standards Jamaica
Expert	K		Jamaica	Farmer
Expert	L	Foreign Officer	Jamaica	JAMPRO
Expert	M	Financial Officer	Jamaica	DBJ
Expert	N	Technical Advisor	Trinidad & Tobago	ExporTT
Expert	O	Technical Advisor	Trinidad & Tobago	Private exporter
Expert	P	Economist	Trinidad & Tobago	Academic

The data collection exercise lasted over a four-month period, from January 10 to April 30th 2018. The rationale for selecting this timeframe is because Caribbean officials are known to be more facilitative in the earlier part of the year than during the later festive period. For instance, Trinidad and Tobago was targeted first, as the country usually holds Carnival in April, and during this period the country is shut down, and officials not as accommodative. In the case of Barbados and Jamaica, I travelled to each in April and February, respectively. Data was collected from individuals who worked in the area of trade policy formulation and execution. This included employees of the government institutions responsible for drafting and marketing the states, trade financing institutions, trade administration departments (i.e., see Table 1), and trade ministries. Even though it was possible to identify the prospective interviewees, these individuals were not approached directly. This is because government officials are usually wary of researchers, who are perceived as critics who merely seek to collect and analyse information to fuel the existing perception that public sector workers are incompetent. Additionally, the Commonwealth Caribbean context is very politically charged. Incumbent governments are usually reluctant to participate in evaluations, as they fear that academics may be agents of the Opposition, seeking to unearth information that will be used on political platforms to criticise the ruling government. Reassurance that the data collected would be kept confidential was insufficient persuasion to mitigate prospective participants' distrust of the researcher. Moreover, although the researcher is a Caribbean native, this was not sufficient to inspire the trusts of persons working for the incumbent government in all three countries.

The snowballing technique was used to mitigate public servants' distrust of social researchers. Biernacki and Waldorf (1981) noted that snowballing "is well suited for a number of research purposes and is particularly applicable when the focus of study is on a sensitive issue, possibly concerning a relatively private matter, and thus requires the knowledge of insiders to locate people for study" (p. 1). Guided by the principles of snowballing, I sourced a gatekeeper - an influential public servant who could introduce me to the trade community and, hopefully, persuade others within the community to drop their guard and facilitate my research enquiry. One of the limitations of this technique is that the investigation had to be conducted with participants who were available, and not necessarily persons who were more knowledgeable, experienced, or deeply involved in the policymaking process and execution. There is a possibility this could impact the validity of the data, as participants who are more

involved in the trade participation process would have provided more detailed information. Also, if members of both the government and opposition participated, this could have provided a more balanced view on trade governance by including opposing perspectives. This would create the possibility for more robust analysis and, possibly, greater insights into the capacity of each state to influence their trade development. Despite these limitations, I was still able to access persons with intricate knowledge of trade governance in each country. In the case of this research, there was a rich mixture of technical and foreign officers. They provided detailed description on areas such as the role of the government in trade policy formulation, export promotion, challenges experienced by exporters in accessing foreign markets and risk mitigation strategies. Other officials such as loan officers and technical advisors were able to describe the role of the government in each state in providing capital for export development, the challenges in accessing capital and measures put in place to reduce risk and bureaucracy. The researcher also probed for information on the role of the state in export promotions, the level of preparation before export missions, assistance provided by the states, and level of accountability after each mission. These pockets of information were critical in providing insight to the level of corporation between state agencies and exporters, the extent to which the state has autonomy over trade policy formulation and coordination, and the overall role of state agencies in improving their trade development.

*Ethical consideration.*

Following approval from the University of Sussex Ethics Review Board to which the data collection instrument and questions were submitted for review, I spent a total of three months in the field. Data collection sites were Barbados, Jamaica, and Trinidad and Tobago.

Initially, draft letters were sent out to the respective individuals and targeted organisations. The researcher waited five working days for feedback, and followed up with an email when there were no responses. This strategy was abandoned after extremely low responses. Eventually, a key influencer was identified, this contact introduced me to a former CARICOM Secretary-General. From this point onward, the snowball sampling grew as the ambassador had a wide network of contacts critical to this study. After interviewing the former CARICOM Secretary-General, I expressed my difficulties with the data collection process. He requested my email address, which I forwarded; he then emailed my contact information along with my research details to

persons in his network. While responses were not extensive, they were important in providing access to other key experts. Some respondents indicated that the research was outside their area of expertise, but they would introduce me to individuals whom they believed could provide the knowledge required for this study. Ultimately, I was able to secure 15 detailed interviews from a total of 78 targeted individuals.

Interviewees were emailed the data collection instrument prior to commencing the interview and given an estimate of the projected length of the sessions. Additionally, contact details of the head of the thesis supervisory team were provided to all respondents in the event they wished to verify the nature of the study. On the day of the interview, each interviewee was asked to sign a consent form signifying their voluntary participation. They were reassured of their freedom to leave at any point during the session or omit any questions they were uncomfortable answering. They were also reassured any information provided would be treated with confidentiality. All interviewees were assigned a pseudonym. Collated interviews were transcribed and placed in separate fields; names and details that could identify the interviewees were removed.

### **Methodological Triangulation: Overcoming the Challenges of Low Response Rate**

Data triangulation was used to mitigate the challenges of a low response rate. According to Denzin and Lincoln (2018), “triangulation refers to the combination of methodologies to study the same phenomenon” (p. 445). The combination of different sources of evidence reduces biases. In this case, triangulation of the thesis used a combination of secondary sources, interviews, trade reports, and political speeches.

Table 2: Triangulation of Primary and Secondary Sources

Type	Information	Research Question(s)
Literature review	1. Global political economy literature 2. Documents from the colonial office	1. What accounts for the differences in the trade development path of Barbados, Jamaica, and Trinidad & Tobago?
Interviews	3. Policy execution 4. Challenges in implementing policy 5. Ways in which the state tries to mitigate these issues	2. How have these differences influenced the contemporary trade capacity of Barbados, Jamaica and Trinidad & Tobago? 3. What are the implications for existing trade policies and trade policy formulation?
Policy Documents	6. Government proposal to improve trade. 7. Trade strategy documents outlining investment in research and development 8. Export financing 9. Capital provision	
Trade Reports	10. Accomplishment and links to trade policy. 11. Export growth	
Political Speeches	12. Policy proposals and accomplishments	

As established in Table 3, transcribed interviews were entered in the NVIVO qualitative software which was used to sort and code data. The coded data was guided by an iterative process between the document analysis and conceptual framework. Data was then analysed using a combination of techniques suggested by Ayres, Kavanaugh, and Knafl's (2003) 'within case' and 'across case' study analysis as well as Glaser's constant comparative framework to systematically compare responses "that will constitute proof for a given proposition," eventually generating theory or conceptual understanding of the emerged data (Glaser, 2008, p. 1). The constant comparative analysis technique was used to obtain a conceptual understanding of the role of Commonwealth Caribbean states in their trade policymaking process.

Table 3: Data Analysis Strategy

<i>Strategy</i>	<i>Analytic Focus</i>	<i>Product</i>
Analytic immersion in all interviews	Within all cases	Sense of the lived experience of the phenomenon
Immersion in each interview	Within each case	Identification of significant statements
Comparisons of significant statements	Across cases	Identify categories of statements common to all participants
Reconnection of significant statements to interviews	Within and across all cases	Ascertain fidelity to original accounts
Intuiting, critical reflection	Within and across all cases	Identification of themes
Free writing	Within and across all cases	Answer question, "What would parents want the world to know about their experience?"
Organize categories of significant statements by themes	Set of significant statements	Essential structure
Return analysis to participants	Essential structure, summaries of themes	Evocation and intensification

Source: Adapted from "Within-case and Across-Case Approaches to Qualitative Data Analysis," by L. Ayres, K. Kavanaugh, and K.A. Knafl, 2003, *Qualitative Health Research*, 13(6), p. 874.

The document selection and analysis were guided by Ayres et al.'s (2003) six-stage data analysis strategy. At Stage 1, the purpose of the document analysis was established. The purpose was to identify the role of the respective states in facilitating and enhancing trade through reports, strategy, and policy papers. Terms synonymous with 'trade enhancement' were established along with factors that demonstrated the states' intent or extent of success in moving away from traditional *modus operandi*. These involved export diversification, value-added export, agro-processing, market access, export financing, energy alternatives, market protection, infrastructure development, industry linkages, risk reduction, and technical assistance.

At Stage 2, the selected method of analysis is the grounded theory's constant comparative analysis. This qualitative data analysis strategy was used for analysis of similar themes in the interview such as trade reviews and political speeches. The qualitative data analysis software, NVIVO, was useful for data sorting, coding, and comparative analysis.

At Stage 3, I tried to locate trade-related documents published by a government organisation or newspaper agency. All documents were downloaded and stored in the NVIVO software, which was then used to expedite the sorting and location of codes. Government documents were accessible via search engines. I also tried to obtain physical copies of documents from institutional libraries, which meant that I was

limited to physically viewing the documents and making a notation of the sections that were of interest to my research objectives. Like the physical documents, the notations were uploaded in NVivo software for analysis. According to Pershing (2002), “the ultimate goal of the sorting and sifting step is to bring order to the data, which includes breaking the data down into discrete parts and grouping them according to the coding schemata” (p. 5).

Using NVivo, a cloud analysis of the most frequent words was generated; the aim was to identify the most frequent codes. Phrases and conjunctions were filtered from the analysis as well as nouns such as "figure" and "table". Codes of interest such as export, trade, value-added, and capital were coded into major thematic areas which were later cross-referenced for consistency. These were then used to formulate concept maps which were used to illustrate the connections between the study's respective themes.

### **How the Analysis Unfolds**

This thesis is divided into seven chapters. Chapter 1 provided an introduction to the problem and significance of the research. Chapter 2 situates the argument within the WTO context, thus providing an entry point for the discussion. This chapter evaluates policy prescriptions on ways the state could improve its trade competitiveness in the WTO context to determine if these prescriptions were applicable to the trade landscape of Barbados, Jamaica, and Trinidad and Tobago. The chapter also explores arguments which outline the historical factors that shaped the trade development path of states. Overall, the chapter provides justification for comparatively analysing the trade development path of these three states.

Chapter 3 examines the impact of colonialism on the trade development path of Barbados, Jamaica, and Trinidad and Tobago. This chapter builds on the core argument of Chapter 2 by further submitting that the trade development path of states are shaped by formative moments. The chapter explores intersectionality between colonialism and mercantilism to rationalise European expansion in the West Indies. It also explores how each of these three colonies were incorporated under British colonialism; and the impact of the British mercantilist system on the autonomy of these colonies to formulate their own trade and commercial policies. Emphasis is placed on the rules and institutions set in motion by colonialism to determine if its impact on each colony was



evolutionary or transformational. The chapter also examines the extent to which Britain prepared each state to experience a critical juncture in their trade development path post-independence.

Chapter 4 examines the endogenous policies used by post-independent Commonwealth Caribbean states to improve their trade competitiveness. Emphasis was placed on whether the strategies used by states caused a critical juncture or reinforced path dependence in their trade development. Chapter 5 explores the post-independence context in which these states emerged, more specifically it examined the impact of multilateral trade and financial institutions on each state's development path.

Chapter 6 uses a combination of existing literature, archival and primary data to discuss the link between formative movements and contemporary trade development outcomes across the three cases: differences in trade development; differences in the ability of each state to act ex-post; differences in the ability of the state to act ex-ante between the state and private sector. The findings of the chapter confirm that the contemporary capacity of all three states are not the same, consequently, the difference in trade capacity of each state should be considered in future trade policy formulation to increase the possibility of trade policy localisation.

Chapter 7 comprises the final chapter. It posits that the trade development paths of these states are shaped differently because of formative moments, despite contentions of their pre-conceived similarities. The implications of this study and its findings suggest 21st century trade policy should evaluate the trade development paths of these states to identify development idiosyncrasies and design appropriate trade policies. The findings also suggest that the historical institutionalism framework is an appropriate analytical lens to analyse exogenous historical factors which undermine the capacities of these states to shape their trade development.

## CHAPTER 2

### THE ROLE OF THE STATE IN INTERNATIONAL TRADE

Within the contemporary global political economy literature, Commonwealth Caribbean SIDS are often omitted as a unit of analysis because of their small size and weak geopolitical contributions to world politics (Bishop, 2013; Katzenstein, 2015). In most extraneous interactions, there is a tendency to treat the Commonwealth Caribbean SIDS as a homogeneous unit without consideration for each individual state's development path (Bernal, 2013; Lindsay, 2012; Payne & Sutton, 2007). Consequently, there is a lacuna in the literature about the manner in which historical events of each state shaped their present capacity to respond to the contemporary challenges of global trade. This chapter reviewed the existing literature on the role of the state in late trade development. The main arguments advanced are that existing literature outlining how these three Commonwealth Caribbean states should improve their trade competitiveness narrowly focuses on the contemporary moment and erroneously treats Commonwealth Caribbean SIDS as uniform.

Section I contextualises the research problem and discusses the role of the state in formulating and executing domestic policies in the WTO context. Section II outlines the importance of policy localisation and examines the extent to which Caribbean political economists' policy prescriptions address the idiosyncrasies of Barbados, Jamaica, and Trinidad and Tobago. Section III reviews arguments that explain how the contemporary capacities of states are informed by formative moments, and how these arguments provide essential lessons for the comparative analysis of the trade development path of Barbados, Jamaica, and Trinidad and Tobago.

#### **Section I: The Role of the State in Trade Development the Post-WTO Context**

As mentioned previously, the 1990s served as a watershed period in the trade development history of Commonwealth Caribbean states. For centuries these states relied on trade preferences for their export industries. In 1995, the WTO's Dispute Resolution Body ruled that their receipt of non-reciprocal trade preferences granted under the Lomé Convention contravened the principle of trade reciprocity (Clegg, 1997). This ruling discombobulated the Commonwealth Caribbean trade landscape,

highlighting their lack of trade competitiveness (Lewis, 2007; Morrissey, 2001; World Bank, 2005a). Payne and Sutton (2007) described international trade competitiveness as, "the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term" (p. 6). The consensus among Caribbean political economists was that Commonwealth Caribbean states should immediately undertake measures to improve their trade competitiveness (Bernal, 1996, 2000, 2003; Conway, 1997; World Bank, 2005a, 2005b). However, concerns were raised about how states should approach this enterprise. This was especially since the policy space in which these SIDS are located remained challenged by factors such as globalisation, neoliberal ideology and changes in multilateral trade rules (Bernal, 2000; Lewis, 2007). These factors constrained states' capacities to influence its economic and trade development consequently it was difficult for them to improve their trade competitiveness (Hall & Benn, 2002; Lewis, 2007; Ocampo & Martin, 2002).

In terms of globalisation, global political economists argued that this phenomenon created a paradoxical role for the state. On the one hand, liberalisation of global markets provided states with greater market access for their exports. On the other hand, in order for states to capitalise on greater market access, they are required to increase their competitiveness (Cerny, 1996, 2010). However not all states possess the political autonomy to improve their trade development. The threat of capital flight prohibited governments, especially those in developing countries, from pursuing independent economic policies. Where governments failed to implement policies that supported market forces then there was every likelihood capital may haemorrhage until they implement market conforming policies (Garnett, 2000; Mayer, 2009; Woods, 2000). Globalisation also ignited a 'race to the bottom' competition among countries, particularly developing states, seeking to attract foreign investment (Garnett, 2000, p.107; Mosely, 2005, p.369). This occurs because governments are required to reduce trade barriers, liberalise capital, lower taxes, lower environmental, health and safety and labour regulations (Strange, 1996; Woods, 2000). The competition among states to lower barriers to foreign direct investment diminishes the authority of the state thus giving leverage to multinational corporations (Mosley, 2005, p.359). Accordingly, the role of the state within the realm of globalisation contrasts with its previously dominant role (between 1950 and 1980) in controlling foreign exchange and investment capital,

import restriction, and the imposition of performance requirements on foreign firms. Based on these postulations, it appears that states such as Commonwealth Caribbean SIDS would find it difficult to employ stringent domestic trade policies to force compliance with its industrial policy. Research has shown where the trade rules of a state are too stringent, foreign investors have the option to restructure to another context where the rules are more relaxed (Broad & Cavanagh, 2001; Held, 2013; Hirst & Thompson, 1996; Sanders, 2017; Wade, 2003).

Intrinsic to the globalisation phenomenon is the ideology of neoliberalism, the underline principle of neoliberalism, is that the state should play a minimal role in shaping its economy and yield to market efficiency (Biersteker, 1990; Chang, 2008; Stone, 2008; Vreeland, 2010; Wade, 2003). This is because neoliberal advocates regard the state as self-serving, bureaucratic and not to be trusted to lead its development (Biersteker, 1990; Chang, 2008; Stone, 2008; Vreeland, 2010; Wade, 2003, pp. 623-30). Neoliberal advocates also identified state participation in the economic policy space (state ownership, social spending, protectionism, price and wage control) as one of the main causes of the 1980s debt crisis. Notwithstanding, the debt crisis was used as justification to subject debtor states to the IMF and World Bank's Structural Adjustment Program (SAP). Under the SAP, developing states were compelled to adopt a minimalist role, maintaining democratic governance, implementing market-oriented trade policies, an independent judiciary, independent financial institutions, and preservation of intellectual and private property rights (Alesina, Spolaore, & Wacziarg, 2005, p. 1509; David, 2007, p. 4; Krueger, 1998, pp. 1514-1516; Rodriguez & Rodrik, 2001, p. 4; Williamson, 1990, pp. 10-14; 2008, pp. 4-8). Neoliberalism and its manifestation in multilateral institutions such as the IMF and World Bank therefore justified the concerns of political economists about the ability of Commonwealth Caribbean states to participate in their policy space.

The formalisation of the WTO in 1995 added to the restriction of policy space for late-developing states (Mayer, 2009). The formalisation of the WTO highlighted three significant outcomes: the conclusion of the Trade Related Investment Measures (TRIMs), the agreement on Subsidies and Countervailing Measures (SCM), and to a lesser extent the Trade Related Intellectual Property agreements (TRIPS) (Trubek, Alviar García, Coutinho, & Santos, 2014; Wade, 2003; Yeung, 2016). Arguably, the outcomes of the Uruguay Round impeded the capacity of developing countries to govern their industrial policy. Prior to the conclusion of the Uruguay Round, some

developed and Newly Industrialised Countries (NIC) were able to exercise autonomy over their trade governance and marshal their trade development. In contrast, Commonwealth Caribbean states would not be able to replicate the same (Lindsay, 2012; Nurse, 2016; Williams & Morgan, 2012). Rodrik (2000) recalled that in the case of Taiwan and Korea, “--export subsidies, domestic-content requirements, import-export linkages, patent and copyright infringements, restrictions on capital flows (including on DFI), directed credit, and so on, that are either precluded by today's rules or highly discouraged. The environment for today's globalizers is quite different" (pp.14-15).

To date, the TRIMs agreement prohibits the use of performance and local content requirements. Under these rules, host states can no longer demand foreign firms to purchase domestic raw material (Trubek et al., 2014; Yeung, 2016). Moreover, member countries by virtue of the Most Favoured Nation clause were required to afford the same privileges to foreign firms that it offered to domestic firms. The previous practice of using quantitative restrictions to limit the importation of raw materials, especially those that could be sourced locally, was prohibited under Article XI of the GATT (Beviglia, Fredriksson, & Miroux, 2007; Lindsay, 2012; Wade, 2003). The new multilateral trade rules placed constraints on the state's ability to minimise imports that competed with domestic producers unless it was trade-distorting. Furthermore, the TRIMs also prohibited host countries from placing foreign exchange restrictions on foreign firms. Foreign exchange restrictions was a powerful tool used by states in the past, to drive import substitution (Beviglia et al., 2007; Wade, 2003). Last but not least, the WTO's Agreement on Subsidies and Countervailing Measures (SCM) also sought to regulate the use of subsidies by states (Hoda, Anwarul, & Rajeev-Ahuja, 2003, p.50; Lawrence & Stankard, 2005, p.8). This agreement prohibited states, primarily developing states, from providing funding for projects which may result in trade distortion (Mayer, 2009). In the event, states failed to adhere to the constitution of the WTO; injured parties could file a dispute with the Dispute Settlement Body (Hoda et al., 2003, p.9; Lawrence & Stankard, 2005, p.42; Singh & Jose, 2016).

Against claims that multilateral trade rules and the prevalence of neoliberalism ideology reduced the policy space for the state, it is reasonable to question the ability of Barbados, Jamaica, and Trinidad and Tobago improving their trade performance in the 21st century. Despite constraints of the policy space, global and Caribbean political economists argued that it was still possible for states to find room to maneuver in the

WTO context. According to Evans (1997, 2000), claims that the WTO formalisation prevented developing countries from designing and executing their industrial policies were misplaced. Evans (2000) argued that the decline of the nation-states' power over their economic affair was a consequence of globalisation, nonetheless the state is not obsolete, the forces of globalisation were counterbalanced by a global governance structure. This global governance structure was centred on multilateral rules negotiated by states themselves designed to make them "better off"; however states must find ways to use these rules to their advantage (Evans, 2000, p.6). Using cases from East Asia, Amsden and Chu (2003) noted that multilateral trade rules are flexible as they left room for the state to pursue protectionist trade policies. Amsden (1999, p. 3) argued that though the formalisation of the WTO in 1995 has introduced new trade rules with implications for the state; there are exemptions which allow late industrialising states to implement strategies to improve its supply capacity. For instance, subject to section VI of the TRIMs Agreement, developing countries can protect their infant industry for up to eight years. Also, states are permitted to use tariff protection to ease a balance of payment crisis (Article XII), to counter anti-dumping (VI) and countervailing duties.

Weiss (2005) argued that even though multilateral trade rules placed a strain on the domestic state policymaking capability, some states have employed strategies to circumvent these rules. Weiss (2005, p. 739 & 2010, p. 9) used the terms 'strategic activism' and 'neo-activism' to describe the strategies employed by some states to manipulate the loopholes in the WTO constitution and increased industrial policymaking capability. Based on the argument of 'neo-activism,' it is possible for the 21st century state to find creative ways of improving its trade without seeming to violate multilateral trade rules. The 21st century state can work impartially with industries, provide support without conditional performance requirement, provide time sensitive protection, apply trade-distorting subsidies and acquire the necessary capital to finance its trade competitiveness (Weiss, 2003, p. 8; Weiss, 2005, p. 745).

Scholars also claim there are exemptions to the Subsidies and Countervailing Measures (SCM) (Hoda et al., 2003, p.9; Lawrence & Stankard, 2005, p.40; Molke, 2003; Weiss, 2005; Scott, 2017). For instance, rather than render all subsidies as illegal, the SCM has classified subsidies in three categories: red (trade-distorting); yellow (actionable); and green (non-actionable). Subsidies identified as red are automatically disallowed, for example, those with conditionalities requiring export performance or mandating the purchasing of domestic raw materials. Permissible subsidies were

identified as "actionable" and "non-actionable." The former is not automatically disallowed; however, states may pursue legal action where they can prove that these have distorting implications for their export industry (Molke, 2003, p.10; Scott, 2017; p. 1182; Weiss, 2005, pp. 727-732. Weiss (2005, pp. 27-28) . Moreover, Weiss (2005, pp. 27-28) explains that that post-2000, a non-actionable label was merged with "actionable"; consequently, states using previously actionable subsidies such as funding for research and development, venture financing, and export market expansion could now face legal action from other states claiming their application of subsidies is injurious to their industry. Scholars argued that even so, this did not have far-reaching implication for the state's role in buttressing its industrial policy (Bohanes, 2015; Weiss, 2005, pp. 27-28). Instead, the merging of actionable and non-actionable subsidies made the burden of proof more complicated on permissible subsidies. Consequently, it is hard for one state to prove that another's use of subsidies to finance pre-competitive activities of promising industries have had trade-distorting implications which, to date, has not been possible (Bohanes, 2015, p.7; Weiss, 2005, pp. 27-28).

Based on the reviewed literature, the implications of SCM is not far-reaching as has previously been claimed. States, especially late developing states, have the opportunity to intervene and guide their industrial policy (Harvey, 2005; Shaffer, 2003; Weiss, 2005, p. 733). Though late developing states cannot replicate the policies used by the developmental state, there is a window of opportunity to influence domestic trade policy. For example, in the area of industrial innovation, government can still provide subsidies on the grounds of innovation upgrading and expansion (Amsden, 1999, pp. 11-12; Sykes, 1995; Tussie, 1997; Weiss, 2005, p. 733). The latter could easily be achieved by declaring the use of subsidies for precompetitive support such as research and development (R&D), science and technology, environment adaptation, or export expansion. Therefore rather than a restrictive environment, multilateral trade governance can open the door for states to exercise their industrial efficacy (Baygan, 2003a, 2003b; Harvey 2005; O'Shea & Stevens, 1998; Shaffer , 2003; Sykes, 1995; Tussie, 1997). However, in the event of abuse, WTO rules are available to remedy injury (Singh & Jose, 2016; Weiss, 2005, p. 733).

This section contextualised the research problem and questioned the ability of Commonwealth Caribbean SIDS to improve their trade development. The consensus among scholars is that there is a non-zero sum relation between domestic and multilateral trade governance in the WTO context. Even though the literature confirms

that it is possible for the state to participate in its trade policy space, there is a gap, as global political economists fail to explain specifically how the Commonwealth Caribbean case studies of Barbados, Jamaica, and Trinidad and Tobago could improve their trade development. Though the units of analysis (East Asian states and OECD states) used by global political economist provide important lessons on the possibility of public-private partnership (PPP), capital provision, and risk socialisation by the state in the WTO context, Commonwealth Caribbean SIDS cannot replicate the trade competitiveness strategies of these cases, as they are bound by time, context, resources, political autonomy and other idiosyncrasies unique to each case. To better understand how the Commonwealth Caribbean SIDS of Barbados, Jamaica, and Trinidad and Tobago can improve their trade competitiveness within the WTO context, the next section reviews the importance of policy localisation and the extent to which the policy prescription of Caribbean political economists is localised to each state.

## **Section II: Localisation of Trade Policies, Implications for Commonwealth Caribbean States**

Within the Commonwealth Caribbean development space, two fundamental issues are observed. First, development policies imported from outside are not immediately transferable to the Commonwealth Caribbean context. Second, in cases where policies are designed internally, Commonwealth Caribbean states are usually treated as uniform entities. According to Mayer (2009), policy formulation is uneven since some states were able to execute autonomy over policy and experience positive development outcomes while others experienced significant challenges. Mayer (2009) explains that the difference in development outcome is because effective policy formulation depends on local institutional capacity.

Similar to Mayer (2009), Rodrik (2002, 2008) highlighted factors such as time, the role of the state, ownership and localisation of policies as important considerations for developing countries wanting to successfully integrate into the global economy. However, Rodrick (2002, pp. 4-5, 2008, p.366) posited that strategies should be tailored to local context based on two premises. First, developing states were forced to subscribe to the IMF's one-size-fits all Washington Consensus and failed to experience trade and economic growth. Moreover, the Washington consensus failed bid to curtail the Asian financial crisis reinforced the need for an alternative strategy for the existing one-size-



fits all approach (Rodrik, 2002, p 4-5, 2008b, p.25; Stiglitz, 2008, p.46). Second, the role of the state in China and India's industrial development and corresponding trade growth serves to highlight the claim that policies for trade and economic expansion should be tailored to the local context. To further highlight the significance of context, Rodrik noted that even within the East Asian cases, states used different strategies such as Korea's export subsidies and Taiwan's export tax incentives (Rodrik, 2002, p.5). In the case of China, neither nationalisation nor privatisation played a significant role in its trade and economic development, instead the state used a strategy of localisation (town and village enterprise) (Rodrik, 2008, p. 358). Moreover, Rodrik (1999, 2008) argued that the critical lesson to be learnt from the cases of China, India, Taiwan, and Korea, is that, states should be allotted time to design and experiment with their own policies (Rodrik, 1999; Stiglitz, 2008, p.53).

Rodrik (2004) also cautioned that localisation of policies and time would not automatically produce trade and economic development. Instead, what was required was a form of Public Private Partnership (PPP) which would combine industrial policy with monitoring and evaluation mechanisms. As it relates to this combination, Rodrik (2004, p.3) noted that merely providing tax incentives and subsidies would not suffice as the aim of PPP should be to identify impediments and formulate strategies required to eliminate these barriers (pp. 2-4). To ensure the sustainability of these relationships, the government should play a dual (ex-ante and ex-post) role. Ex-ante suggests it is the responsibility of the state to create and maintain an atmosphere conducive to investment and monitor the performance of this partnership ex-post (Rodrik, 2002, p. 4). The dual relationship of the state is necessary to detect and eliminate poor performances from firms who benefit from state rents. In the absence of discipline, the likelihood of failure increases (Rodrik, 2002, 2004). For instance, in Latin America, the state was integral in providing incentives for growth, however trade and economic growth regressed in the absence of monitoring (Rodrik, 2002, 2004).

Although Rodrik's (2002, 2004, 2008) principles on time, dual role of the state, ownership and localisation of policies were not based on Barbados, Jamaica, and Trinidad and Tobago, his prescriptions provided a foundation to deviate from the prevailing practice of one-size-fits all policy prescriptions. Localisation allows policymakers to address idiosyncrasies unique to each state's local context. The works of Rodrik and Mayer therefore provide a basis to evaluate the research of Caribbean

political economists to identify the extent to which their trade policy prescription is localised to the three country cases.

Similar to political economists who adopt a more global view, Caribbean political economists also provided policy prescriptions on how Commonwealth Caribbean states should improve their trade competitiveness in the WTO context. Bernal (2013) explained that for over 200 hundred years, exports by Commonwealth Caribbean states benefited from preferential market access in the United Kingdom thus protecting from open competition (p. 559). Bernal explained that within the post-WTO era, the ratification of new trade rules mandated a shift from non-reciprocal to reciprocal trade forcing Commonwealth Caribbean states to negotiate reciprocal trade agreements. This came in the form of an Economic Partnership Agreement (EPA) in 2008, which was negotiated between the European Union and Caribbean Forum (CARIFORUM) countries. The conclusion of an EPA required these small states to balance their paradoxical role by opening their local firms to international competition while preparing themselves to compete (Bernal, 2013). Bernal (1996, 2000, 2013) also explained that in order for the state to achieve this paradoxical balance, the state must strategically reposition itself. Global positioning requires the state to act proactively by partnering with the private sector, and identifying the correct policies to improve competitiveness (Bernal, 1996, pp. 7-14, 2013, p. 4431). It also involves creating the right policies and regulatory environment without encroaching on innovation or the ability of entrepreneurs to innovate. Global repositioning also involves coordinating research and development, pursuing a comparative advantage in services, and transitioning from a strategy of loan provision to one of investment and venture capitalism (Bernal, 1996, pp. 7-14, 2013, p. 4431).

Bernal's (1996, 2013) analysis highlighted the need for the states to play a developmental role in improving their respective capacities. Though this analysis provided a comprehensive overview of the role that the state could potentially play, it is apparent that Bernal (1996, 2013) treats the Commonwealth Caribbean state as a single unit of analysis. The analysis omitted the development path of each state; consequently, his analyses failed to consider issues outside of small size, regionalism and multilateralism that compromised the capacity of each of these states. Moreover, Bernal did not explain how the state will acquire the autonomy to lead, design, and enforce compliance with its trade policies.

Payne and Sutton (2007) echoed similar sentiments as they argued the 21st century provided opportunities and challenges for Commonwealth Caribbean states. Both authors argued these states would have to shift their dependence from non-competitive sectors such as agriculture and mining to competitive new sectors specialising in value-added production. Payne and Sutton (2007) proposed Commonwealth Caribbean states create a 'functional equivalent' of the East Asian developmental state, a concrete proposition given Bernal's neglect to explain how Commonwealth Caribbean states could inspire political autonomy to design and execute strategic trade developmental policies. The Commonwealth Caribbean's equivalent of a developmental state was to establish a bureaucracy insulated from political and private sector influence which would create an enabling atmosphere for the state and the private sector to partner for economic growth (Payne & Sutton, 2007, pp. 23-24). The acknowledgement of the social, political and historical differences between Asian and Caribbean states highlighted potential challenges in transplanting the principles of the developmental state to the Caribbean (Payne, 2009, p. 145; Payne & Sutton, 2007). Despite these issues, Payne and Sutton (2007) argued Commonwealth Caribbean states should try to strategically approach similar development issues by applying best practices.

Even though Payne and Sutton (2007) successfully diagnosed the development problems of Commonwealth Caribbean states, their proposal for a CARICOM developmental state raised several questions about compatibility with neoliberalism. Moreover, the authors failed to explain how these states could reconcile historical contentions, such as the fragile relationship between the elite class and the government, especially in countries like Jamaica. Similar to Bernal's (2013) works, earlier submissions by Payne and Sutton (2007) omitted the development path of each state from their analysis. Consequently, it is unclear how past challenges shaped these states' autonomy to design and enforce their trade policies. This omission increased the risk of misdiagnosing each state's trade development and the application of one-size-fits-all trade policies.

Lindsay (2012) provided an analysis of the Commonwealth Caribbean states' role in enhancing their trade performance. Lindsay (2012), unlike Bernal (2013) and Payne and Sutton (2007), acknowledged the constraints of neoliberalism in explaining the role of the state to improve trade development. Lindsay (2012, pp. 1-3) explained that within the neoliberal economic paradigm, the state's autonomy over policy design

and implementation had been constrained by multilateral treaties. Whereas countries such as China and East Asian developmental states were able to exercise autonomy over their economic and development policy, Commonwealth Caribbean states were prohibited from doing the same. The WTO constitution prohibited late-developing members from using trade-distorting subsidies. WTO also restricted host states from imposing performance and local content requirements on foreign investors. Lindsay contended the International Monetary Fund (IMF) employed similar tactics as the Washington Consensus required borrowing members to liberalise their capital, open their economies and remove import restrictions (Lindsay, 2012, p. 3). In light of these restrictions, the autonomy of Commonwealth Caribbean states to identify areas for expansion and charter alternative independent paths were constrained.

These restrictions did not prevent Commonwealth Caribbean states from using Localised Economic Development (LED) to improve their trade development. They established quasi-independent state agencies to recruit, train and lead local entrepreneurs and export missions. State agencies hosted local trade workshops, facilitating linkages between international value chains and local exporters, and providing incubation and capital for local entrepreneurs (Lindsay, 2012, pp. 5-6). Despite these efforts, Lindsay (2012) concluded they were ineffective in leading its industrial development and export competitiveness. This was because Caribbean Commonwealth states lacked the critical element of strategic intervention which was successfully used by the developmental, entrepreneurial, and welfare state.

Like other scholars, Lindsay's (2012) analysis went beyond diagnosing the shrinkage of policy space. He also made recommendations for states to find room to manoeuvre under the neoliberal regime and improve their trade development through a predictive quantitative model:

1. It needs to measure the level of state involvement necessary within an economy, sector or sub-sector of an economy for development to take place. This model must, of course, be formulated taking into consideration state actions which are legally permissible under current multilateral and bilateral constraints;
2. The model should be able to measure interventionist policies and quantitatively predict and measure their effectiveness and outcome. The aim of these two prerequisites will be toward improving our target-instrument effectiveness, to bring about greater benefits. (p. 24)

While Lindsay's (2012) predictive model may have been ideal for the trade development of Commonwealth Caribbean states, similar to others such as Bernal (2013) and Payne and Sutton (2007), he referred Commonwealth Caribbean states as a collective. It is also noticed that these Caribbean political economists omitted the historical evolution of these trade development path from their diagnosis and policy prescriptions. Although these states share similarities such as small size and colonisation, there is a possibility that their trade development evolved along different paths. By analysing these differences, policymakers will have a better understanding of how contemporary trade policy should be designed for each state.

Whereas the scholarships of Payne and Sutton (2007), Lindsay (2012) and Bernal have omitted historical moments and treated Commonwealth Caribbean states as uniform, other bodies of literature highlight the significance of these factors. For example, Payne (2006, 2008) traced the economic development of the Eastern Caribbean states of Dominica, St. Lucia, and St. Vincent & the Grenadines to the 1980s. These countries were heavily dependent on banana as their primary source of export. However, the decline of the industry in light of the erosion of subsidies post-1995 triggered a near collapse of their economies. Bishop (2013) conducted a similar historical-comparative analysis between Commonwealth Caribbean states of St. Lucia, St. Vincent & the Grenadines, and the Francophone islands of Martinique and Guadeloupe. His objective was to determine the effect of colonialism on each state's development capacity in the 21st century. Bishop's work highlighted the uniqueness of these SIDS despite their close geographic proximity and the significant differences in their contemporary economic and social development. Bishop (2013) explained that this difference is because their development path was shaped differently by France and the United Kingdom. Works by researchers Bishop (2013) and Payne (2006, 2008) confirmed two things: 1) state's contemporary capacity can be shaped by historical factors; and 2) within the framework of historical institutionalism, Bishop's analysis confirms that colonialism is an exogenous factor which altered the endogenous capacity of colonies. This caused a long-term impact as well as shaped the contemporary outcomes, such as political, social and economic contexts of states.

Both researchers therefore provide a rationale to question, the distinguishable influence of British colonialism on the respective trade development path of Barbados, Jamaica, and Trinidad and Tobago. The findings also provide a foundation on which this thesis will build, as it is the hypothesis that if the trade development path of

Barbados, Jamaica, and Trinidad and Tobago were historically analysed, they would reveal differences in their trajectory. Based on these differences, the prescribed policies by Caribbean political economists such as Bernal (1996, 2013), Payne and Sutton (2007), and Lindsay (2012), would not be applicable in their present form. The latter reasoning is also supported by the earlier arguments Rodrik (2002; 2008) and Mayer (2009) which emphasised the importance of localisation for 21st trade policy design and application.

This section reviewed arguments on the role of post-WTO trade governance. While the literature on political economy provides useful instructions for states to improve their trade development, two fundamental gaps have been identified. These are: 1) the treatment of Commonwealth Caribbean states as a single unit of analysis; and 2) their analysis omits the impact of historical formative moments on their trade development paths. This practice runs counter to Rodrik's (2002, 2008) argument that localisation is necessary if 21st century trade policies are to be effective. Localisation is important in policy formulation and could be achieved by analysing, identifying and addressing the individual differences in the trade development path of Barbados, Jamaica, and Trinidad and Tobago.

The next section examines the importance of formative moments in trade development and how they shape the development path of states and by extension, the contemporary capacities of states. The section will outline case studies of the impact of Japanese colonialism and the development path of Korea, as well as the influence of British colonialism on the trade development path of India and Nigeria. These case studies bear important lessons for the application of the Historical Institutionalism framework to the Commonwealth Caribbean context. They demonstrate how colonialism as an exogenous factor and formative moment cause different endogenous changes within states. This change can be evolutionary or transformative since the development path of each state may be shaped differently despite sharing the same formative moment. The lessons from these case studies demonstrate the necessity for Commonwealth Caribbean states to include the historical analysis of their trade development path in their diagnosis and prescriptions when formulating trade policies.

### **Section III: The Role of Formative Moments in Shaping States' Development Path**

Authors such as Cerny (2010) and Kohli (1994, 2004, 2016) highlighted the argument that 21st century policy formulation should incorporate the trade development path of states. Cerny (2010) noted that during the era of globalisation, the state has a paradoxical role as it is compelled to open its borders to global competition while enabling local industries to compete internationally. The role of the state in these endeavours is paramount as it must implement the necessary changes to allow this to happen. Cerny concedes that the capacity of all states to inherit the benefits from global trade is not uniform; this is because "different states have distinct 'institutional' (or organisational) logics. Each is subject to a form of 'path dependency', in which historical developments create both specific constraints and specific opportunities that become 'embedded' in the way states work" (Cerny, 2010, p. 17). To date, the dominant states are those who consolidated their political and economic power and established a robust political hierarchy to enforce the will of the state, free from corruption. While these developed states were able to maintain a 'paradoxical balance', the experiences were different for smaller developing states which are predominantly former colonies.

Cerny's argument draws attention to the difference in the capacity of these states to adjust to challenges in the 21st century. This disparity is shaped by formative moments unique to each state, regardless of their status as developed or developing countries. Kohli (2016) echoed similar arguments by explaining that "the answer to the question of why some states have been more effective developmentally than others often lies in the shape and form that state institutions acquired in the past" (p.169). Conjectures by Cerny (2010) and Kohli (2016) raised questions about the factors that shape states' development path as well as the contemporary capacities of states to be shaped by formative moments. A survey of state-led development literature identified colonialism as a critical formative moment of impact on Newly Industrialised States and late-developing states. Colonisation has had one of two effects: an assimilative effect that develops the capacity of the colonised states or subordination which undermines the capacity of colonies to later become developed (Kohli, 2004, p.301).

As it relates to colonialism, Kohli (1994) argued that the strong contemporary capacity of Korea could be traced to the Japanese. Between 1905 and 1945, Japanese colonisation was instrumental in shaping the evolution of the Korean developmental

state. Prior to Japanese imperialism, Korea was governed under authoritarian rule by the House of Yi, a dynasty characterised by corruption, mono-cropping, agriculture base economy, and an uneducated labour force (Gray, 2014). Japanese colonial rule introduced centralised authority with power to enforce the will of the state; government intervention in economic planning; participation of Koreans in state bureaucracy; permission for the participation of Korean business class; and investment in the industrial expansion, transportation, communication and human resources (Booth & Deng, 2016; Han-Yu & Myers, 1963; Kimura, 1993; McNamara, 2006). Over time, Korea was transformed from an agricultural to an industrial based economy. The proportion of GDP from industry grew from a low of 6.4% in 1913 to a high of 27.9% in 1941 (Booth & Deng, 2016; Myers, Peattie, & Zhen, 1984).

After 1945, Japanese colonial rule was replaced by United States occupation and the developmental state first formulated by Japan was further shaped by the Americans. The United States oversaw land reformations which suppressed the power of landowning elites and increased the autonomy of the state over society. The United States also provided industrial technology, investment capital and a preferential market for Korean exports (Gray, 2014; Strange, 1996). Japan's deliberate development plans and the United States occupation served as two formative moments which provided the foundation for Korea's developmental state to evolve. These moments caused several endogenous changes to Korea's political, economic and societal institutions. These changes established the foundation for the country to experience a critical juncture in its trade development, that is, a significant transformation in its development path from its point of origin. If the Japanese and Americans had not intervened in Korea, there is a strong possibility its state development path would have remained evolutionary.

The post-independence period of the 1950s served as a critical moment in Korea's development history. The state had investment capital, rail infrastructure, a centralised bureaucracy, political autonomy and an indigenous entrepreneurship class with knowledge and experience in industry. Korea's new leadership seized the moment and built upon the development foundation laid by Japanese and American occupation. In the 1950s, Korea's state leadership used its strong political autonomy to shape their industrial policy (Chang, 1999, pp. 182-199; Weiss, 2000, pp. 41-82). The developmental state of Korea used state intervention through policy instruments to buttress its supply capacity and to successfully transition from an agricultural to manufacturing state (Chang, 1999, pp. 182-199; Weiss, 2000, pp. 41-82). Private firms



were selected based on convergence between their interest and that of the state (Chang, 1999, pp. 182-199; Rhee, 1989; Weiss, 2000, pp. 41-82). A result of this merger, the Korea Trade Promotion Corporation (KORTA) acted as a conduit between foreign investors and local exporters. The state targeted the export industry for development through risk socialisation and performance requirement (Evans, 2010; Weiss, 1998, pp. 41-82). For instance, the state provided letters of export credit to consignment firms and their suppliers; these letters of credit were integral in reducing start-up and production risks (Haggard et al., 1991, pp. 65-71). The state's export development committee worked directly with exporters to provide technical assistance in the area of product quality control, marketing, packaging and labelling for foreign markets (Haggard et al., 1991, pp. 65-71). The Korean state was also instrumental in the innovation of the country's textile industry. Previously, Korea's stagnant textile export woes continued up until 1964. The government went beyond infant industry protection and provided access to low-interest rate and long-term loans in exchange for firms agreeing to improve labour, equipment and technology. Industry players focused on improving the skills of factory workers through overseas training and lower-level staff skills improved through learning-by-doing. The overwhelming dependence of the textile industry on cotton imports was significantly reduced by technological innovation which improves the production of synthetic fibres (Amsden, 1992, pp. 1-48).

Even though the state forged what appears to be a partnership with private firms, this partnership was not based on equality in decision-making. In reality, the state used its unique position as a supplier of incentives to exercise leverage over firms' export performance (Kasahara, 2013). Continued state support in the form of subsidies and domestic protection from foreign firms was conditional on meeting performance targets established by the state. The accumulation of foreign capital generated a foreign currency budget which the government used to exercise leverage over imports. Where it was foreseen that imports would compete with domestic industry, the government used its control over the foreign exchange budget to restrict access to foreign capital. Access to foreign capital was determined by a firm's level of compliance with the government industrial policy (Haggard, 1996, pp. 51-75; 2018, pp. 18-31; Haggard et al., 1991, pp. 65-71).

The Korean government's control over foreign exchange gave the state unprecedented autonomy over private firms. The critical point was upon seizing power;

the government nationalised banks which gave the government control, over capital distribution, selective capability of which industry to invest in and how much to invest in order to drive growth (Amsden, 1992, pp. 1-48; Haggard, 1996, pp. 51-75; Haggard et al., 1991, pp. 65-71). To stimulate the country's industrial expansion, the government employed the strategy of borrowing from the international capital markets and stimulated investments uptakes by lowering domestic interest rates. Moreover, the government amended the "Foreign Capital Inducement Law" and "provided government guarantees to lenders, which eliminated the risks of default due to exchange rate depreciation" (Amsden, 1992, p. 73). In Korea's case, the government nationalised domestic banks and served as guarantor for borrowers; this gave the government leverage in shaping its industrial expansion. Amsden (1992, p. 73) reported that while capital credit was available to all exporters, long term loans at competitively low rates were reserved for selected industries and firms favoured by the government. In Korea, state subsidies were skewed towards the exporting industry, for example, commercial access to state loans was at a rate of 30%, in contrast to exporters who were granted preferential loan access at 6% in 1972.

Furthermore, the Korean state established export processing zones to fast track the country's industrialisation and diversification in order to overcome issues such as lack of, economies of scale; export diversification; foreign capital and industrial technology (Berhane, 2012; Lan, 2001; Liang, 1995; Madani, 2003). The state lured foreign firms by offering low interest rates, cheap skilled labour force, profit expatriation and tax exemption. Notwithstanding these pull factors, the Korean developmental state provided conditionalities to ensure that the interest of foreign direct investment coincides with the state (Berhane, 2012). For example, the state subjected firms investing in respective exclusive economic zones to local content and export requirements (Haggard, 2018, p. 21). This strategy was instrumental in achieving backward and forward linkages between foreign and domestic firms; also the establishment of exclusive economic zones was pivotal in exposing domestic firms to competition (Haggard, 2018, p. 21).

While some scholars (Haggard, 1996; Haggard, Kim, & Moon, 1991) link Korea's high economic growth to the strong capacity of the developmental state, arguments by Gray (2014) and Kohli (1994, 2004) highlighted evidence of the formative moment of the Korean developmental state, which can be traced to some critical Japanese colonial policies, and United States developmental aid. Japanese

colonisation and United States occupation served as positive formative moments for the developmental state, more specifically both Japan and the United States shaped the institutional capacity of Korea providing a strong state bureaucracy, centralised authority with autonomy to design and implement policies, technology, industrial technology, infrastructure and human development.

Whereas Japanese colonialism provided the foundation for transformation of the developmental state, there is evidence to suggest that in some cases colonialism may have an evolutionary impact on the trade development path of its colonies. For instance, in the case of British colonialism, it is argued that Britain's policy of subjugation practised in some of its former colonies is the reason their contemporary capacity is weak (Ejimofor, 1987; Ocheni & Nwankwo, 2012; Wiener, 2013). Kohli (2004) examined the cases of Nigeria and India to highlight how the development path of each state was shaped differently by British colonialism. In Nigeria, instead of developing a central authority, Britain conceded power to different tribal groups which resulted in tribal warfare, further weakening the authority of the state. British colonialism hesitated to educate the Nigerian population out of fear they would rebel. Furthermore, unlike Japanese colonial rule, there was no investment in infrastructure development nor the transfer of industrial technology. More specifically, British colonisers prohibited Nigerians from engaging in manufacturing:

British manufacturers preferred exporting their manufactured goods to establishing industries in the colonies, and the British colonial government reinforced these preferences. Moreover, the colonial state "almost never actively encouraged indigenous entrepreneurs to invest in local import-substituting industrial production. The government did not provide medium or long-term loans. (Kohli, 2004, p. 309)

Post-independence, Nigeria emerged from colonial rule as a neo-patrimonial state characterised by a lack of centralised leadership, weak bureaucracy, absence of a thriving indigenous entrepreneurial class and dependence on cheap imports. Nigeria was even more compelling; although in possession of a vast oil reserve, the country suffered from Dutch disease. Today, the state's capacity to change its development path does not differ significantly from the independent state that emerged from British colonial rule in 1960 (Kohli, 2004, pp. 291-338).

In the case of India, British colonial rule did not engender an Indian developmental state although the post-independent Indian state fared much better than the Nigerian post-independent state (Kohli, 2004, p. 221). Kohli (2004, 2007)

attributed this to the minor but significant differences of British rule in India. For example, British colonialism facilitated a centralised government in a multiclass society; second, the Indian civil service comprised of educated British and Indian civil servants. These minor differences improved the authority of the state to collect taxes and enforce its policies. Whereas Britain did not develop the Indian manufacturing sector, it created an extensive railway system which connected the different geographical regions (Kohli, 2004, p.226). Moreover, Indian independence was as a result of mass mobilisation against British colonial rule centred on Indian nationalism. It was therefore easier for this post-independent Indian state and private sector to unite around a common development policy (Kohli, 2004, p.226). These minor differences gave birth to the Indian interventionist state, which charted the way for the contemporary Indian state, which had a stronger capacity than it did under colonial rule. Unlike Nigeria, India's formative moment under British colonialism differed, therefore, despite sharing the same coloniser, their development path evolved along different continuum.

The case study analysis of Korea, Nigeria, and India bear important lessons for the Caribbean problematic. The analysis of Korea's development path confirms that formative moments such as colonialism and foreign occupation can shape the institutional capacity of a state to exercise autonomy over its policy formulation and experience positive development outcomes. Second, the cases of Nigeria and India demonstrate that where states shared the same coloniser as a formative moment, their development path evolved along different continuum leading to differences in their respective contemporary capacity. These findings also support the main prepositions of this thesis - that trade development is path-dependent; that is, the contemporary capacities of Commonwealth Caribbean states is an outcome of historical moments. Second, the trade development path of Barbados, Jamaica, and Trinidad and Tobago has been shaped differently by formative moments, consequently, trade policy formulation should incorporate these differences.

## Conclusion

This chapter accomplished several objectives. First it provided an opening for the arguments put forward in this thesis by situating the research problem within the WTO context. The 1995 ruling by the WTO's Dispute Settlement Body exposed the Commonwealth Caribbean's lack of trade competitiveness in the absence of trade preferences. The WTO formalisation also raised questions about the capability of these small states to improve their trade competitiveness in an era when the state's ability to participate in its policy space is arguably restricted. Second, while there was no shortage of policy prescriptions on how Commonwealth Caribbean states may improve trade competitiveness within the WTO context, the prescriptions were bound by context and uniformity. By treating Commonwealth Caribbean states as a collective, Caribbean political economists vitiated the possibility of achieving localisation which was a critical component of effective trade policy in the 21st century. Third, this chapter established an empirical case for looking at the trade development of Commonwealth Caribbean Small Island Developing States from an individual standpoint, to diagnose their idiosyncrasies and localise policy prescription. It examines a separate body of literature which purports that the trade development path of states is shaped by formative moments. Furthermore, this separate body of literature also indicates that states' development paths can evolve along different continuum even where they share the same empirical trappings as a formative moment. This chapter, therefore, provides a rationale to question the one-size-fits-all policy prescriptions that emerged in the WTO era. It suggests that the trade development of states should be analysed to determine how and why they evolved. By introducing this approach to the Commonwealth Caribbean context, there is a possibility to highlight that each state's trade development path evolved on a different continuum. Accordingly, these differences should inform trade policy formulation to increase the possibility of achieving localisation.

This chapter also provides a conceptual framework to guide the implementation of the Historical Institutionalism framework in subsequent chapters. Accordingly, the next chapter will examine the historical sequence of British colonisation and its impact on the trade development of the three country cases: Barbados, Jamaica, and Trinidad and Tobago. More specifically, the analysis will focus on patterns set in motion by British colonisers and determine whether this approach was transformational, similar

to the case of Japan and Korea; or evolutionary, as was the case of British rule in Nigeria. By using this approach, the analysis will control for the effects of colonialism from the point of British colonisation to the point of each state's independence. The findings of this chapter also confirm that even after colonialism ended, there is a possibility it may have had lasting effects on the evolution of its former colonies' development path. In the case of the Commonwealth Caribbean problematic, the comparative analysis will also focus on how British colonial authorities shaped the trade development of these three states prior to their independence. Emphasis will be placed on comparative differences in the institutional capacity of each state to change their trade development path post-independence.

### **CHAPTER 3**

## **COLONIALISM AND TRADE DEVELOPMENT IN THE COMMONWEALTH CARIBBEAN**

Chapter 2 established the premise that states' development path can be shaped by colonialism as it caused colonies to endure a transformational shift that initiated changes such as the implementation of a strong internal bureaucracy, investment in infrastructure, and permission to participate in manufacturing. These transformative acts enabled the post-independent state to establish political autonomy over its contemporary trade development. A premise was also established that colonialism had an evolutionary impact on colonies' trade development path by initiating trade rules which undermined the capacity of these colonies to shape their trade development. In this chapter, I examine how colonialism shaped the trajectory of Barbados, Jamaica, and Trinidad and Tobago's trade development. More specifically it is argued that the trade development path of Barbados, Jamaica, and Trinidad and Tobago was impacted by colonialism.

Section I develops the argument that colonialism initiated factors that caused path dependence in its colonies trade development. It draws on evidence that highlights how the mode of trade in each colony changed gradually because of European colonisation. Special emphasis is placed on the mercantilist ideology driving colonial expansion. The second section focuses on laws passed by United Kingdom and how these laws create uniformity and reinforced path-dependence in the evolution of these states' trade development path. The third section examines the pre-independence period 1940-1952. Special emphasis is placed on the industrial policies implemented in each colony and how they reinforced path dependence in their trade development path.

## **Section I: Colonialism and the Shaping of Commonwealth Caribbean States Trade Development Path 1494-1949**

An investigation into the trade policy formulation and implementation capability of West Indian<sup>1</sup> states reveals that their colonial past had a significant influence on the state's ability to draft and implement trade policies (Diwan, 1973; Greaves, 1954; Mill, 2009; Nicholls, 1969). An analysis of the Caribbean political economy literature revealed two outcomes; first, West Indian colonies had no control over their trade governance, rather it was the colonial powers who drafted these trade policies externally and imposed these on its colonies (Best, 1968, pp. 283-290; Green, 1992; Levitt & Best, 1969, pp. 16-17; Lewis, 1967; Nettels, 1952, pp. 105-113; Sudama, 1979, p. 66). Second, these externally imposed trade policies were drafted primarily in the interest of the coloniser; the interests of the West Indian colonies were almost always secondary (Levitt & Best, 1969, pp. 16-17). Mill (2009) explained that West Indian colonies could not be regarded as countries engaged in external trade with England because of their colonial status. They were merely an extension of mainland England, used for the convenience of cultivating raw materials for English industries, and restricted from engaging in activities outside of raw material cultivation. England funded these cultivations and made all decisions related to the nature of their colonies' external trade (p. 256).

The plantation school of thought purported years of colonial rule engendered a plantation economic model in British West Indian colonies. The plantation model acquired different variants; Pure Plantation Economy (1600 to 1838); Plantation Economy Modified (1838 to 1938) and Plantation Economy Further Modified (1938 onwards) (Best, 1968, pp. 283-301; Nicholls, 1969; Sudama, 1979, p. 66). Despite the evolution of the plantation economy model, five key characteristics were used to describe the interaction between metropole and hinterland. First, the metropole had absolute control over the hinterland. Second, this system was based on the principle of division of labour where reaping, processing and minor assembly occurred in the hinterland and the major portion-value-added was undertaken by the metropole. Third, the metropole maintained control over the colonies' monetary policy to ensure reserves

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<sup>1</sup> Within the context of this chapter, the terms 'Commonwealth Caribbean' and 'West Indies' are used interchangeably and refer to the same group of countries.



and surplus were reinvested in the metropole. Fourth, all trade policies were designed and imposed by the metropole. Fifth, the demand for goods from the hinterland was determined under a system of preferences (Best, 1968; Sudama, 1979, pp. 66-70).

The works of Best (1968), Nichols (1969), Sudama (1979) and Mill (2009) painted a clear picture of the subordinate relationship between colonisers and colonies as their analysis also provided a foundation to guide the examination of the trade development path of the individual colonies under study. Their arguments will be deconstructed and remodelled within the historical institutionalism framework to better understand the extent to which colonialism initiated factors that generated path dependence in these states' trade development as well as the stage at which differences (if any) in these states' trade development emerged. Before this can be achieved, it is necessary to have a brief overview of the nature of trade in these colonies as well as the main ideology informing colonial expansion; mercantilism.

Before European colonisation, the islands of Barbados, Jamaica, and Trinidad and Tobago were inhabited by Amerindians (Arawaks, Tainos and Caribs) who were firmly in control of their terms of trade (Beckles, 2007; Handler, 1969; Harlow, 1969, p. 63; Williams, 2003). Amerindians relied on subsistence farming, hunting and fishing. Their agricultural crops were maize, cassava, and tobacco. Cassava was converted to flour using simple technology of stone and wood, while tobacco, which was native to the Americas, was used as a drug in religious rituals. There is no evidence to suggest that the indigenous people engaged in trade outside of their occupied territory, however, this *modus operandi* would eventually change after European colonisation. The arrival of the Europeans, more specifically the English, resulted in the colonies being absorbed into a mercantile system which saw the introduction of new industrial and commercial policies.

At this stage, it is necessary to examine the ideology of Mercantilism and its influence on the trade relationship between colonisers and colonies. This examination will contribute to a better understanding of the role of colonialism as it shaped the industrial and commercial policy of the Commonwealth Caribbean states of Barbados, Jamaica, and Trinidad and Tobago. The mercantile economic model practised by European states consisted of metropolises and hinterlands. The interaction between metropole and hinterlands had implications for trade and commercial policy formulation. The metropole was the source of the policy formulation and wielded considerable influence over the format in which trade policies were implemented

(Pincus, 2012, pp. 1-4). At the core of mercantilism was the principle that international trade provided an opportunity for states to gain wealth. However, since wealth was finite, states would have to use protectionist policies and wars, where necessary, to alter the balance of trade in its favour and to acquire a more significant share of the finite wealth (Pincus, 2012, pp. 1-4). In essence, mercantilism postulated that it was not mutually beneficial for two nations to engage in trade since only one state would gain (Horrocks, 1925; Nettels, 1952, pp. 105-112; Pincus, 2012, pp. 1-4). Thus, European states tried to reduce trade among themselves. However, they were not self-sufficient as they needed raw material suppliers and export markets for their produce. To this end, European states turned their attention to conquering colonies using a zero-sum strategy (Nettels, 1952, pp. 105-112; Pincus, 2012, pp. 1-4).

Within the mercantile model, colonies were crucial to the metropole's balance of trade, serving as monopolised markets for goods manufactured in the metropole and increasing their export revenues (McCusker & Menard, 1991, pp. 41-49; Sheridan, 1958, pp. 261-262). Colonies also provided the metropole with a secure source of raw materials for its manufacturing industries while cheaply sourced raw materials reduced its import bill and maintained a positive trade balance. Previously, the English metropole was reliant on its mercantile competitors, importing raw materials such as tobacco, cotton and sugar from Spain, the Netherlands, and France (McCusker & Menard, 1991, pp. 41-49). However, by relying on its colonies as an alternative source of raw materials, the English<sup>2</sup> metropole would be able to reduce the outflow of wealth to its competitors. Additionally, imports from colonies attracted duties, providing additional wealth (McCusker & Menard, 1991, pp. 41-49). Moreover, raw material imports from the colonies required processing for re-export to colonies and mercantile competitors, thus providing employment in the manufacturing sector. Overall, these factors contributed to an increase in the finite wealth of the British Empire (McCusker & Menard, 1991, pp. 41-49; Williams & Mbeki, 2010).

A stakeholder analysis of the English mercantile model provides greater clarity on the paradoxical role of colonies within this system of trade. Within the mercantile system, colonies were allowed to establish a quasi-system of government; this consisted

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<sup>2</sup> The term English is used here up until 1707 when Scotland and England were joined together to form the Kingdom of Great Britain. The term English and British will be used interchangeably throughout this chapter.

of governors, proprietors and labourers. However, the more powerful actors such as the government, merchant capitalists, shipbuilders and proprietors, resided in the metropole (Beckles, 2007; Best, 1968, pp. 283-301; Horrocks, 1925; Nettels, 1952, pp. 105-113; Pitman, 1967, pp. 166-220). The expedition of proprietors was either self-financed or financed by merchant capitalists. Shipbuilders and sailors were also critical to the transportation of cargos between England and its colonies. Most notably, the metropole (Britain) facilitated the interest and interaction between these actors. In England, the government played the lead role in balancing these interests. Nettels (1952, pp. 105-113) explained that in the metropole, it was the duty of the government to align the interests of the state with that of dominant groups such as shippers and merchant class. It was also the metropole's duty to acquire as much wealth from trade under mercantilism. The English metropole achieved this goal by incentivising the merchant class expansion. This included enacting regulations to recognise acquired colonies and providing military protection for English merchant ships.

Central to the English mercantilist system was the establishment of a legal framework, i.e., the Navigation Acts. These acts maintained the asymmetrical divide between metropole and hinterland as well as protected the metropole from competition by prohibiting trade between colonies and other metropolises (Horrocks, 1925). The implications of the Navigation Acts are even more profound when the periods before and after their implementation are juxtaposed. Prior to the first Navigation Act of 1651 (from 1625 to 1643), England was engaged in civil war – a turn of events, which temporarily disrupted ties between metropole and colonies. During this period, English colonies took advantage of their government's distraction and establish a colonial government. The temporary collapse of the English government also granted colonies the opportunity to trade with partners of their choice. The English colonies' trade partners during the English Civil War were primarily the Dutch and Spanish metropolises. Consequently, there was a resulting transfer of wealth from English colonies to the Dutch and Spanish metropolises Nettels (1952, pp. 105-113; Horrocks, 1925).

By the 1650s, Great Britain was outperformed by its mercantile counterparts as the Dutch and Spanish dominated trade within Europe and the West Indies. However, a more significant concern to the English government was its dependence on Dutch transshipment for their imports from Europe and the West Indies. In keeping with the principles of mercantilism, England had to formulate a strategy to increase its share of

finite wealth and reduce that of its rival empire - the Dutch (McCusker & Menard, 1991, pp. 41-49; Nettels, 1952, pp. 105-113; Nicholas, Alaine, & Roger, 1998). The English Parliament passed several Navigation Acts - 1651, 1661, 1663 and 1674 - which stipulated that all trade between England and its colonies should be transported in English vessels. This stipulation resulted in the exclusion of all foreign competitors.

Moreover, the Staple Act of 1663 mandated that all goods transported by English ships should be brought to England to be assessed for duties, processed, and repackaged for transport back to the colonies. Under the Staple Act, the hinterland was obliged to import manufactured goods from England only, and all sources of capital and credit for the hinterland should come from England (Nicholas et al., 1998). The colonies protested the imposition of the Navigations Act. They claimed these acts prohibited them from accessing cheaper sources of raw materials which forced them to purchase expensive manufactured products from England (Pitman, 1967, p. 135). The passing of the Navigation Acts, notwithstanding protest by the colonies, confirmed that decision-making on terms of trade was top-down, from metropole to hinterland. Whereas the Navigation Acts provided a secure market for the colonies' export, it was the metropole who mostly benefited, through the imposition of taxes and duties (Pitman, 1967, p. 135). The Navigation Acts gave control to the English Metropole over trade with its colonies.

The review of the Mercantilism ideology indicates that colonialism was introduced as an exogenous variable within the Commonwealth Caribbean trade landscape. From the outset, this introduction disrupted the internal *modus operandi* of colonies and initiated certain rules and institutions that shaped the evolution of each colonies trade development path over the centuries. Moreover, based on the principle of mercantilism and structure of colonialism, this exogenous system was not designed to transform the trade development capacity of colonies for the benefit of the indigenous people. Instead the aim of the colonial system was to conquer and reshape the trade development of colonies to benefit the metropole. The next section will conduct a historical institutional analysis of Barbados, Jamaica, and Trinidad and Tobago and examine their integration into the English mercantile trade model.

The competition for finite wealth forced European rivals namely, Britain, France, Netherlands, Portugal and Spain to venture to West Indies, where colonies were conquered and incorporated under the respective mercantilism system. From the point of conquest to the point of independence, respective colonial occupiers introduced new

systems of trade which generated path dependency among the respective colonies. As illustrated in Table 4, over the course of the 15th and 16th century, Barbados, Jamaica, and Trinidad and Tobago would change hands between various European countries – first Spain, then Britain, and France. Barbados and Jamaica spent the largest part of their colonial occupation (339 and 307 years, respectively) under British rule, while Trinidad was occupied by Spanish for 185 years. In the interest of space, special emphasis will be placed on British and Spanish conquest of the colonies of Barbados, Jamaica, and Trinidad and Tobago to determine the system of trade introduced in each colony.

Table 4: Colonial Occupier and Year of Occupation

Colony	Coloniser		
	England/Britain	Spain	France
Barbados	1627-1966		
Jamaica	1655-1962	1494-1655	
Trinidad	1797-1962	1498-1783	1776-1783
Tobago	1763-1781		1781-1793
	1793-1804		1804-1814
	1814-1962		

Source: Barbados, Jamaica and Trinidad – (Augier, Gordon, Hall, & Reckford, 1960, p.229); Tobago – (Nimblett, 2012, pp. 9-13)

### *The Case of Jamaica*

In 1494, Columbus claimed Jamaica in the name of the Spanish crown. This moment was significant for several reasons, as it signified the introduction of new trade rules, the creation of path dependency and the beginning of Jamaica's evolutionary trade development. The Arawak survived by hunting, fishing and cultivating small plots of land for domestic consumption (Williams, 1970 p. 9, Sherlock, 1973, pp.1-20). The Arawak system of trade was eventually replaced during Spanish occupation. Initially, the Spaniards had little interest in the colony as they were more focused on locating gold and other precious metals in Hispaniola, Puerto Rico, Cuba, and Mexico (Augier, Gordon, Hall, & Recford, 1960, pp. 3-17). However, after an unsuccessful year in pursuit of the precious metal, Columbus claimed the 'discovered' lands in the name of the Spanish crown (Sherlock, 1973, p.23).

Jamaica experienced several changes as a result of Columbus' declaration of colonies in the name of the Spanish government. These changes included the introduction of both the Encomienda and Repartimientos systems. According to Yeager (1995), the encomienda system:

was an organization in which a Spaniard received a restricted set of property rights over Indian labor from the Crown whereby the Spaniard (an *encomendero*) could extract tribute (payment of a portion of output) from the Indians in the form of goods, metals, money, or direct labor services. In exchange, *encomenderos* provided the Indians protection and instruction in the Catholic faith, promised to defend the area, and paid a tax to the Crown. (p. 843)

Encomienda was later replaced by the Repartimientos in 1503, a system that allowed Spanish settlers to recruit slave labour into Spanish colonies. Under the Repartimientos, Amerindians were segmented into servants and free labourers and governed by a Spanish Viceroy-governor who was sanctioned by the Spanish crown. This Spanish system of forced labour caused many indigenous people to commit suicide while others died from exposure to Spanish introduced diseases such as smallpox and yellow fever (Augier et al., 1960, p.13; Watts, 1987; Williams, 1970, p.33).

Both the Encomienda and Repartimientos systems had severe implications for the pre-existing mode of trade. By 1509, Spanish settlers replaced the indigenous method of agrarian cultivation with cattle rearing. They engaged the use of cattle in the cultivation of sugar and milling technology throughout its colonies (Meditz & Hanratty, 1987, pp. 165-167). The Spanish government provided capital and protection to settlers to finance the construction of *ingenios* which were large water operated sugar mills. According to Williams (1970 p. 35), by 1523 there were 30 *ingenios* in Jamaica. Spanish occupation and capital were also critical in the establishment of *Hacienda* – a large estate concentrating on a single crop, cultivated for a single market. In comparison to other colonies such as Mexico and Cuba, production in Jamaica was extremely small (Augier et al., 1960 pp. 3-17). Initially, the *Hacienda* was dependent on indigenous labour but after the reduction in that population, it depended on white indentured Spanish labourers, then African slaves (Sherlock p.138).

Spanish colonisation of Jamaica resulted in the establishment of a plantation economy. Owners of *haciendas* were required to pay required a trade licence from the Spanish government as well as duties and taxes imposed on behalf of the Spanish government. Additionally, the raw materials produced by the *hacienda* were exported

to Spain, pinpointing Jamaica not only as a source of raw materials, but also a market for Spanish exports (Augier et al., 1960, p.18). Based on the principle of Mercantilism, the lucrative Spanish plantation economy attracted the attention of other European rivals. Britain attempted to increase its wealth by adding Jamaica to its suite of colonies, Jamaica provided a source of raw material, and market expansion for English exports. When Oliver Cromwell conquered Jamaica in the name of England in 1655, changes to the Jamaican trade landscape was not immediate. Ironically, Jamaica was abandoned by the English government after the conquest because of the high cost of maintenance (Zahedieh, 1986b, p. 213). Accordingly, for about the first ten years, the colony was not fully integrated under the English Mercantile system. In the absence of mercantile control, the locally installed colonial government used its influence to shape the trade development of the colony, engaging in illicit trade with enemies of the empires, Spain, France and Holland (Zahedieh, 1986a, 1986b, 1990). They used the acquired capital to build plantations, processing houses and procure additional slave labour:

The successful exploitation of Jamaica's strategic geographical location and the rise of Port Royal as a trading post based on Spanish plunder and contraband provided the early residents with the capital necessary to embark on plantation agriculture...records available in Jamaica indicates that Port Royal's merchants provided the largest source of capital investment in agriculture. Many patented and planted land on their own account-at least 275 of 508 merchants identified in Port Royal between 1664 and 1700 purchased agricultural property. Twelve of the 23 Port Royal estates inventoried as over £2,000 indicate an involvement in a plantation. The debts listed in the inventories also show that Port Royal's residents were the major source of credit for the planters. Port Royal grew rich "out of the Spaniard's purse": the profits of trading and looting were used to build up Jamaica's plantations. (Zahedieh, 1986, p. 220)

Sherlock (1973) explained that after Jamaica's occupation, pre-existing Spanish built *haciendas* which focused mainly on cocoa collapsed in light of English neglect. However, the new local colonial government played a decisive role in switching cocoa *haciendas* to sugar plantations similar to those established in English-occupied Barbados. The colonial government in Jamaica used a strategy of "land and tax-free cultivation" to attract settlers from other English colonies (p. 92). By 1675, sugar became the leading industry on the island, with at least 70 sugar plantations having the capacity to produce over 700 tons of sugar annually (Williams, 1970, p.114).

Jamaica's ability to generate indigenous capital and conduct trade outside of the English mercantile system suggests that local occupiers had autonomy over their commercial policy. Undoubtedly, the English metropole was aware of the colony's engagement in privateering, the trade of slaves and animals with the Spanish. Zahedieh (1986) explained that the local governor's declaration of peace with the Spanish as well as the colony's commercial policy of tolerance was sanctioned by the King of England as, "in 1663, waiving the Navigation Acts, the King granted Spaniards leave to come to buy slaves at English islands. He also ordered an end to privateering at Jamaica and gave instructions to promote friendly relations with the Spanish colony" (p.589).

As demonstrated, in Jamaica before 1494, the indigenous people had autonomy over trade governance which was replaced by the Spanish Encomienda and Repartimientos systems. This pattern of trade suppression continued under English colonisation after 1655. The occupation of the Spanish and English therefore, set in motion a system of trade rules which placed the trade development path of Jamaica on an evolutionary trajectory.

### *The Case of Barbados*

Barbados was discovered by Portuguese sailors in 1536, however the first European coloniser were the English who settled the island in 1627 (Gettleman, 1959). Like the Spanish on the island of Jamaica, the English introduced a new system of trade which superseded that of the indigenous people. Unlike the Spanish crown which had direct control over the Encomienda and Repartimientos systems, the initial English settlers introduced a system of trade independent of the English government. Gragg (2010) noted that the early (1625) settlers on the island of Barbados were financed by private capital from proprietors. The English government was only required to sanction proprietors' occupation of the land. They were not required to exercise direct influence over Barbados' commercial policy, except for providing the patent declaring the island a colony in 1628 (Hall, 1957). Nettles (1952, p.108) explained that it was quite normal for the English government to limit their role in colonies' industrial affairs until they became lucrative:

Ordinarily, the government did not subject a colonial activity to regulation by law until it had proved itself to be profitable. The English Government did not legislate against certain industries in the colonies until they had become so profitable that they threatened their English counterpart. (p. 108)



Local English settlers took advantage of their home state's distraction with the civil strife and established a colonial government in Barbados (Gragg, 2010; Harlow, 1969, pp. 25-50). Local English proprietors used their autonomy to diversify the colonial economy and convert the domestic trade model from an internally-focused to a more export-based one:

The early settlers practised a diversified form of agriculture. To be sure, exports were significant in total economic activity. Even these exports, however, were to a certain extent, diversified, cotton and tobacco sharing almost equal status by 1638 or so. In addition to these products, the young hinterland produced or reared a "profusion of foodstuffs" including citrus fruits, cattle and pigs, poultry, indigo, "pomegranates" and other consumer goods. (Nicholls, 1969, p. 41)

Early English settlers in Barbados also took advantage of the circumstances created by the English Civil War (1642-1651) to establish their local government (Worden, 2007). The local colonial government pursued a policy of neutrality towards trade, choosing to trade with both English and Dutch merchants. A key market for Barbados exports was "New England" (in what would later become the United States); also Spain and France were key suppliers of raw materials to Barbados (Harlow, 1969, pp. 25-50; Pitman, 1967, pp. 166-220). English and Dutch merchants provided English settlers with capital, which they used along with private equity to invest in the cultivation and exporting of tobacco to the England. At the peak of cultivation in 1633, Barbados exported over one thousand pounds (£1,000)<sup>3</sup> worth of Tobacco (Farnie, 1962; Gragg, 2010, p.14; Harris, 2012; Menard, 2014).

However, the success of the tobacco trade was short-lived (1628 to 1639), as the local English settlers lacked the expertise to cultivate, process and store tobacco. Their lack of experience resulted in low crop yield and spoilage because of improper storage. By 1635, the Monarchy ordered planters to cease production of tobacco and switch to cotton instead. This was the Crown's first attempt to shape the colony's industrial and commercial policy. Local colonial authority in Barbados ignored this command and continued to cultivate tobacco until 1639. Harlow (1969, pp. 25-50)

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<sup>3</sup> Based on the Bank of England inflation calculator, £1000 was valued at £229,859.19 in 2020 (<https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>).

noted that cessation was not because of settlers complying with the demands of the Monarch but rather a response to the drastic decline in revenues from tobacco exports.

The refusal of local English settlers in Barbados to immediately comply with the demands of the English Crown suggest that provincial governors wielded far greater control over their trade policy. Since the arrival of John Powell in Barbados in 1627, the Monarch was only consulted on the areas of law to provide a legal framework to facilitate colonialism (Hall, 1957; Harlow, 1969, pp. 25-50). Increasingly, it was the colonial government in Barbados, in addition to private capital from the merchant capitalist, who was primarily responsible for drafting and funding industry transitions. For example, for the first four years (after 1627), tobacco was the primary industry of Barbados (Gragg, 2010; Harlow, 1969, pp. 25-50). After the collapse of tobacco, the cultivation and processing of cotton required more advanced technology and infrastructure. Private trustees in charge of the island were instrumental in securing capital to procure machinery for milling cotton as well as to construct milling and storage houses on the island. Based on the evidence thus far, the Barbadian state and private trustees were at the core of the process of shaping their trade, relegating the English Government to the periphery (Gragg, 2010; Harlow, 1969, pp. 25-50).

By 1640, the colonial government of Barbados as well as its private trustee, were again the primary decision-makers in determining the transition from one industry to another (Harlow, 1969, pp. 25-50; Koot, 2007). After the price for cotton declined in the 1630s, the colonial government of Barbados decided unilaterally to switch its agro-industry from cotton to sugar. By the end of 1640, the colonial government of Barbados secured all the necessary elements such as capital, infrastructure, and technology to start its sugar industry (Batie, 1999; Menard, 2014). The Dutch were the primary source of cheap labour and also provided long-term credit under the condition that Barbados would only pay after its sugar industry generated a profit (Harlow, 1969, p. 38). Over time, sugar developed into a lucrative sector, making Barbados one of the wealthiest English colonies. Harlow (1969) attributed the boom of the sugar industry to Barbados local government's solicitation of capital, labour and technological expertise from the Dutch.

Whereas the first unilateral decision by the Barbados colonial government to transfer from tobacco to cotton went unnoticed by the English government, the second unilateral decision to transition from cotton to sugar was not as inconspicuous (Harlow, 1969, pp. 83-88). By 1650, the English government began to implement measures,

designed to recall the balance of power from the colonial government. Several factors caused the English government's attempt to increase its influence over the industrial and commercial policy of the colony (Harlow, 1969, pp. 83-88). In Barbados, local government's position of neutrality contravened the principles of mercantilism, which states that the spoils of the colonies should only be enjoyed by the metropole. Also, English merchant capitalists were infuriated because local settlers sought Dutch credit which led them to petition the English government to prohibit Barbados a position of neutrality (Harlow, 1969, pp. 83-88). The previous interregnum (1640-1660), which had distracted the English government from its foreign affairs, was coming to an end (Pestana, 2009). Moreover, as Nettels (1952, p. 108) explained, it was the norm for the English government to stay out of the affairs of its colonies. Intervention usually occurred in the form of protectionist policies for a new lucrative industry or suppression of an emergent industry. In the case of Barbados, between 1627 and 1650 English settlers generated profits in tobacco and cotton cultivation. The lucrative potential of sugar cultivation, therefore, attracted the attention of the English government, which was seeking different ways to raise revenue for the state. Furthermore, the metropole's intervention was solicited to reduce the exposure of sugar to external competition:

The colonial government was interested in procuring greater protection for its sugar industry; for example: in the early autumn of 1643 Thomas Robinson reported from St Christopher that Holdip was 'bound for England' to ask that only Barbados sugar be imported there. (Gragg, 2010, p. 8)

The arrival of English settlers to Barbados in 1627 marked a significant moment in the island's trade development history. English settlers drastically changed the pre-existing terms of trade, as indigenous crops such as cassava and maize were replaced with cotton and tobacco. Moreover, the use of technology such as tilling tools replaced indigenous practices such as slash-and-burn farming. Large boiler houses and cotton mills replaced existing methods of food processing. English settlers also procured Dutch expertise, capital and supply of labour to establish Barbados' sugar industry. Whereas the early English settlers exercised power over the colony's rapid trade development, this did not last as the colony's power to draft and implement trade policies was eventually curtailed by subsequent Navigation Acts. Attempts by the English Metropole to regain control over the lucrative trade implemented by local colonial government in Barbados marked the beginning of a gradual shift of the

colony's trade development path from one of independence to one of subservience under the English mercantilist system.

### **The case of Trinidad and Tobago**

Spain colonised Trinidad in 1498, and introduced the Encomienda and Repartimientos systems which replaced the indigenous governance structure of the Amerindians. Like Jamaica, Trinidad was ignored by the Spanish in lieu of its more lucrative colonies of Peru, Mexico, and Cuba. Between 1498 and 1783 the Spanish settlers had considered the island lowly endowed for agriculture cultivation, and “it was not until 1783 did the Spanish government encourage colonists to use the rich soil for sugar and cacao planting” (Augier et al., 1960, p.17). However, the Spaniards engaged in small-scale cultivation and animal rearing for domestic consumption replacing aboriginal methods (Augier et al., 1960, p. 17). Therefore, compared to Barbados and Jamaica, Trinidad did not have a vibrant plantation economy, instead the island was used mainly as a shipping dock for Spanish fleets (Augier et al., 1960, p. 17).

After 1783, the French, who had been sharing occupation of Trinidad with Spain since 1776, were permitted to introduce slave labour and establish plantations (Meditz & Hanratty, 1987, pp. 165-167; Brereton, 1991, pp. 1-4; Meditz & Hanratty, 1987, pp. 166-167). Under the French plantation economy, cotton was the main crop, accounting for up to 70% of Trinidad's exports. In 1788, the French replaced cotton with coffee and introduced rice and maize, and in the 1790s they introduced sugar cultivation. During this period, sugar was the most lucrative agriculture export in the Americas (Brereton, 1991, pp. 2-4). The sugar boom, which was initiated by the French, attracted the attention of the British who captured the colony in 1797 (Brereton, 1991, p. 46).

Meanwhile, in the nearby isle of Tobago, the Caribs (aboriginal people of Tobago) were not easily conquered. They managed to stave off European occupation for a comparatively longer period. The Spanish tried in 1511, 1596 and 1614, but it was the Dutch who were the first to conquer the Caribs in 1629. The island exchanged hands with the Dutch, British, and French. Tobago did not have a stable colonial ruler until the island was annexed by Britain in 1814, immediately after sugar plantations were established (Marshall, 2001, p. 388; Meditz & Hanratty, 1987; Nimblett, 2012, pp.9-13). In 1889, the colonies of Trinidad and Tobago were merged as a twin-island colony (Brereton, 1991, pp. 1-4; Meditz & Hanratty, 1987, pp. 166-167).

As can be seen in the cases of Barbados, Jamaica, and now Trinidad and Tobago, European colonisation caused significant changes in their trade development landscape. In all three cases, the indigenous system of trade was replaced by a commercial ecosystem (planters, merchants, shippers, plantations, sugar and trade rules) introduced by the respective European colonisers. The disruption of the aboriginal mode of trade represented a formative moment in the trade development history of all three states. Colonialism served as the beginning which introduced a number of factors such as slave labour, development capital, new type of crops for cultivation, construction and cultivation technology, new mode of transportation, trade duties and export market. It is important to note that even though these changes transformed the trade landscape in these colonies, the respective empires, settlers, and merchants benefited, and not the Amerindians. This pattern of trade development became entrenched and evolved along this fixed path. In the case of the British colonies, the early settlers had autonomy to shape their colonies' trade development, until the British government introduced more stringent laws which resulted in the incorporation of the respective colonies under its mercantile system (Carmichael, 1976; Meditz & Hanratty, 1987, pp. 165-167). The next section examines how these colonies were gradually incorporated under the British mercantile system, and the extent to which this reinforced their path dependencies and trade development.

## **Section II: The Role of the Navigation Acts in Shaping the Political Economy of each Colony**

As mentioned previously, the early settlers in the colonies of Barbados (1627) and Jamaica (1655) established a local colonial government and had initial control over terms of trade. However, the influence of the English mercantile system gradually reduced the power of the colonial governments over their trade governance. Hall (1957) explained that the initial autonomy over trade and commerce the colony enjoyed because of two main factors: the method of acquisition, and the English Civil War, which distracted the English government from its colonies. As it relates to their mode of acquisition, colonies were sanctioned by way of "royal charter, judicial decision, administrative order and by Act of Parliament" (Hall, 1957, p. 494). In North America, English colonies were acquired as a "Private Enterprise" established by royal charter, which gave private proprietors jurisdiction over conquered territory. In light of this,

English proprietors in local colonies considered themselves independent of English Metropole's commercial rules (Hall, 1957, pp. 499-515). Therefore, the metropole's desire to collect revenue from colonies, that considered themselves independent, proved to be challenging.

To force greater compliance with its commercial policies, the English government passed several Acts of Parliament: 1650, 1661, 1663 and 1674. The Act of 1650 prohibited English colonies from trading with rivals such as the Dutch, Spanish and French. As a result, vessels from rival empires required individual licences in order to trade (Farnell, 1964; Harlow, 1969, pp. 83-127; Pitman, 1967, pp. 166-220). The local colonial government of Barbados protested this prohibition to trade with the Dutch, citing the English mercantile system as expensive and inflexible. Trade with the Dutch was considerably cheaper in the case of imports, and more lucrative where export prices were concerned. The protests mounted by the government of Barbados were countered by English merchants who demanded the Act of 1650 be supplemented with military capability to effect the seizure of any rival ships destined for Barbados (Harlow, 1969, pp. 83-127). By 1651, the English parliament had passed the first modification of the Navigation Acts restricting all trade from English colonies to the Metropole. The Navigation Acts were subsequently updated in 1661, 1663, and 1674 (Hill, 1969). However, notwithstanding measures to improve the stringency of the Navigations Act, illegal trade between English colonies and the enemies of the empire flourished.

The colonies of Jamaica and Barbados were able to circumvent the earlier Navigation Acts. However, by 1696 all colonies were compliant as the Acts introduced more stringent compliance methods (Hall, 1957, pp. 494-515; Pitman, 1967, pp. 166-220; Sheridan, 1958, p. 252). Each round of the Navigation Act was upgraded with greater levels of inflexibility. The Lords of Trade, who had jurisdiction over enforcing compliance, was replaced by the Board of Trade in 1696. The new board was backed by an "Act for Preventing Frauds and Regulating Abuses in the Plantation Trade" (Hall, 1957, p. 501). Proprietors protested the higher level of stringency and threatened to boycott the Act. The King of England countered the proprietors' planned boycott by threatening to revoke their ownership of colonies:

On April 22, 1697, these letters went out to the colonies over the King's signature: to the royal governors of Virginia, Maryland, Jamaica, the Leeward Islands, Barbados, and Bermuda, threatening removal from office; to the proprietors of East and West Jersey threatening 'marks of

highest displeasure'; and to William Penn threatening forfeiture of his patent. (Hall, 1957, p.514)

Eventually, proprietors in Barbados and Jamaica had to abandon the practice of illegal trade and comply with requirements of the Navigation Acts. This represented also a defining moment in Barbados and Jamaica's trade development history. The incremental increases in the stringency of the Navigation Acts (1661, 1663, and 1674) were significant in shaping the trade development path of Barbados and Jamaica (Harris, 2006, p.178; Waterhouse, 2006). Whereas the plantations remained in the hands of individual owners, these Navigation Acts suppressed the colonies' initial autonomy and incorporated them under the English mercantilist system, which was driven by wealth extraction, raw material export, and trade restriction with England (Sherlock, 1973, pp139-40). The Navigation Acts also helped shape these states' trade development by dictating what they cultivated, the prices at which their crops were sold and trade duties. The Navigation Acts also established a trade monopoly as all the produce of the plantations had to be exported to England in English ships (Dine, 2005 p. 138; Harris, 2006, p.178).

One of the major outcomes of the Navigation Acts was the restriction of colonial production and exports to agriculture commodities. In both Jamaica and Barbados, plantations produced two main commodities, sugar (muscovado sugar, refined sugar, molasses and rum) and non-sugar products (cotton, dyewoods, ginger, tobacco, lime juice, pimento and indigo) (Eltis, 1995, pp. 638-39). One third of the land was dedicated to sugar production while another third was dedicated to other non-sugar products (Sherlock, 1973, p. 139). Sugar was established as the main export commodity in Barbados from as early as 1665 in Barbados, and 1671 in Jamaica (Eltis, 1995, pp. 638-39). As highlighted in Table 5, sugar production and slave labour increased steadily between 1703 and 1808 in Jamaica. In the case of Barbados, sugar production and slave labour increased between 1712 and 1792 and 1834.

Similar to Barbados and Jamaica, the Navigation Acts were instrumental in shaping the trade development of Trinidad and Tobago, however this development came at a later stage in the 1800s. As previously mentioned, the French introduced sugar production to Trinidad in 1787, parallel to sugar cultivation in Trinidad, which also had coffee and cocoa plantations (Brereton, 1991, p. 46). After Britain colonised Trinidad in 1797 and Tobago in 1814, sugar was established as the dominant industry

(U.S. Department of Treasury, 1902). Most of the land was then dedicated to cultivating sugar cane (36,739 acres), compared to cocoa (14, 238 acres); ground provisions, fruits and vegetables (9,914 acres) (Nimblett, 2012, p.149). In all three colonies sugar emerged as the dominant export industry throughout the 18th and 19th century.



Table 5: Sugar Production and Slave Population Figures in Barbados, Jamaica and Trinidad and Tobago, 1643-1843

	Year	Sugar in Tons	Slave Population
Barbados	1643	-	6,000
	1680	-	38,400
	1712	6,343	42,000
	1757	7,068	63,600
	1792	9,025	64,300
	1809	6,062	69,400
	1834	19,728	82,000
Jamaica	1703	4,782	45,000
	1730	15,972	74,500
	1754	23,396	130,000
	1775	47,690	190,000
	1789	59,400	250,000
	1808	77,800	324,000
	1834	62,812	311,070
Trinidad	1800	3,300	-
	1807	9,400	12,400
	1814-1818	6,955	-
	1819-1823	8,302	-
	1824-1828	10,409	-
	1829-1833	14,234	-
	1834-1838	15,287	-
	1839-1843	14,054	-
Tobago	1770-74	648	-
	1775-79	1,381	-
	1795-99	5,818	-
	1800-04	7,040	-
	1805-09	7,586	-
	1815-19	3,771	-
	1820-24	5,852	-
	1825-29	5,064	-

Source: Information for Barbados and Jamaica was sourced from Knight (1990, p.365); data for Trinidad was sourced from Tomich (2016, p. 64); data for Tobago was sourced from (Watts, 1987, p. 286)

In addition to the Navigation Acts, Barbados, Jamaica, and Trinidad and Tobago's dependence on sugar as the major export industry was reinforced by the British Government's prohibition of manufacturing in its colonies (Smith, 2015; Walton & Rockoff, 2010). For instance in 1698, a Bill before the English parliament requesting permission to manufacture in Barbados was denied (Pares, 2017). In 1732,

British hat manufacturers successfully lobbied the British parliament to establish an Act forbidding manufacture of hats in the colonies (UK Parliament, 2010). According to Pitman (1967, pp. 166-220), in 1781, a Barbadian lobby group petitioned the British government for permission to undertake “hackling, spinning, reeling and weaving” as a means of providing additional employment. Still, the request was denied for fear that the initiative would impede the demand for British manufacture. Davidson (1899, p. 56) recalled that in 1803, English planters in West Indian colonies expressed an interest in manufacturing clay sugar. However, the British government discouraged the planters’ ambitions by placing a duty on refined sugar, because clay sugar would compete with sugar refiners in mainland Britain. Even as late as the 19th century, the British opposed manufacturing in its colonies. Farrell (1980) noted that in Jamaica from 1937 to 1938, “Governor Denham refused to allow the local coconut producers to establish a soap factory which would have competed with the British product. Also, an attempt to establish a cement factory was frustrated because the market had to be preserved for British Portland” (p. 55). The prohibition of manufacturing and the fact sugar was the main industry and export commodity in all three colonies highlight uniformity in all three colonies trade development. Moreover, the lack of trade diversification highlights how colonialism as an exogenous factor directly influence these states’ trade development path and reinforce path dependence.

Even though the Navigation Acts and the prohibition of manufacturing generated path dependence on the sugar industry in all three colonies, it is important to note that the unevenness in the development of the sugar industry in all three colonies. Whereas Jamaica’s level of sugar production was significantly higher than that of Barbados and Trinidad and Tobago between 1701 and 1834, Figure 1 illustrates that between 1901 and 1912, sugar production in both Barbados and Trinidad and Tobago surpassed that of Jamaica. These differences are attributed to a number of exogenous and endogenous factors.

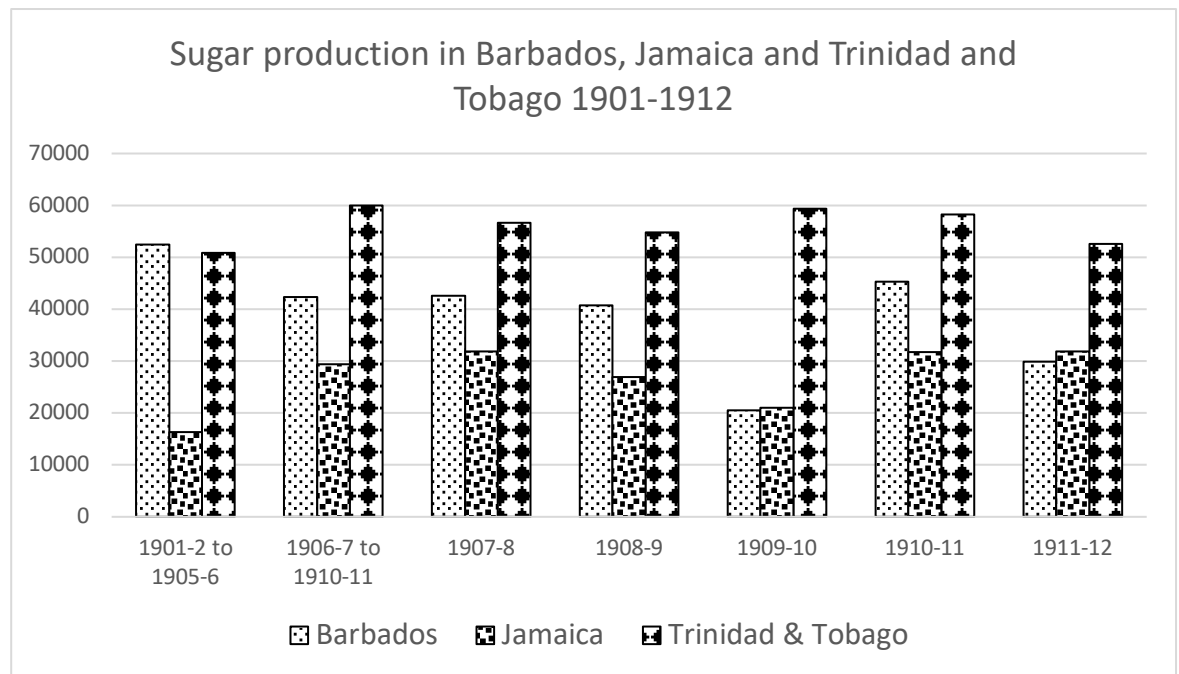


Figure 2: Sugar production in Barbados, Jamaica and Trinidad and Tobago 1901-1912.  
Source: Andrews (1912, p .22)

As it relates to endogenous factors, Jamaica's high sugar production rate recorded between 1703 and 1834 is attributed to three main determinants: land, labour and technology. One of the intrinsic factors was Jamaica's larger land area for sugar cultivation (146 miles compared to 21 miles in Barbados) (Shephard, 1929, p. 146; Sheridan 1989, p. 62). Second, Jamaica's labour problem was resolved by a slave population which outnumbered that of Barbados, despite a sugar production process which was less labour intensive and more technology driven. Sheridan (1989) explained that between 1802 and 1852, Jamaica's plantation owners introduced 65 cane milling engines to replace its mechanical mills. In comparison, Barbados received its first milling engine in 1846. During this period the island was still dependent on mills driven by horse, wind and water technology (Sheridan, 1989, p. 60).

Historians noted external factors as highly influential. These included the abolition of the slave trade in 1807, the emancipation of slaves in 1834, the Sugar Duties Act of 1846 and competition from more efficiently produced beet sugar after 1880 shaped the development of the sugar industry in Barbados, Jamaica, and Trinidad and Tobago (Beachey, 1957; Curtin, 1954; Sheridan, 1957, 1958, 1989).

One of the earliest challenges to the British sugar industry was the abolition of the transatlantic slave trade in 1807 (Carrington, 2003). Since slavery provided free labour, the absence of this human resource production costs allowed planters to sell

their sugar cheaply. However, with the abolition of slavery, the labour production cost of sugar increased exponentially, rendering the product uncompetitive on the world market. Despite protests from planters to forgo the abolition of the slave trade, and consequently stymie the declining cost of sugar, Britain passed the Act outlawing the importation of slaves from Africa (Sheridan, 1958; Williams, 2003; Williams & Mbeki, 2010). Continued slave revolts in Barbados in 1816 and 1822, as well as Jamaica in 1831 and 1832, highlighted its high risk and high maintenance. Consequently, the British parliament went one step further by abolishing the slave trade and declaring the emancipation of slaves in all its colonies by 1834 (Sheridan, 1958; Williams, 2003; Williams & Mbeki, 2010).

In addition to the abolition of the slave trade, Britain's transition from mercantilism to free trade and, subsequent removal of the Navigation Acts, threatened to disrupt sugar production in Barbados, Jamaica, and Trinidad and Tobago (Davidson, 1899, pp. 40-42; Horrocks, 1925, pp. 84-90; Sheridan, 1957, pp. 62-82). Abandonment of protectionism meant the colonies would lose access to preferential market access which threatened benefits to their respective sugar industries. The abolition of the Corn Laws of 1846 resulted in the removal of tariffs from imported food items, opening British domestic markets to imports (Curtin, 1954; Porter, 2001; Schuyler, 1966). Additionally, the Sugar Act of 1846 removed protectionist duties on sugar from British colonies (Lobdell, 1972; Riviere, 1972; Schuyler, 1918; Wade, 1990b). West Indian planters protested the Sugar Act of 1846 as duties protected the prosperity of the West Indian sugar colonies under the mercantile trade model. Therefore, the removal of protection would cause the industry to collapse. However, planters' protest only succeeded in delaying the Act of 1846. Curtin (1954) revealed "import duties on British and foreign sugar was equalised in 1854 instead of 1851" (p. 1). By subjecting West Indian colonies' sugar industry to its free trade policy, Britain gave West Indian sugar planters no choice but to compete with more efficiently produced sugar from Cuba, Brazil, India, and the French West Indies. The competition from more efficiently produced beet sugar caused a reduction in the demand for muscovado sugar produced in Barbados and Jamaica (Beachey, 1957; Mokyr, 2009). Although external changes did not fully eradicate the sugar economy, they established path dependence as revenues declined drastically, and planters in Barbados, Jamaica, and Trinidad and Tobago had to make the necessary internal adjustment to remain competitive (Curtin, 1954, p.158).

By the mid-1800s, Jamaica's high sugar production began to decline. Slaves gained their freedom as a consequence of the abolition of the slave trade in 1807 and the Emancipation Act of 1833. Planters tried to retain their free labourers by offering, rent free accommodation, the allocation of small plots for personal farming as well as low wages. However, the newly freed labourers rejected the low compensation package and abandoned the plantations to establish their own small plots. To mitigate the shortfall, Jamaican planters recruited indentured labourers from mainly India, Africa and China (see Table 6) (Dhanda, 2001, p. 238; Sherlock, 1973, p. 248). Like former freed slaves, indentured workers stayed a short while on plantation before departing to source other means of employment. By 1840 the labour force comprised a small number of former slaves and indentured labourers (Dhanda, 2001, p. 238; Sherlock, 1973, p. 248). The negative effects of labour shortage on Jamaica plantations were immediate, prior to emancipation there were 655 estates by 1880 this was reduced to 200. Correspondingly, Jamaica's sugar production declined from a high of 72198 tonnes in 1828 to a low of 19934 tonnes in 1894 (Knight, 1978, p. 368).

Unlike Jamaica, emancipatory activities in Barbados caused mass labour migration. In fact, Barbados exported labour to other plantations while still retaining a significant percentage to provide a source of labour for their own sugar plantations (Curtin, 1954, p.196; Sheridan, 1989, p. 61). Barbadian planters supplemented their labour force with low level technology to produce low yield muscovado sugar. The combination increased Barbados sugar production from a low 16, 942 tonnes in 1828 to a high of 50,958 tonnes in 1894 (Knight, 1978, p. 368).

Compared to Barbados and Jamaica, Trinidad was a relatively new British colony in the 1800s. Both sugar production and slave labour were relatively low in 1800 with the slave population estimated at around 10,000 and sugar production at 3,300 tonnes (Dhanda, 2001, pp. 242-45; Tomich, 2016, p. 64). In the aftermath of Emancipation in 1834, Trinidad sugar planters mitigated the labour shortage through the use of a labour recruitment drive. Colonial authorities relaxed migration laws and promised relatively higher wages thus attracting former slavers from other colonies (Nimblett, 2012, p.150). Planters also recruited indentured workers from the Cape Verde, Madeira, China and East India (Nimblett, 2012, p.150; Shephard, 1929, 152; Sherlock, 1973, pp. 247-48). Except for East Indians, all the other indentured workers left the plantation shortly after their arrival in the colonies in the 1840s (Dhanda, 2001, pp. 242-45). Between 1850 and 1880 most of the labour force was East Indians (87%)

who provided stable labour which attracted an influx of British investors (Dhanda, 2001, pp. 242-45; Sherlock, 1973, p. 248). The new investors financed a major overhaul of the existing plantation structure. First, muscovado sugar, the lowest of three yield used in both Barbados and Jamaica, was replaced by high yield refined sugar for which there was a greater demand, and which commanded a higher price on the world market. Existing plantations were converted into factories fitted with vacuum pan technology. By 1890, planters mitigated the threat of future labour shortages by outsourcing sugar cultivation to farmers with their own sugar estates (Dhanda, 2001, pp. 242-45). Correspondingly, Trinidad's production increased from a low of 13,285 tonnes in 1828 to a high of 46,869 tonnes in 1894 (Knight, 1978, p. 368), and continued at an average of 40,000 tonnes per year throughout the 20th century (Shephard, 1929, p. 168).

The lack of political autonomy and long-term dependence on agriculture as the main sector of trade caused a critical moment to emerge in the trade development trajectory of the states in the 20th century. The agricultural sector, which formed the core of the British West Indian economy for over two centuries, was in severe decline. This decline was precipitated by the 1930s Great Depression resulting in a reduction in the demand for agriculture exports (Bernal, 1988, pp. 37-39; Farrell, 1979, p. 5). The degeneration of the agriculture sector, in addition to high levels of unemployment, low wages, racial tensions and numerous labour protests in Trinidad and Tobago (1933 and 1934), Jamaica (1935 and 1938) and Barbados (1937) highlighted the necessity for a shift in trajectory, i.e., the addition of secondary industries (French, 1988, pp. 38-9; Hart, 2002; Phelps, 1960, p.417). As highlighted in Tables 7-9, only Barbados and Jamaica remained dependent on agriculture as their main export. In the case of Barbados, raw sugar and molasses accounted for most of their exports between 1937 and 1940. For Jamaica, bananas, sugar and spices dominated their export sector between 1929 and 1938. In the case of Trinidad and Tobago, after the discovery of oil in 1920, petroleum replaced sugar as the dominant export sector between 1929 and 1940. Based on the scenario it was clear that the agriculture industry in all three colonies could not absorb the excess labour and generate economic growth (Augier, 1962; Clarke, 2018, p. 130). In order to shift their development trajectory, these three colonies would have to establish some form of autonomy over their trade policy. In the 1940s, the colonies lobbied for self-governance as well as the right to establish secondary industries (Augier, 1962). While the colonies remained ambitious in their ability to increase their capacity to change their trade development path, their ambitions did not

align with that of Great Britain (Bernal, 1988, pp. 39-43; Farrell, 1979, p. 5; Widdicombe, 1972). The next section explores attempts by the respective colonies to diversify their trade development, as well as examines whether this produced a critical juncture in their trade development path.

Table 6: Barbados: Exports, by Economic Classes, Commodity Subgroups, and Principal Commodities in 1937, 1938, 1939 and 1940

Economic Class, commodity subgroup and commodity	1937 % of total	1938 % of total	1939 % of total	1940 % of total
Food, drink, and tobacco	99.4	99.5	99.5	99.2
Molasses	37	41.5	30.5	52.7
Molasses Fancy	32.3	36.2	25.2	47.8
Molasses, vacuum pan	3.3	3.6	4.3	2.7
Sugar	60.8	56.1	67.8	43.1
Sugar, dark crystal	57.1	54.3	64.9	39.3
Rum	.7	.8	.5	2.0
Raw materials and articles mainly unmanufactured	.5	.4	.4	.7
Manurial lime	.2	.1	.2	.4
Building lime	.1	.1		.1
Articles wholly or mainly manufactured	.1	.1		.1

Source: United States Trade Commission (1943, p. 41).

Table 7: Trinidad and Tobago: Exports, by economic classes, commodity subgroups, and principal commodities in 1929, 1932, 1937-40

Economic class, commodity subgroup and commodity	1929 % of total	1932 % of total	1937 % of total	1938 % of total	1939 % of total	1940 % of total
Articles wholly or mainly manufactured	-	-	60.1	70.1	75.9	78
Petroleum	43.4	44.0	58.4	68.4	-	-
Fuel oil	25.7	19.4	28.7	33.6	-	-
Gasoline	16.9	23.3	24.6	29.6	-	-
Kerosene	.6	1.2	1.3	1.1	-	-
Asphalt cement	-	.2	.6	1.0	.9	.4
Food, drink, and tobacco	-	-	32.5	24.6	20.0	18.5
Sugar, unrefined	16.1	20.0	19.4	14.7	14.2	9.8
Cacao, raw	22.1	13.8	9.8	7.0	3.4	5.3
Fruit, fresh	-	.3	.9	1.2	.3	1.4
Grapefruit	-	.2	.6	.9	.2	1.3
Molasses	.3	.4	.7	.4	.5	.1
Raw materials and articles mainly unmanufactured	-	-	7.4	5.3	4.1	3.5
Asphalt	6.6	2.9	3.2	2.3	-	-
Asphalt dried	6.2	2.8	3.0	2.2	-	-
Copra	3.2	2.2	1.7	.6	-	-
Petroleum crude	3.3	12.8	1.6	1.7	-	-
Animals, not for food	-	-	-	-	-	-

Source: United States Trade Commission (1943, p. 175).



Table 8: Jamaica: Exports, by Economic Classes, Commodity Subgroups, and Principal Commodities in 1929, 1932, 1937 and 1938

Economic Class, commodity subgroup and commodity	1929 % of total	1932 % of total	1937 % of total	1938 % of total
Food, drink, and tobacco	91.5	92.8	94.4	96.5
Fruits (except juices) and nuts	60.2	67.8	59.8	63.7
Bananas	54.5	59.6	55.1	59.1
Oranges, fresh	.1	1.4	1.6	2.0
Coconuts	4.2	4.2	2.0	1.7
Grapefruit	1.3	2.3	.9	.8
Sugar, unrefined	10.5	10.9	17.9	17.4
Spices	8.9	3.1	4.6	5.3
Pimento	7.6	2.0	3.0	4.2
Ginger	1.3	1.1	1.5	1.0
Rum	1.8	.7	5.7	5.2
Coffee	5.7	7.2	3.0	2.7
Coffee, raw	5.7	7.1	3.0	2.7
Cocoa, raw	2.5	1.5	1.6	1.0
Honey	.5	.4	.5	.4
Articles wholly or mainly manufactured	3.3	2.4	2.3	1.7
Logwood extract	1.9	1.8	1.6	1.0
Oils of lime, orange and pimento	1.3	.4	.5	.5
Raw materials and articles mainly unmanufactured	4.7	4.2	3.0	1.4
Wood and timber, unmanufactured	1.9	2.1	1.4	.4
Logwood	1.6	1.8	1.1	.3
Copra	1.4	1.1	.2	.2
Animals not for food	.1			
Bullion, specie, and parcel post	.4	.6	.3	.4

Source: United States Trade Commission (1943, p. 115).

### **Section III: Drive towards Industrial Development 1940-60: The Role of United Kingdom**

When compared to the 18th and 19th centuries, the period 1940-1952 marked a significant moment in the trade development paths of Barbados, Jamaica, and Trinidad and Tobago. In addition to attaining self-governance (Jamaica in 1944; Trinidad and Tobago in 1946; and Barbados in 1952), new industries such as tourism and light manufacturing were introduced to complement agriculture and petroleum. It is important to note that despite self-governance and the emergence of new industries, these colonies did not experience a critical juncture in their respective trade development. Arguably, this shortfall was the result of a difference in vision between British colonial authorities and local Caribbean officials. A chief Caribbean proponent for industrial development was Arthur Lewis (1939), who, against the decline of the agricultural sector in the West Indian colonies proposed manufacturing as necessary to absorb excess labour. While Lewis found support for his ideas among Caribbean officials, there was mixed reviews among British officials. Some opposed industrialisation while others were in support provided the market remained open to competition and the industry was financed with British capital (Bernal, 1988, p.41; Farrell, 1980, p.58; Timms, 2008, p.104).

Britain opposed industrialisation in the colonies because they lacked the critical requirements of capital, technical expertise, human and physical resources (Government of Jamaica, 1945a). For instance, the findings of the Moyne Commission, which was commissioned in 1938 and published in 1945 investigated the labour uprising in the British West Indies and argued against industrialisation. The Moyne Commission found high unemployment was a result of a stagnant agricultural industry where the only evidence of efficiency was the large sugar plantations (Moyne & Benn, 1945, pp. 422-427). The report recommended that instead of a focus on industrialisation, there should be diversification of the agriculture industry and a shift from primarily plant-based to include animal husbandry. There was also a suggestion to improve agricultural practices and invest in research to mitigate diseases, land and soil exhaustion (Moyne & Benn, 1945, pp. 422-427). However, industrialisation was impossible because the colonies lacked the human and natural resources to undertake the initiative (Moyne & Benn, 1945, p. 426).

The British commissioned an industrial feasibility study on Jamaica. This was similar to the Moyne report which was commissioned six years earlier (Bernal, 1988, p.42-44). The report's chairman, Bentham, provided counter-arguments to Lewis' manufacturing proposition although he agreed with Lewis that the standard of living should be improved. However, he disagreed that industrialisation was the answer. Like the Moyne commission, Bentham's feasibility study found that agriculture, transportation, communication, health and education needed improvement (Bernal, 1988, pp. 42-44). As it related to reduction in employment, the report diagnosed the weaknesses of agriculture and recommended capital provision, investment in agricultural research, irrigation implementation and increased subsidization. The latter would provide farmers with the incentives to undertake farm improvement, expansion in the areas of new export crops and the creation of a livestock industry (Bernal, 1988, pp.42-44). As it relates to industrialisation, Bentham argued that for Lewis' plan to work, the creation of a domestic manufacturing industry required import restrictions such as import duties, quota restriction, tax incentives and subsidies; all measures that would protect infant industries (Bernal, 1988, pp. 42-44 ). It was proposed that first this strategy would provide a few additional jobs, however, it would also increase the cost of living as protection would create monopolies and drive up the cost of goods (World Bank, 1953). Second, local consumers would be bound to purchase expensive local produce as opposed to cheaper imports. Even if local manufacturing was successful in the initial stage, foreign competitors could, over the long-term, lower the cost of their products and drive Jamaican competitors out of the market. Afterwards, they could increase prices after a monopoly was established (World Bank, 1953, pp. 86-97). Third, the report raised concerns over the possibility of reprisal, in that external markets could impose protection trade policies in retaliation for Jamaica's industrial incentivisation. Fourth, Bentham argued that the provision of infant industry protection created the risk of dependency since protection, once provided, would guarantee no future motivation to remove them, especially when they were critical to sustaining a protected industry (World Bank, 1953, pp. 86-97). Infant industries were more inclined to ask for extension than for the discontinuation of protection and incentives. Fifth, the report outlined that Jamaica lacked the domestic capital to invest in industrial expansion, which should be the responsibility of private enterprise and not government (World Bank, 1953, pp. 86-97).

An interesting finding was that a commissioned report on the economy of Trinidad and Tobago emphasised the need for a manufacturing industry unlike the Moynes Commission and Bentham reports which both discouraged manufacturing in Jamaica. Perhaps the difference in these findings was because a majority of the members of the committee who compiled the report were Trinbagonians. Nevertheless, the results of the 1949 Economics Committee recommended the granting of a petroleum licence for local plants to import and refine crude oil (Government of Trinidad & Tobago, 1949, pp. 112-120). Unlike the Moyne report, the Economics Committee also recommended the establishment of a biscuit company with the state's imposition of tariffs of up to 50% to protect the fledgling industry (Government of Trinidad & Tobago, 1949, pp. 112-120). The report also recommended the waiving of duties for plant and machinery to be used in its local manufacturing industry (Government of Trinidad & Tobago, 1949, pp. 112-120). The report findings were significant as it provided the blueprint for Trinidad and Tobago to diversify its export sector. The findings also highlighted Trinidad and Tobago's lucrative oil industry which could provide energy for the manufacturing industry which was seen as a significant to supplement the declining agricultural industry. Jamaica and Barbados were not privy to such opportunities.

The findings of the Bentham and Moyne's committees suggest that British colonial authorities vehemently opposed industrialisation, but this was not the case. Several British authorities argued that industrialisation was necessary to solve the social uprising in the colonies, however industrialisation was only possible in the form of import substitution (Bernal, 1988, pp. 41-42; Farrell, 1980, p. 54; Timms, 2008, p. 102). For instance, in 1945 a British supported colonial economic advisory committee highlighted the need for manufacturing in the colonies, but stressed that new manufacturing industries should remain open to competition from manufactured imports (Colonial Office, 1953, p.13; Farrell, 1980, p. 55). In 1949, British colonial authorities sent a specialist economic advisor, Mr. A. A. Shenfield, to Trinidad and Tobago to chair the colony's Economic Advisory Board. One of the earliest recommendations of the committee was to reduce the country's import bill by manufacturing imported items (Clark, 2018, pp.130-135; Farrell, 1980, p. 54). These guiding principles were the basis for the formation of a number of pioneer industries in Barbados, Jamaica, and Trinidad and Tobago.

Between 1949 and 1951, all three colonies enacted a series of legislation to stimulate the creation of local industries. In 1949, Jamaica passed the Pioneer Industries Act, which provided import duty concession for construction materials and machineries up to four years and income tax for up to eight years to future industries (McFarlane, 1964, p.5). Trinidad and Tobago passed a similar act in 1950 entitled the Pioneer Industries Ordinance Act which granted income exemption for up to five years (Sewell, 2010, p.98). Shortly after Barbados passed the Pioneer Industries Act in 1951 (Sewell, 2010, p.98). The duty concessions and income tax holidays were instrumental to the creation of a cement factory and textile factories, and tourism industries (British Information Service, 1951, pp. 67-68; Colonial Office, 1953, p.13; Sewell, 2010, p.98). In the case of Trinidad and Tobago, a flour mill, cement factory, textile industry, beer and artificial teeth assembly plant were constructed (British Information Service, 1951, pp. 67-68; Sewell, 2010, p.98). In the case of Barbados, local officials were in the process of recruiting hoteliers for its tourism industry in the 1950s (Sewell, 2010, p.98).

Even though the pioneer acts were instrumental in the creation of additional industries such as tourism, light manufacturing and textile, the extent to which they caused a major transformation in these colonies' trade landscape warrant analysis. On the surface, the emergence of these industries represented a major departure from the sugar, banana and petroleum industries which formed the corner stone of the export sector of Barbados, Jamaica, and Trinidad and Tobago. However, a more detailed analysis reveals that the emergent industry did not result in the establishment of an indigenous private sector backed by local capital nor backward and forward industry linkages between manufacturing and agriculture in each colony (Bernal, 1998, p. 34; Clarke, 2018, p.145; McFarlane, 1964, p.5; Widdecome pp. 83-84). Instead what emerged was a model of import substitution as prescribed by British colonial authorities. The role of the government as per the Pioneer Industries Act was limited to the provision of tax holidays and import duty concessions (Bernal 1998, p.34; Clarke, 2018, p.145; McFarlane, 1964, p.5; Widdecome pp. 83-84). The Pioneer Industries Incentives Act made no provision for the establishment and protection of local industries from foreign competition, forcing local industries to remain open to foreign competition. Also, the Pioneer Industries Act in each colony made no provision for the use of local raw materials in production. On this basis, the Act only served to incentivise foreign investors to develop local resources for the local market. This model of import substitution served as a major point of contention in Caribbean trade development as it

attracted criticism from local Caribbean leaders, particularly economists like Eric Williams in Trinidad and Tobago and Arthur Lewis who outlined a detailed critique of the model in 1950 and 1956 (Clarke, 2018, p.130). These bodies of work will be examined in the next chapter to determine how these three Commonwealth Caribbean states attempted to modify their trade development during the pre and post-independence era.

Further analyses reveal the reason these three states did not experience a transformational shift in their trade development path in the 1940s and 1950s is because of restrictive British colonial policies. For instance the British Colonial Act of 1945, as well as documents showing funding allocations to the colonies of Barbados and Jamaica, reveal funding was skewed towards the development of agriculture as opposed to manufacturing. Drummond (2006) and Ganzert (1958) also confirmed preferential trade agreements between West Indian colonies and Britain were skewed towards agriculture exports. For example, the Commonwealth Sugar Agreement in 1951 and the banana and citrus agreement in 1955 benefited from guaranteed market access to Britain, a fixed market price as well as development funding. Moreover, as highlighted in the ten-year development plan of both Barbados and Jamaica (1945-56) and the British Colonial Act of 1945, agriculture, social, and infrastructure development were prioritised over industry (Government of Barbados, 1945; Government of Jamaica, 1945b). In the case of Barbados (see table 9), between 1945 and 1956, 14% of the colony's expenditure was budgeted for agriculture development and 1.4% for industrial development (Government of Barbados, 1945, p.8). In Jamaica (see table 10), 22% of the colony's budget was allocated to agricultural development but there is no record of any expenditure for industrial development over the ten years (1945-56) (Government of Barbados, 1945, p.8; Government of Jamaica, 1945b, p.19). British colonial policies, were therefore two-fold as it stymied West Indian colonies' attempts at industrial development and economic diversification while creating a dependency on raw material production and exports.

Britain's preparation of its colonies for independence, not to mention its overall shaping of their trade development paths stands in stark contrast to Japanese colonisation of Korea (see chapter 2). For instance, whereas Japan invested in infrastructure, human resource and facilitated the participation of Korean business class, as highlighted above, Britain's rule was one of extraction and suppression. Whereas Japanese colonisation moulded the Korea developmental state which emerged

with the capacity to shape its overall development, Barbados Jamaica and Trinidad and Tobago were on the cusp of becoming independent without the wherewithal to compete.

Table 9: Ten Year Development Expenditure for the Colony of Barbados, 1945-56

	Total Cost Over 10 years (£)	Annual Recurrent (£)
Agriculture	486,608	27, 241
Education	446,000	25,700
Health	727,570	55,900
Housing and Town Planning	534,000	
Water	533,000	20,000
Social Welfare	200,000	13,080
Emigration	100,000	
Industrial Development	50,000	
Communications	126,300	4,300
Buildings	198,050	
Tourist Industry	10,000	1,000
Less Colony Allocation	3,411,726	147,221
	800,000	
	2,611, 726	

Source: (Government of Barbados, 1945, p. 8)

Table 10: Ten Year Development Expenditure for the Colony of Jamaica 1945-56

	Capital expenditure over ten years	Recurrent expenditure over ten years	Total Capital and recurrent expenditure over ten years	Continuing Recurrent expenditure after ten years
Agriculture	2,855,728	1,513,709	4,369,437	132,081
Communications	2,074,993		2,074,993	
Education	2,223,049	1,458,803	3,681,852	306,012
Public Health	4,125,259	1,863,464	5,992,723	230,900
Social Welfare	305,892	1,712,222	2,018,144	144,200
Miscellaneous	1,329,000	62,631	1,391,631	6,380
Grand Totals	12,872,921	6,625,599	19,583,570	819,575

Source: (Government of Jamaica, 1945b, p. 19)

## **Conclusion**

This chapter comparatively analysed the impact of colonialism on Barbados, Jamaica, and Trinidad and Tobago's trade development between 1494 and 1952. The findings indicate that in each of these states colonialism created path dependency and uniformity. All three islands' capacity to formulate and implement their trade policies changed with the coming of the Europeans. First, the Spanish introduced the Encomienda and Repartimientos systems which undermined the autonomy of the indigenous people, replaced traditional methods of cultivation and trade in both Jamaica and Trinidad and Tobago. Similarly, in Barbados, the indigenous mode of existence was displaced by English settlers in 1627. Eventually, all three states were colonised under the British mercantilist systems with trade policies designed and implemented through a top-down approach. These externally designed policies initiated patterns of operation, which produced an evolutionary outcome in each of these states' trade development. These findings helped to explain why these colonies emerged in their pre-independence without the autonomy to formulate, implement and execute trade policies, the absence of development capital, lack of economic diversification and trade competitiveness. The next chapter seeks to examine the strategies employed by each state to mitigate the impact of colonialism and reshape their trade development path. Special emphasis will be placed on whether the strategies employed caused divergence or convergence in each of these state's trade development.



## **CHAPTER 4**

### **THE ROLE OF POST INDEPENDENT COMMONWEALTH CARIBBEAN STATES IN SHAPING THEIR TRADE DEVELOPMENT PATH**

As established in the previous chapter, colonialism created path dependence and uniformity in trade development of Barbados, Jamaica, and Trinidad and Tobago. These three states entered their pre-independence period without autonomy, development capital, or economic diversity. The declaration of self-government and ultimately independence from Great Britain served as a critical moment specifically as it related to their ability to shape their trade development path. Though self-rule and independence provided these states with the opportunity to formulate and implement trade policies to improve their trade development, the extent to which each state played an integral role in reshaping their trade development trajectory merits investigation. This chapter therefore discusses the challenges experienced by each state in attempting to reshape their trade development path from its colonial past. It explores the strategies used and the requisite outcomes. Special emphasis is placed on whether there is divergence among these states' development path.

The first section explores the factors which undermine the autonomy of the states in reshaping their trade development path. More specifically this section explores issues such as the social stratification and its implication on each state' autonomy to design and implement trade policies, access capital and establish new industries. The second section explores the rationale for adopting Arthur Lewis' strategy for industrial development and reasons for failure of Lewis' export oriented industrialisation by invitation to deliver a critical juncture in Caribbean states' trade development path. Section three examines the different strategies used by each state, in the aftermath of Lewis' strategy and the implications of each for their trade development.

## **Section I: Post-independence, factors undermining the autonomy of each to state to shape its trade development path**

In Chapter 2, it was established that international trade was more favourable to states that were better prepared for it. It was also highlighted that the Korean developmental state was shaped by Japanese colonisation and United States occupation. The Korean developmental state was able to experience a critical juncture in their trade development path because it had the political autonomy to design and implement its trade policies. The Korean developmental state provided investment capital, research and development, temporary protection of infant industries, performance requirement as well as engage public-private partnership. Whereas Japanese colonialism laid the foundation for the Korean developmental state as highlighted in Chapter 3, from 1494 to the 1960s Commonwealth Caribbean states of Jamaica, Barbados, and Trinidad and Tobago were subjected to colonial rule, which undermined the role of the state in designing and implementing their trade policies. The period 1952-1965 therefore represents a critical moment in Barbados, Jamaica, and Trinidad's trade development evolution. In order to convert this critical moment to a critical juncture, states would have to exercise autonomy over their trade policy formulation and implementation, shift their trade strategy from import dependence to export orient industrialisation, develop an indigenous private sector, and establish a competent state bureaucracy to facilitate corporation between state and private sector. The attempt by each state to improve its trade development was challenged by factors such as lack of political autonomy over the private sector or foreign corporations, weak bureaucracy, social class divisions and lack of development capital.

The postcolonial political landscape of Barbados, Jamaica, and Trinidad and Tobago was affected by deep underlying socio-economic issues which influenced the operations of each states' political institutions to exercise initiative, design and implement policies beneficial to its trade development. While self-governance had paved the way for the former enslaved people and indentured servants to participate in the local political landscape, there were residual influence of colonial rule which hindered the pace and purpose of policy formulation (Parry, Sherlock, & Maingot, 1994, p. 48). For instance, even though self-rule provided the opportunity for emancipated people and planters to participate in local elections and hold seats, a local

General Assembly only had the power to obstruct but not to pass laws exclusively in the respective colony's interest. Based on the structure of government, the British metropole still wielded considerable influence as the local government structure in each colony was headed by a local governor appointed by the British colonial office (Parry et al., 1994, p. 48). It was therefore possible for absentee landlords residing in Britain to lobby the local governor to pass acts which more oftentimes than not, did not coincide with the interest of residents in the respective colonies. Furthermore, the absence of a local civil service created a void of technical expertise which was filled by British nationals predisposed to design and implement policies that aligned with the interest of the metropole over that of the local colonies (Parry et al., 1994, p. 48).

The lack of political power to exclusively shape their development as well as the execution of policies considered inimical to Caribbean's development, motivated the internal movement for political independence (Mawby, 2012). Ultimately, full independence from British rule was achieved by Jamaica and Trinidad and Tobago in 1962, and Barbados in 1966 (Cox-Alomar, 2004; Girvan, 2015; Great Britain, 1962). While each had political power to draft policies, they lacked economic power to execute these policies (Henry, 1997, pp. 838-39; Lowenthal, 1971; Sebastien, 1985, pp. 115-16; Tanya, 2015). Economic power, privilege and prestige was distributed according to race in a highly stratified society (Gannon, 1976; Holzberg, 1981, 2008; Layne, 1979; Marshall, 1982). As illustrated in Table 11, Barbados was the least diverse of the three countries and comprised three predominant groups: Blacks accounted for over three quarters of the population; whites averaged 4%; and 'mulatto' (mixed race of white and Negro) less than 10% (Layne, 1979, p.44). In the case of Jamaica, the majority of the population comprised of blacks, followed by 'mulatto', Indian, Whites and Chinese (Brereton & Emmer, 2004, pp. 410, 480). In the case of Trinidad and Tobago, Blacks and Indians accounted for the overwhelming majority of the population (Brereton & Emmer, 2004, pp. 410, 480). Notwithstanding, Blacks controlled political power and accounted for the largest majority in the respective states, economic power and privilege resided among the minority races. For instance, Whites controlled land and development capital, while Syrian and Chinese controlled entrepreneurship (Alexander, 1977; Broom, 1954; Henry, 1997, pp.836-842; Holzberg, 2008). With such segregation and power asymmetry between the different groups, it was a daunting task for political leaders to achieve consensus on a specific development goal. While Caribbean leaders endeavoured to diversify its export base, the elite economic class

preferred to maintain the status quo, raw material production and export (Alexander, 1977; Broom, 1954; Henry, 1997, pp. 836-842; Holzberg, 2008). It is against widening inequity and escalating racial tensions between ethnic groups in the respective colonies that postcolonial political leaders were burdened with the challenge of shifting its postcolonial trade development path.

Table 11: Composition of Barbados, Jamaica and Trinidad and Tobago (By percentage of total)

Racial Group	Barbados		
	1946	1960	1970
<i>Negro/black</i>	77.3	89.1	91.5
<i>Coloured/mulatto</i>	17.6	6.0	4.0
<i>Indian</i>			
<i>White</i>	5.1	4.3	4.0
<i>Chinese</i>			
<i>Other</i>	0.0	0.2	0.5
<i>Jamaica</i>			
	1943	1960	1980
<i>Negro/black</i>	77.7	76.8	76.3
<i>Coloured/mulatto</i>	17.7	14.5	15.1
<i>Indian</i>	2.12	3.36	3.0
<i>White</i>	1.29	0.07	3.2
<i>Chinese</i>	0.99	1.22	1.2
<i>Other</i>	0.16	3.9	1.2
<i>Trinidad and Tobago</i>			
	1946	1970	1990
<i>Negro/black</i>	46.9	43.0	39.6
<i>Indian</i>	35.1	40	40.3
<i>Mixed</i>	14.1	14.0	18.5
<i>White</i>	2.7	1.0	0.6
<i>Chinese</i>	1.0	1.0	0.4
<i>Syrian</i>	0.2	-	0.1
<i>Other</i>	0.02	-	0.2

Source: Data for Barbados (Lane, 1979, p.44); Jamaica and Trinidad and Tobago (Brereton & Emmer, 2004, pp. 410, 448)

In addition to the struggle for self-governance, inequality, and racial tensions, there was also disagreement on the most appropriate strategy for each state to shift its trade development trajectory from dependence on raw material. On the one hand, the view among some local politicians and technocrats reflected colonial sentiments that import substitution was the way forward (Conway, 1997; Thomas, 1988). Conversely, a few technocrats were arguing for the possibility of export-oriented industrial development. Chief among the proponents of Industrialisation was Arthur Lewis. At least a decade earlier, Lewis explored the possibility of an industrial strategy conducive to the Caribbean context (Lewis, 1950, 1954). However as will be outlined below, this strategy allowed Caribbean states to play a greater role (though a limited one) in their trade affairs than they did under colonial rule. Internally, the role of the state was undermined by endogenous factors such as lack of political will to implement all the recommendations of Lewis' model. Externally, the role of the state was undermined by a weak bargaining position due to its dependence on foreign capital (Meier & Seers, 1984). Initially, all three states adopted a strategy of import substitution and incentivisation where each state used economic inducements such as tax holidays and duty concessions to attract foreign investors and have them establish additional industries. Even though, import substitution resulted in the addition of new industries, these industries did not make a significant contribution to each state trade sector, subsequently leaders of the respective states Barbados, Jamaica, and Trinidad and Tobago adopted Lewis' model of industrialisation by invitation (Bernal, 1988, p.43; Clarke, 2018; p. 129; Cox, 1982; Henry, 1997, p.833; Sebastien, 1985).

## **Section II: Rationale for Arthur Lewis' strategy for industrial development and its failure to deliver a critical juncture**

Before examining the relationship between Commonwealth Caribbean states and Lewis' export-oriented model of industrialisation, it is necessary to understand the latter. According to Lewis (1950), it was both possible and necessary for the British West Indies to become industrialised. On the point of necessity, Lewis (1950) noted that across the Commonwealth Caribbean, there was an abundance of surplus manual labour, as the agriculture sector was already saturated. Moreover, there would be a further increase in unemployment due to mechanisation and the annual increase of the population (p.1 and p.5). Lewis (1950) reasoned that the establishment of a labour-

intensive manufacturing sector parallel to agriculture was necessary to absorb this surplus labour. By engaging in labour intensive manufacturing, the Commonwealth Caribbean exports would have a comparative cost advantage (Lewis, 1950, p. 1)

Lewis (1950) responded to concerns about the intended objective of manufacturing - whether it should aim to supply the domestic market or for export. Among some of the many criticisms is that the islands were too small to provide a large enough market to absorb enough manufactured output to sustain high employment. Moreover, even if they were to engage in exporting, the vast majority of the Caribbean islands lacked access to developed markets, productive capacity and the resources to produce manufactured goods that could be traded competitively (Downes, 2004; Farrell, 1980; Figueroa, 1993). These arguments indeed carried weight, as out of all the Commonwealth Caribbean states, only Trinidad and Tobago is endowed with a resource critical for the industrial sector (Lewis, 1950). Lewis (1950) acknowledged these criticisms and provided strong counter-arguments. He contended that “the domestic market for manufactures is too small to support more than a fraction of what is needed; for at the present standard of living, the local demand is for food rather than manufactures” (p.16). He further argued that had it been a case where the islands were blessed with large arable land, then they could pursue the production of their own food. However, given that the overwhelming majority of the islands do not possess large arable land, they must, like any other island with a higher ratio of population to arable land, import their food and engage in export manufacturing in order to earn foreign exchange to pay for such food (Lewis, 1950, p. 17). The latter proposition was supposed to form the core of the Commonwealth Caribbean’s trade policy.

Lewis (1950) also identified further challenges with industrial expansion for the Commonwealth Caribbean and provided alternative solutions on how these states may remedy these problems. Firstly, Lewis noted that wages were low and therefore national savings were also low resulting in a lack of domestic capital for investment in industrial expansion (Lewis, 1950). Second, the Commonwealth Caribbean did not have the development capital, human resources or the necessary industrial technology to execute their industrial development. Third, the motivation to switch from agriculture to manufacturing was low among domestic entrepreneurs given that they had subscribed to the view that agriculture was their comparative advantage (Lewis, 1950). Local entrepreneurs were also benefitting from preferential market access for their agricultural produce, in addition to the fact that the start-up cost for agriculture was

lower (than for manufacturing) or in some instances provided for by the metropole. Therefore to venture into manufacturing was perceived as expensive and high risk, especially given the lack of knowledge, technology, capital and secured markets for finished goods (Downes, 2004; Girvan, 2005a).

In response to concerns over the inability of the Commonwealth Caribbean states' exports to compete with more experienced industrialised countries, Lewis (1950) argued that Commonwealth states would be able to compete, as manufacturing is not restricted to a single commodity. Each state would be able to specialise primarily in industries for which it has supplementary resources or a niche market (p.39). To circumvent the issues of low efficacy among domestic entrepreneurs, lack of industrial technology, investment capital as well as market access. Lewis argued that Caribbean states should invite foreign manufacturers to transplant their manufacturing base to the Caribbean using the abundance of cheap manual labour as a pull factor (Lewis, 1950, p. 24). Foreign firms' transplanting of their manufacturing base would not only fast-track the Commonwealth Caribbean's industrialisation; it would also resolve the issue of lack of market access for manufactured outputs, as locally manufactured produce would be exported to their parent countries (Lewis, 1950, pp. 34-35). Moreover, regional integration would provide these states with economies of scale as well as regional market access. Furthermore, there would be a low chance of dependency on foreign manufacturers because, over time, the state would have raised capital endowment from increased national savings (Lewis, 1950). This capital would be used to fund local entrepreneurs who would have been understudying the foreign manufacturers and eventually overtake them; this would drive the Caribbean's industrialisation and by extension their trade performance (Lewis, 1950). In response to criticism of the model's sustainability, Lewis argued that his proposal was not unprecedented, but was modelled off the Puerto Rican Operation Bootstrap.

For Lewis' blueprint to work as prescribed, Commonwealth Caribbean states were tasked with the responsibility of establishing an incentivisation policy framework. To attract foreign investment, Lewis advised that states establish an Industrial Development Corporation (IDC) along with a Development Bank. Both institutions should be supplemented with incentives such as low rental cost for factory space, duty-free import for machinery and raw materials, profit repatriation, tax holidays and credit subsidies (Lewis, 1950, p. 37). Lewis also recommended that the state should focus on international export niche markets, as domestic markets were too small to absorb

manufactured outputs. Also, for exports to remain competitive, state policy should support currency devaluation. The state should maintain a stable macro-economic environment, for example, wages should be kept low, and the state should match human resource development with industrial needs (Armstrong, 1967; Carrington, 1971; Downes, 1985, 2004; Farrell, 1979, 1980). Moreover, states should strive for regional integration and have a single market and currency. Such developments would aid in these small states achieving economies of scale. Lastly, a complementary policy framework should foster backward and forward linkages with foreign manufacturers and other local industries such as tourism and agriculture (Armstrong, 1967; Carrington, 1971; Downes, 1985, 2004; Farrell, 1979, 1980). For these reasons, the state should establish an industrial development board and a development bank to oversee its industrial expansion.

The response of each Commonwealth Caribbean states was to undertake a policy incentive framework to attract foreign manufacturers who would produce goods for both domestic and overseas markets (see Table 12). All three states established an industrial development corporation, which was responsible for spearheading the administrative distribution of incentives (Alonso, 1992; Armstrong, 1967; Cox, 1982; Jefferson, 1971; World Bank, 1980).

Table 12: List of Incentives Provided by Barbados, Jamaica, Trinidad and Tobago



Type of Incentive	Barbados	Jamaica	Trinidad & Tobago
Pioneer Industries (Encouragement) Act	1951-54 5-7 years tax exemption Custom duty relief Dumping and subsidies ordinance	1949-55 5-8 years tax exemption Custom duty relief Dumping and subsidies ordinance	1950-59 5-10 years tax exemption Custom duty relief Dumping and subsidies ordinance
Industrial Development Corporation (IDC)	1957- Barbados Development Board. Renamed IDC in 1965	1952- oversight board responsible for the administration of incentives	1959- oversight board responsible for the administration of incentives
Export Industrial Encouragement Law	1969 5-10 years tax exemption Bond to export all outputs Special tax rate of 12 ½ % after holiday expires	1956 5-10 years tax exemption Indefinite custom duty exemption Bond to export all outputs	1959
Fiscal Incentives Act	1974- all the incentives acts were harmonised	1974- all the incentives acts were harmonised	1974- all the incentives acts were harmonised

Source: Table compiled using data from Armstrong (1967, pp. 3-4); Cox (1982, p.144); Ayub (1981, p. 130); Jefferson (1971, p.132)

In the case of Barbados, the 1951 Pioneer Industries (Encouragement) Act initially provided income tax exemption for five years. However, this was increased to seven years in 1958 and further extended to ten years in 1963. After the expiration of the tax holidays, foreign companies were granted a special tax rate of 12½%. In 1969, export manufacturers, especially those exporting goods outside of the Caribbean Common Market (CARICOM), were granted a 10-year income tax break under the Industrial Development (Export Industries) Act. All incentives legislation provided the manufacturers with subsidised rental of factory space, duty-free imports of materials for factory constructions, upgrade, machinery and equipment (Cox, 1982, p.134).

In the case of Jamaica, the IDC proposed financial, technical and development capital assistance to three categories of industries; “1) new industries; 2) Industries whose development would cause a reduction in imports or increase in profits; 3) Industries which employ a high portion of labour in relation to capital” (Jefferson, 1971, p. 132). The incentive legislations were two-fold: Industrial Incentives Law (1949) and Export Industries Law (1956) with each having different criteria and inducements. The Industrial Incentives Law provided concessions for industry providing new products or products approved by the Industrial Development Corporation (IDC). Ayub (1981,

p.130) explained that a product was declared new if existing manufacturers of the same product could account for less than 20% of the domestic market. Manufacturers of new products were granted a ten-year exemption from income tax which could be extended up to fifteen years depending on whether the product met a special development category identified by the IDC. Other products which could be considered for income tax exemption depended on use of local raw materials, number of locals employed and the nature of the threat posed to similar domestic industries. Under the Industrial Incentives legislation, customs duties were waived for both local and transplanting manufacturers on items such as manufacturing equipment, building materials and machinery. In addition to income tax holidays, manufacturers benefited from reduced utilities bills, and subsidised rental of factory space (Ayub, 1981). The Export Industry Encouragement Law, in comparison to the Industrial Incentives Law, provided almost the same benefits to select manufacturers. There were a few minor differences, in that under the Export Industry Encouragement Law, manufacturers benefited indefinitely from duty-free imports of raw materials provided they exported all their manufactured output. With this in mind, the state used quantitative restrictions to preserve a segment of the market for domestic manufacturers.

In Trinidad and Tobago, the 1950 Pioneer Industry Act was divided into several different ordinances. The Aid to the Pioneer Industries Ordinance was broken down into several laws: income tax relief, custom duty relief, income tax in aid of industry ordinance, trade protection duties, and trade ordinance (Armstrong, 1967; Carrington, 1971). The income tax relief component of the Aid to the Pioneer Industries Ordinances first enacted in 1950, declared a pioneer industry as one which had not conducted any prior manufacturing in Trinidad and Tobago or any industry that aligned with the development goal of the state. The state would provide qualified enterprises with income tax and customs duties exemption for five years in the first instance, and another five years in the second instance, subject to the approval of the state. Even after the tax period had expired, the qualified industries were entitled to depreciation allowance on their inventory, scientific research and development expenditure. During the initial stages, all manufacturers were entitled to import new material duty-free for manufacturers constructing or altering of factory (Carmichael, 1976, p. 4). The state also enacted trade protection legislation, which prevented the dumping of goods produced in the local market.

Overall, the incentives and protection provided by all three countries proved attractive to overseas and new domestic manufacturers while it assisted existing ones. In all three cases, the state was instrumental in undertaking risk socialisation by reducing the start-up cost, and increasing the possibility of investors generating financial gains for investors. However, what remains outstanding is whether the adoption of Lewis export-oriented model caused a critical juncture in these states' trade development path?

In the case of Barbados, the goal of the government in its first development plan was to reduce its dependence from the agriculture sector through economic diversification. As illustrated in Table 13 this goal was partially realised. In 1965, agriculture accounted for 25% of its GDP, which was reduced to 15% by 1970. Moreover, manufacturing which was non-existent under colonialism accounted for 10% in 1965 and 8% in 1970. Similarly, in the case of Jamaica, the goal of the state to reduce its dependence on the agriculture sector also materialised. The agriculture sector's contribution to GDP fell from a high of 28% in 1952, to a low of 9% in 1972. Agriculture grew from zero to a steady contribution of 13% in between 1952 to 1972. In addition to manufacturing, mining was added to Jamaica's portfolio in 1962, and this sector contributed 10% in 1962 and 12% 1972. Like the other two cases, Trinidad and Tobago experienced a reduction in the contribution of agriculture to GDP, 18% in 1952, and 11% in 1962. Nonetheless, the country remained dependent on the Petroleum and Asphalt sector for over a quarter of its GDP at 29% in both 1952 and 1962.

Table 13: GDP by Industrial Origin, Barbados, Jamaica and Trinidad and Tobago

Sector	Barbados			Jamaica			Trinidad and Tobago		
	1965	1970	1975	1952	1962	1972	1952	1962	1970
Agriculture	6.2	4.6	3.3	7.7	1.9	9.1	7.8	0.8	
Petroleum and Asphalt							8.6	9.0	
Mining		.15	.2	.0	.6	2.2			
Manufacturing	0.2	.32	0.3	2.5	3.7	4.3	3.6	3.1	
Construction	.4	.3	.6	1	0.8	1.3	.7	.5	
Electricity, water, gas			.5	.1	.2	.6			
Transportation	.7		.2	.0		.3	.9	.9	
Wholesale and retail distribution		9.6	8.2	6.7	6.0	3.9	0.0	3.4	
Business/General Services	2.5	9.8	4.2	.8	.5	6.6	.6	.1	
Government services	1.1	3.7	5	.3	.3	9.4	0.5	0.0	
Ownership of dwellings				.9	.3	2.7			
Tourism		.3	.3						
Other	4.9			3.1	3.8	1.6	0.3	0.2	

Source: table compiled using data from World Bank (1963, p. 167); World Bank (1966, p. 32); Downes (2002 p.17)

On the surface these figures suggest a radical shift from the colonial era where agriculture, more specifically sugar, was the core industry. Colonies had no autonomy over execution of trade policies, depended on foreign market, lack of competitiveness, and local industries. However more detailed examination of the figures indicates that the apparent shift in development trajectory was not fundamental. For instance, none of the three states realised their goal of economic diversification although at least one or a few sectors accounted for a significant share of GDP (Chernick, 1996; Collins, 2003, pp.235-237; Meditz & Hanratty, 1987; Payne & Sutton, 2001; Ramsaran, 1999). In the case of Trinidad and Tobago, petroleum and asphalt remained the main pillars. Agriculture and services accounted for at least 39% of GDP for Barbados while GDP contribution was spread across the different sectors in Jamaica. Jamaica's semblance of economic diversity masked a number of problems which permeated the economic space of all three states. The level of value-added production was minimal and the state had very little autonomy over their terms of trade. There was also high level of dependence on foreign capital and there was no backward and forward linkages between manufacturing and other industries, also these states pursued a model of import substitution rather than export oriented industrialisation. Overall, the trade development path of these states when compared reveals convergence rather than divergence.

In the case of manufacturing, at first glance, statistics suggest that Barbados, Jamaica, and Trinidad and Tobago experienced a major industrial transformation. Across all three states, the major industries were listed in seven different categories: furniture, chemical, textile, printing and publishing, furniture, non-metallic mineral, machinery and equipment [see Appendices D – F] (Ayub, 1981, p. 142; Farrell, 1979, pp. 16-16; Howard, 1991, p. 69). While there was growth in the number of industries and manufactured output, the benefits outweighed the cost borne by the state. The consensus among political economists was that industrialisation failed to provide for indigenous industries. One of the many critics of the manufacturing industries were predominantly branch plants of corporations located in the Global North. Others such as Demas (1975), King (2001), and Figueroa (1993), described the transplanted industries as screwdriver and assembly industries because no significant manufacturing took place. Raw material or components were pre-assembled by the parent company

and sent to the Caribbean for final assembly in the local branches. For example, radio and television components were imported and reassembled for export to parent companies (Mahroum & Al-Saleh, 2018). Outside of assembly type, the mining sector was described as extractive, for example, foreign companies provided technologies and technical expertise to extract ore which was refined into alumina then exported to the Global North (Beckford, 1975; Girvan, 1971c). Though the evidence shows that the transplanted industries did not undertake 'heavy' manufacturing, in Lewis' defence, he did explain that his strategy aimed to attract branches of established manufacturing companies to absorb excess cheap labour (Lewis, 1950, pp. 1-5). Even so, Demas (1975) questioned the extent to which Lewis' strategy was able to do so since most of the transplanted companies were capital intensive and relied on mechanisation which reduced the need for manual labour.

Another reason these states had for adopting Lewis' strategy was to increase development capital to finance a private class of entrepreneurs. However, this did not materialise in any of the three countries as political economists explained, the income tax concessions afforded by industrialisation by invitation left Caribbean states operating at a net loss. Caribbean states bore the brunt of the expenditures with very little to show except for a few nationals engaged in low-skilled employment (Best & Levitt, 2009, p. 31; Farrell, 1980, pp. 59-61). Best and Levitt's (2009, pp. 210-230) post-mortem of the Lewis model also revealed Caribbean states did not benefit from its implementation. For instance, instead of using export earnings to service the food importation bill as promised by Lewis, foreign exchange was used to import semi-finished products (parts and components). The state lost even more revenue because previous duties generated from the importation of finished products were replaced by the importation of semi-finished products, which benefited from duty-free import. The state also had plans to raise capital for its private entrepreneurial class which was intended to replace foreign manufacturers over time. Again, this plan did not materialise because Lewis' model of industrialisation by invitation employed low wage labour (Best & Levitt, 1975, p. 57). Because most of the workforce earned low wages, tax deductions were equally low, not to mention wages were used for consumption with very little left over for savings. With low consumer savings and tax incentives benefitting national firms, there was no capital accumulation for investment (Best & Levitt, 1975, p. 57).

The transfer of skills from foreign technocrats to domestic workers was another expectation. Local nationals did not occupy managerial roles in these international firms. Thomas (1974, p. 89) explained that instead of local citizens transforming these firms, it was the reverse as in fact, the firms transformed them:

pursuing such a policy in the context of a drive to establish an indigenous capitalist class can contribute very little to the struggle to transform the mode of production because local persons, when appointed to positions in these companies, inevitably move into particular institutional structures which in turn have developed their own particular ethos, values, lifestyles and way of doing things. All are in direct relation to the imperatives of exploiting local resources for the benefit of metropolitan capital. (Thomas, 1974, p. 89)

One of the many propositions of Lewis' model was to create backward and forward linkages in the domestic economy. Notwithstanding the lack of an enforcement mechanism, the policy framework established by Commonwealth Caribbean states resulted in very few domestic industry linkages. In the case of Trinidad and Tobago, the percentage of raw material usage by the manufacturing sector was estimated at 40% in 1962 with the remainder being imported (Carrington, 1971, p.146). Carrington (1971, pp. 146-50) also reasoned that this could have been different if the state policy framework provided duty-free concessions only to products that could not be locally sourced or placed a time limit on specific local produce earmarked to replace imports (Best & Levitt, 1975, p. 35; 2009, pp. 207-214). In the absence of sources, it is hard to evaluate the level of backward and forward linkages between manufacturing and other industries in the cases of Barbados and Jamaica.

One of the central questions driving the post-mortem of Lewis industrialisation by invitation strategy is to understand why the plan did not deliver as expected. One set of scholars claimed this was because the state did not implement Lewis' strategy according to plan. A second set blamed the state's failure to enforce monitoring mechanism. A third set explained that it was unrealistic to expect transformation as Caribbean states were handicapped in their small size when negotiating with large multinational corporations. The latter school of thought was more compelling, as these three states did not have the capacity, to begin with, this became clearer when the evolution of their trade development path is compared to the Korean developmental state.

Whereas Lewis' model of export-led industrialisation by invitation provided a blueprint for Commonwealth Caribbean states to transition their trade development path, it is widely argued that Caribbean policymakers failed to implement the model as prescribed (Downes, 2004, pp.13-14; Farrell, 1980, pp. 52-65; Payne & Sutton, 1984; Timms, 2008, p.104). For instance, Farrell (1980) pointed out that the Lewis model was designed as an export-oriented model, a fact Lewis made clear:

Manufacturing industries cannot provide employment for an extra 120,000 in the next ten years unless the islands start to export manufactures to outside destinations. Neither their own growing demands nor the replacement of imports, can provide a large enough market. The domestic market for manufactures is too small to support more than a fraction of what is need. (p. 58)

Notwithstanding Lewis' prescription of export promoting industrialisation, Caribbean leaders acted contrarily. They opted to pursue a strategy of import substitution industrialisation, which emphasised imports rather than exports (Downes, 2004, p.14; Farrell, 1980, pp. 52-65). With Lewis' model, the prediction was that exports would provide foreign exchange necessary for states to pay for the nation's import with the potential to sustain high levels of employment. The rationale provided by Caribbean states and British authorities was that over time import substitution would make the state self-sufficient in manufacturing goods that it previously imported (Gafar, 1978). The benefits of such an action would be two-fold: it would provide employment, and allowed the state to save foreign exchange that would normally be used to finance its import bill. Overall the state's vulnerability to fluctuation in exchange rates would be reduced (Farrell, 1980, pp. 52-65; Howard, 1991). Nonetheless, as highlighted by several authors (Alonso, 1992; Carrington, 1971, pp. 121-143; Chen-Young, 1975; Farrell, 1979, pp. 303-327; Jefferson, 1971), this industrialisation by invitation came at a very high cost to the state. For the purpose of underlining the extent of damages caused by poor administration, it is worth examining how the state's action and or omission contributed to their deviation from the Lewis model and to an extent, their trade development quagmire.

Farrell (1980) noted that whereas different political leaders were reiterating the need for exports, Commonwealth Caribbean states demonstrated actions that betrayed their words. An examination of public expenditure revealed that very little was spent on export promotions. In contrast, and as explained earlier, no effort was spared to enact legislation that promoted exemption from income tax and duty-free imports as well as



subsidised factory space (Farrell, 1980, p. 61). Additionally, the model of import substitution pursued by all three Caribbean states followed a path of import replacement rather than import displacement, which had minimal impact on each state's ambition to improve its trading capacity (Downes, 2004; Farrell, 1980, pp. 52-65). With import replacement, foreign manufacturers provided the production capacity. However, the challenge with this was that foreign manufacturers engaged only domestic labour but local capital and domestic raw materials were omitted (Downes, 2004; Farrell, 1980, pp. 52-65). In place of domestic raw materials, foreign manufacturers relied on the importation of semi-finished materials. The challenge with this strategy was that it provided minimal opportunity for value-added production in all three states (Alonso, 1992, p.76). Moreover, outside of low-skilled employment, the importation of semi-finished imports placed a burden on these states' balance of payments instability, as foreign exchange was freed up to pay for semi-finished exports (Gafar, 1978).

It could be argued that Lewis foresaw the challenges of import replacement, hence his emphasis on export-oriented industrialisation. In fact, Lewis (1950, p.58) posited that the domestic market was too small to serve as a market for manufactured output to provide sustainable employment. It could even be argued that perhaps these states' trade development could have fared better if the state was more astute in their administration and pursued a strategy of import replacement rather than import displacement. With import replacement, the state would be able to substitute previous imports through the local manufacturing process, which would then create employment and backward and forward linkages among domestic industries and lead to more extensive macro-economic effects. The latter improvements would complement domestic capital leading to value-added domestic production. In the end, all three states pursued neither the Lewis' model nor the import substitution strategy of import replacement (Farrell, 1980, pp. 52-65).

The prevailing view within Caribbean political economy literature is that the state-led incentivisation program was improperly administered, and for this reason the cost outweighed the benefits derived (Alonso, 1992, pp.75-82; Carrington, 1971, pp. 121-143; Chen-Young, 1975; Farrell, 1979, pp. 303-327; Jefferson, 1971. Carrington (1971, pp. 121-143) and Farrell (1979, pp. 164-195) argued that the Caribbean's strategy of using industrial incentivisation and quantitative restrictions to attract and protect transplanted and local manufacturing industries without any method of monitoring and evaluation; thus removing the possibility of the state holding

beneficiaries accountable. Across all three countries, the Industrial Development Corporations did not monitor the distribution of incentives (Carrington, 1971, pp. 121-143). Carrington (1971, pp. 121-143) and Jefferson (1971, pp. 109-120) confirmed that the incentives law were non-discriminatory since incentives were applied to manufacturers irrespective of size and performance. Moreover, there was no mechanism to screen incoming manufacturers to prevent duplication of existing ones in recipient states. Jefferson (1971, pp. 109-120) contended that the incentives provided by Commonwealth Caribbean states were generally ineffective in stimulating industrial expansion. Jefferson (1971, pp. 109-120) noted that if a manufacturer made no profit in the first five years, then the tax exemption would not be effective. However, if large benefits were made, tax exemptions robbed the state of necessary revenue that could have been used as investment capital.

A further post-mortem of Commonwealth Caribbean states' implementation of Lewis' model revealed a proposal to establish a customs union. Lewis had reasoned that for industrialisation to succeed, a customs union was integral (Lewis, 1950). Downes (2004) noted that this was because a customs union would provide freedom of movement of goods to assist these small states to mitigate their small market size and to an extent, achieve economies of scale. Once more, the *modus operandi* of Commonwealth Caribbean governments was one of fragmentation and non-commitment in its implementation of Lewis' prescription. Between 1962 and 1968, the Commonwealth Caribbean states avoided any form of regional integration; however, this changed in 1968 when news emerged that the United Kingdom would seek to join the European Community (Hall & Chuck-A-Sang, 2007; Sutton, 1990). Over the years, Commonwealth Caribbean exports to the United Kingdom benefited from a Commonwealth preference which would cease once the United Kingdom joined the European Community. To compensate for the potential loss of preferential access to the U.K. market, Caribbean heads of state formed the Caribbean Free Trade Area (CARIFTA) in 1968 (Hall & Chuck-A-Sang, 2007; Payne, 1981; Sutton, 1990).

Although CARIFTA was ratified in 1968, it remained dormant until 1973, when it became increasingly clear that the United Kingdom was resolute about joining the European Community (Hall & Chuck-A-Sang, 2007; Payne, 1981; Sutton, 1990). There and then, CARIFTA was extended beyond a free trade area to greater market integration, under the name CARICOM - the Caribbean Community (Chernick, 1996; Palmer, 2009). Although it was commendable that a customs union was formed for the

first time after nearly 18 years post recommendation, it was not without its challenges since nationalism was rife in member states. Moreover, member states were distrustful of each other which culminated, in part, in the failed West Indian Federation triggered by Jamaica in 1962. Consequently, states made every effort to avoid supra-nationalism; therefore, what emerged was a hybrid model, a cross between nationalism and regionalism (Chernick, 1996; Paragg, 1980; Payne, 1981). In essence, Commonwealth Caribbean states prefer to remain independent; regionalism is merely a strategy of last resort when preferential market access elsewhere becomes threatened. (Chernick, 1996; Ito, 2016; Paragg, 1980; Payne, 1981, 2008).

Based on the content covered thus far in this chapter, a case could be made that this research is too celebratory of Lewis' strategy of industrialisation by invitation. In response, it is worth highlighting that Lewis strategy of export-oriented industrialisation was tried and tested by other states, most notably Korea and Taiwan. Although the Asian context differs significantly from the Commonwealth Caribbean, there were some common denominators that lead to East Asian states experiencing a critical juncture in transitioning from import substitution to export orient trade model. For instance, Korea used a strategy of import substitution from 1951 to 1967, like Commonwealth Caribbean states. Korea provided duty concession for importers with the difference being that the state balanced export credits with discipline, so it was never a free for all (Haggard, 1996; Haggard et al., 1991). In the case of Taiwan, there was backward and forward linkages between industries, and the subjugation of foreign firms to performance requirements (Chung, 2011). The former two cases provide *locus classicus* cases of what "could have been" had Commonwealth Caribbean states supplemented import substitution with more stringent policies. Based on the strategies used by the developmental state (see Chapter 2), it can be argued that Commonwealth Caribbean states' implementation of Lewis' import substitution model was a failure. The model failed to produce a critical juncture in their trade development path because of factors such as failure to pursue an export-oriented trade model, indiscriminate incentivisation, lack of linkages between industries and dependence on foreign capital, and failure to pursue regional integration.

As discussed in Chapter 2, the development path of the Korean and Taiwanese developmental states were positively shaped by Japanese colonialism. Both developmental states emerged from colonialism with the autonomy to design and implement policies, strong state bureaucracy, infrastructure and experience in

manufacturing. In the case of the Commonwealth Caribbean context, these states started from a weakened position. As former colonies, they lacked the critical factors necessary for industrial expansion, notably investment capital, industrial technology, and industry. The difference between Japanese and British colonialism helps to explain why the Korean developmental state, unlike these three Commonwealth Caribbean states, was able to play an integral role in transitioning from import substitution industrialisation to export-oriented industrialisation. The comparative analysis also helps to explain why these three cases were at the disposal of multinational corporations, and why they were seeking to attract trade under Lewis' model. Given these former colonies' desperate need for capital, technology and industry, they did not have any leverage to negotiate with multinational corporations. Consequently, what emerged was an asymmetrical relationship between a group of small states and giant multinational corporations (Best & Levitt, 2009, P. 59). Beckford (1972, P. 132) used the example of the Tate and Lyle Sugar Company to demonstrate that the annual sales from the company were almost equal to the income of Jamaica, and Trinidad and Tobago, respectively. Over time, multinational corporations became an essential source of employment, to the extent where Beckford noted that if a multinational corporation sneezed, the host country would catch a cold. In such a circumstance, the bargaining chips were stocked in the multinational corporations' favour (Beckford, 1972).

The difference in autonomy between the developmental states and the Commonwealth Caribbean states also helped to contextualise Barbados, Jamaica and Trinidad and Tobago's failure to exercise leverage over private firms. In comparison to the developmental state of Korea, Commonwealth Caribbean states neither had the capital nor control over domestic financial institutions. In as much as these three Commonwealth Caribbean states had achieved their independence, local banks were still controlled by branches in the metropole (Best & Levitt, 2009, p. 35). Instead of domestic banks funding domestic entrepreneurs, there was a higher propensity to finance the import sector. Metropolitan commercial banks preferred to extend credit to the distribution sector, either directly or indirectly, by extending personal loans to finance consumer purchases of cars and or other durables, which are either imported or locally assembled from imported components. In so far as bank credit is available to industries that supply the local market, there was a bias to lend to foreign firms or joint ventures between domestic and international partners (Best & Levitt, 2009, p. 35).

These three Commonwealth Caribbean states lacked capital or the capacity to control domestic financial institutions, which was in stark contrast to the experience of East Asian developmental states. The Korean developmental state nationalised local banks and this gave the Korean government autonomy over capital distribution. Accordingly, they were able to fund as well as exercise leverage over its industrial expansion. Perhaps, the differences in autonomy over capital between Commonwealth Caribbean states and these developmental states explained why the former did not experience a critical juncture in their trade development path from using industrialisation by invitation.

One of the earlier criticisms levied against the Commonwealth Caribbean states' administration of the Lewis' industrialisation by invitation, is that these states did not implement monitoring mechanism. Chen-Young (1975) questioned the possibility of developing states disciplining foreign firms. According to Chen-Young, Jamaica's initial use of tax incentives was designed to lure overseas investors as prescribed by Lewis, and as evident in the enactment of legislation stipulating the terms of tax holidays in 1956. Jamaica enacted the export industry's Encouragement Law and Industrial Incentive Law. Tax relief was two-fold: in the first instance, investors were granted a seven-year exclusion from profits, while in another instance they were given four to six years (p. 378). However, because of changes in the international economy, other countries were offering longer-term incentives. In order to remain an attractive destination for foreign investment, Commonwealth Caribbean states had little choice but to extend tax incentives (Chen-Young, 1975). Over time, investors grew accustomed to tax holidays, thus making it more difficult for the state to exercise leverage over its industrial policy.

Moreover, international investment law provided a legal loophole for multinationals to circumvent taxation in developing countries. For instance, where 90% of the equity of a firm is foreign-owned and where said firm exports all of its production, it proves difficult for host states to impose restrictions (Chen-Young, 1975, p. 339). In such instances, the state had no say over the affairs of the firm, given that it is wholly foreign-owned; firms, therefore, determined how and where the capital was reinvested. In this case, developing states could only benefit from the employment of its nationals. If developing countries were to upstage their investors and impose production demands and performance requirements, chances are these investors would declare the host country hostile and relocate (Chen-Young, 1975, p. 339). Against these

problems, it was not coincidental that these states were providing incentives without information on the future returns (Beckford, 1972; Best & Levitt, 2009, pp. 203-206; Jefferson, 1971; Lewis, 1950). Howard (1991) noted that Commonwealth Caribbean states were relegated to playing an administrative role:

The role of the state under the Lewis model was to subsidised rent, utilities and regulate private enterprises considered as a substitute for productive public enterprises. Furthermore, the weakness of the indigenous capitalist class forced Commonwealth Caribbean states to pursue an 'open door' policy towards foreign investment. (p. 65)

The chapter began by examining the role of Commonwealth Caribbean states as they implemented import substitution as a strategy to improve their trade competitiveness. Thus far, the analysis reveals convergence between the trade development of all three states. More specifically, all three states employed the same strategy of using incentives to boost its industrial development and by extension its trade competitiveness. Nonetheless this was not sufficient to cause a critical juncture in their trade development path as all three states lacked economic diversification, political autonomy, and development capital. The next section examines the strategies used by states to either buttress or replace the import substitution model.

### **Section III: 1970-1989: The Rise of the Oil Crisis and its Effects on the Trade Development Path of Barbados, Jamaica, Trinidad and Tobago.**

The 1970s provided these states with a critical moment for states to abandon import substitution and use a different strategy. The lingering question among Caribbean political economists was: “what would be the most suitable strategy going forward?” In the 1970s, the Commonwealth Caribbean literature was predominantly Marxist in orientation. Marxism was manifested primarily in two distinct variants: Plantation Economy and Structural Dependency. The core sentiment across all these variants was that the region should be insular in its pursuit of its development strategy (Bernal, 1984, pp. 53-56; Brewster & Thomas, 1967). The underlined rationale was that because of centuries of colonial exploitation and small economic size the region should dis-integrate from the global economy. Dis-integration would not only reduce their volatility but also provide the opportunity to design policies to improve their chances of breaking the cycle of structural dependency, thus moving from the periphery of the global economy (Beckford, 1972; Thomas, 1974). Regional integration was one such

prescription to improve these small states' chances of advancing from the periphery, and as established earlier, was necessary to achieve economies of scale (Brewster & Thomas, 1967; Downes, 2004; Lewis, 1950; McIntyre, 1976; Payne, 1981).

In addition to regional integration, the other two suggested strategies were nationalisation and localisation. Nationalisation featured prominently in the works of several Caribbean political economist (Beckford, 1972; Brewster & Thomas, 1969; Girvan, 1971a, 1971b, 1971c, 1972; Thomas, 1974). In the 1970s these authors were the leading voices on the Commonwealth Caribbean's economic development and transformation. Girvan (1971a, 1971b, 1971c, 1972) argued that the control of one of the Caribbean's most critical resources (bauxite) by multinational corporations disenfranchised the development interest of the host states. Multinational corporations had a vertical strategy of decision-making which excluded the state. Moreover, generated profits were reinvested in expanding the operation in other countries rather than the host territory. Girvan (1971a) outlined that bauxite was being used by foreign companies to satisfy their investors' interests. He argued that the only way to break this cycle would be to nationalise resources, as "the Caribbean will have to own the industry if it is to use the profits for its own development, to give itself the chance to bring food, clothes, housing and education to all Caribbean people" (p. 5). Whereas Girvan restricted his nationalism prescription to the bauxite industry, Beckford (1972) went one step further, calling for full-scale nationalisation of all foreign-owned sectors. Beckford (1972) argued that the only way the Caribbean states could establish control over their industrial development was through nationalisation of all metropolitan assets:

Wrest all (or some) control of plantation activity from metropolitan enterprise to set the stage for a reversal of the present big company small company arrangement; this implies national ownership of land and capital assets of metropolitan plantation enterprise. (p. 222)

Thomas (1974) extended the theme of self-reliance among Caribbean states in his development transformation prescription. Writing from a Marxist perspective, he argued that the state should merge its natural resources with production, which should be tailored to meet local demand and adjust according to changes in demand (p 203). This strategy, according to Thomas (1974, p. 204), would provide several positive outcomes. First, it would preserve the domestic resources of the state from exploitation as the strategy of exporting; primarily raw materials has proven unsustainable. With this model, only the surplus raw materials would be exported. Overall this would reduce

the state dependency on preferential trade and fluctuating market prices. Second, internal self-reliance would provide backward and forward linkages between local industries in the domestic economies. Third, the state would be protected from expensive and unreliable imports, thus further reducing its vulnerability, and ultimately enhancing the power of the state over its trade governance. Collectively, these strategies would provide the basis for these small states to become self-reliant, thus dis-integrating from the global economy whose structure subjected their dependency (Thomas, 1974).

Even though Marxist-influenced prescriptions situated the state as the core and the driver of its trade and economic development, no consideration was given to the vulnerabilities of the state to external shocks such as the 1973 oil crisis. During this time, there were questions about the impact of the oil crisis on the Caribbean state, the effect of the role of the state to shape the Caribbean trading landscape, and the utility of Marxist oriented policy prescriptions. Critics of the Caribbean's attempt to establish a competitive trading industry based on a robust manufacturing sector, have often expressed concern about the regions lack of energy (Timms, 2008). Lack of oil reserves was one of the reasons why critics believed industrialisation would not succeed as even Arthur Lewis acknowledged that the region was not well endowed in natural resources, energy in particular (Lewis, 1950, p.35).

Except for Trinidad and Tobago, more than 90% cent of the energy consumption of the Commonwealth Caribbean was imported (Affonso, 2010; Cheasty, 2016; Hilaire, 2000; Weintraub, Hester, & Prado, 2007). Oil served as the primary source of electricity for household and productive sectors, such as firms and transportation (United Nations, 2017). As such, any sudden changes, notwithstanding an exponential price increase, would send shock waves in the domestic economies of these already small islands developing states, more specifically the oil import-dependent ones (Hamilton, 1983, 2003, 2008, 2009). According to Hamilton (2008), an oil shock disrupts the nexus between consumer spending and domestic public and private sectors, with corresponding wider macro-economic implications. First, the purchasing power of consumers is significantly reduced due to increased electricity bills, higher transportation cost, and increased food prices (inflation). Over time, a reduction in consumer spending will cause a decrease in consumption which, by extension, will cause a decrease in production. A prolonged effect of an oil shock is that private and public sector will either have to cut wages or reduce labour, causing an



increase in unemployment, ultimately resulting in an internal imbalance. The latter was the reality of net oil-importing states within the Commonwealth Caribbean (Fontaine, 2005b; Hamilton, 2008; Hamilton & Herrera, 2001).

The oil crisis, which resulted from an oil embargo imposed by members of the Organisation of Petroleum Exporting countries (OPEC), quadrupled the price of oil between 1973 and 1974 (Kilian, 2008). The oil crisis had severe effects on Barbados and Jamaica's balance of payment and, by extension, their capacity to finance their industrial transformation. The price of oil imports increased three-fold, adding to the challenges of these two Commonwealth Caribbean states whose foreign exchange was already burdened by the importation of semi-finished imports with little value-added production (Alonson, 1997, p.76; Clair et al., 2014; Hilaire, 2000). Moreover, like Commonwealth Caribbean states, developed countries also experienced internal imbalances as a result of the exponential increase in oil prices. The latter had implications for the Commonwealth Caribbean trade landscape, in that, there was either a reduction in demand for Caribbean exports or at best a decline in export commodity prices (petroleum, bauxite, sugar, tourism) (Hilaire, 2000; Hodgkinson, 1976; McIntyre, 1976; United Nations, 2017). This further compounded Caribbean states' internal imbalance. The decrease in exports demands and commodity prices caused a decline in foreign exchange and an overreliance on countries' net exchange reserves, which was exasperated to service the sudden exponential increase in balance of payments.

In response to the 1970s oil crisis, Jamaica, unlike Barbados and Trinidad and Tobago, followed the Marxist prescriptions espoused by authors such as Girvan (1971a, 1971b, 1971c, 1972) and Beckford (1972). The shift in strategy from a Lewis development model to economic nationalism did not produce a critical juncture in Jamaica's trade development path. In fact, the endogenous policies implemented by the Manley regime to mitigate the influence of multinational corporations did more harm than good. Previous decades of high unemployment were coupled with the negative impact of the global oil crisis and widespread social unrest among working-class Jamaicans. The People's National Party (PNP) led by Michael Manley swept into power in 1972 (Mandle, 2010, p.68). Manley campaigned on a democratic socialism manifesto; socialism was chosen as an alternative path to Lewis' Industrialisation by Industrialisation strategy. Manley lamented that Lewis' strategy caused dependency on

foreign capital and exploitation of Jamaica's natural resources. According to (Conway, 1997), Manley's alternative path proposed to:

- i) to reduce the dependence of the Jamaican economy; ii) to create a mixed economy with the commanding heights under state control; iii) to reduce social inequalities; iv) to deepen political democracy, and v) to forge an independent foreign policy. (p.8)

Whereas democratic socialism gave the Manley regime political autonomy over its development, this did not produce any transformational shift in Jamaica's trade trajectory. Without capital, the government did not have the means to finance its alternative development plans. This is because democratic socialism threatened the elite class and especially foreign investors who were the critical source of investment capital and foreign exchange (Stephens & Stephens, 1986, pp. 4-8). Immediately after assuming power, the Manley-led government renegotiated the country's existing bauxite levy. Between 1972 and 1978, the bauxite levy was increased from JMD2.5 to JMD14.5J per tonne (Keith & Girling, 2007, para. 11). In the initial stages of negotiations, Michael Manley had leverage over bauxite investors. The Jamaican Bauxite investors had millions in investment and depended on the country's ore for 80% of its exports. Moreover, bauxite investors were encouraged by the inclusion of the elite class in the negotiating process. The owners' yielded to Manley's demand for joint ownership instead of risking complete take-over or the economic fall-out that took place in Guyana (Keith & Girling, 2007, para. 41; Mandle, 2010, p. 69). Whereas Manley's implementation of democratic socialism allowed the government to prevail over foreign companies in the short-term, over the long run, the benefits outweighed the gains. Manley's action deterred future investors from the island despite leading to the creation of a Bauxite cartel (Harrison, 1988; Keith & Girling, 2007; Stephens & Stephens, 1986)

In the 1970s, the Manley government increased its nationalisation plan by taking over utility, sugar industry, hotels, and broadcasting (Keith & Girling, 2007, para. 2). Those in the private sector who opposed Manley's democratic socialism were reminded that "there were five flights [a day] to Miami" (Stephens & Stephens, 1986, p. 106) they could either stay or leave as "Jamaica has no room for millionaires" (Clair et al., 2014, p. 12). Jamaica suffered capital haemorrhage, and severe brain drain as entrepreneurs and skilled technical persons fled the island in droves (Harrison, 1988, pp. 105-106). Affected investors lobbied the United States government to take action

against the Manley regime. The United States retaliated against the Manley regime by restricting foreign aid, discouraged American tourist from visiting and through the imposition of harsh IMF conditionality (Harrison, 1988, pp. 105-106). Over time, the shortage of foreign capital coupled with the pre-existing effects of the 1970s oil crisis crippled the Jamaican economy, worsening its trade imbalance (Boughton, 2012; Clair et al., 2014; Hilaire, 2000; Mandle, 1984, p.116). The implications of the IMF's programs on Jamaica's trade development is explored in the next chapter.

In Barbados, the political response to the 1970s oil crisis was remarkably different. Unlike Michael Manley, Barbados Prime Minister and leader of the Democratic Labour Party (DLP) enacted legislation; the "Barbados Public Order Act of 1970" to suppress the dissent of radical groups attacking the white business class (Clair et al., 2014, p. 14). Ironically, similar policies were carried out by the Jamaica Labour Party (JLP) government during the height of the oil crisis. The JLP government tried to suppress the black working class uprising against the business class. The difference in Jamaica was the unrelenting position of the opposition People's National Party led by Michael Manley. In Barbados, the opposition Barbados Labour Party (BLP) was not as aggressive in its pursuit of revolution like Michael Manley. Therefore, the Errol Barrow led DLP was re-elected despite earlier suppression. Unlike Manley, Barrow did not establish ties with leftist Cuba, and stayed the course of conservatism (Clair et al., 2014, p. 14).

Instead of threatening the business class, Prime Minister Barrow reassured them of his support and re-affirmed his commitment to western capitalism and especially to the United States, that the country would continue to pursue Sir Arthur Lewis' growth strategy (Clair et al., 2014, p. 15). Barrow attacked black ideologists and labelled them social misfits. By 1978, the masses perceived the Democratic Labour Party as anti-black which cost the party the general elections. The new government formed by the Barbados Labour Party avoided socialism. It portrayed the need for a Barbados where the private sector could prosper to the benefit of providing opportunities for the working class. In the absence of divisive economic rhetoric, entrepreneurs gained even more confidence in the direction of the economy and in the ability of the government to dampen radical sentiment of the working class whose workforce participation was integral to the function of many businesses, particularly foreign firms and those in the tourism and sugar industries (Clair et al., 2014, p. 16). Unlike Jamaica, Barbados avoided nationalisation of industries and leftist political rhetoric. The state reassured

foreign investors that the government remain committed to providing the incentives of 'industrialisation by invitation' (Clair et al., 2014; Hilaire, 2000). The decision by the government of Barbados to continue with import substitution reinforced its path dependence. Without alternative access to investment capital, the country had no choice but to continue to rely on multinational cooperations for investment capital.

Similar to Barbados and Jamaica, the implementation of industrialisation by invitation in Trinidad and Tobago did not provide the desired transformation in its overall development. The social unrest from the black working class underscored the need for the government to pursue an alternative development path. In its Second (1964-1968) and Third Five-Year Plan (1969-1973), the government of Trinidad and Tobago declared its intent to diversify its economy and shift the country's dependence from the energy sector (World Bank, 1969). Former Prime Minister Eric Williams reasoned that Trinidad and Tobago's economic capacity would only improve through the development of a domestic private sector (Henry, 1997, p. 833; Sebastien, 1985, pp.115-16). Although the implementation of these strategies would improve the economic conditions of Trinidad and Tobago, Williams' plan was constrained by a lack of domestic capital. Instead of nationalising foreign ownership in its economy, Williams solicited the support of the private sector. Williams' proposals received limited support among black nationalists, white domestic business class and white foreign business class (Henry, 1997, p. 837). Black nationalists wanted immediate nationalisation of foreign ownership, while white domestic and foreign business preferred capital from the international market (Henry, 1997, p. 838).

Williams' alternative development plan gained a significant boost as the 1973 surge in oil prices provided a windfall for Trinidad and Tobago. The government used its development capital to execute its Third Five-Year-Plan. Between 1974-1981, Williams executed a strategy of State Capitalist model. Under this model:

- i) state utilization of oil revenues to create large-scale resource-intensive export industries, especially energy-intensive export industries such as fertilizers and iron and steel production; ii) to negotiate state and TNC joint-ventures; iii) the accompanying development of import-substituting manufacturing and assembly-plant operations with export and domestic market capabilities; iv) the use of the oil boom surpluses to upgrade basic infrastructure; and v) the disbursement of government revenues into welfare funds, plus massive, yearly transfers and subsidies to bolster state-owned industries that were not profitable, though they had large patronage-fueled payrolls. (Conway, 1997, p. 10)

Trinidad and Tobago's state capitalism model produced limited diversification; the export growth declined simultaneously with the reduction in oil prices in 1984, which resulted in a depletion of foreign reserve accumulated during the boom (Conway, 1997, p. 2; Ramsaran, 1999; Toney, 1995). Even though the industrial expansion was not widespread, the endogenous policies implemented by the Williams administration in the 1970s, paved the way for Trinidad and Tobago to shape its trade development over the long term. The excess oil wealth provided the state with investment capital, and the opportunity for the state to reduce its dependence on foreign capital. With national capital at its disposal, the Trinidad and Tobago government was able to exercise political autonomy over its industrial policy. When compared to the past and the other two cases, the addition of steel and chemical industry as well as the use of energy to supplement its manufacturing industry represents a major transformation. The increase in Trinidad and Tobago's industrial capacity meant the state would be able to increase its trade development.

## **Conclusion**

This chapter focused on the strategies used by Barbados, Jamaica, and Trinidad and Tobago in the postcolonial era to shift their trade development trajectory. The findings suggest that of the three states only Trinidad and Tobago experienced a critical juncture in its trade development path. This chapter showed that in the post-colonial era, the trade development path of all three states was uniform, lacked economic diversification, political autonomy and investment capital. All three states were therefore compelled to use Lewis' industrialisation by invitation strategy to mitigate the lack of industry and investment capital. Though the adoption of Lewis' strategy resulted in an influx of foreign direct investment as well as the establishment of new industries such as tourism, light manufacturing and mining, this strategy failed to produce a major transformation in these states' trade development trajectory. Instead, it reinforced dependence on foreign capital which in turn undermined the political autonomy of each state. The 1970s global oil crisis therefore served as a critical moment, as the different endogenous strategies employed by each state caused diversion in their trade development trajectory. In the case of Jamaica, under the Michael Manley Democratic Socialism model, it was the first time in its history the state had autonomy in shaping its overall development path although this came at the

expense of widening the gap between the state and private sector. Moreover, the nationalisation and expulsion of foreign investors did not reduce Jamaica's dependence on foreign capital, instead the resulting capital flight created a greater need for investment capital.

For Barbados, the state did not experience a transformational shift in its trade development trajectory. Based on the Barbadian government's decision to continue Lewis' industrialisation by invitation, the state perpetuated its dependence on foreign capital without the capacity to exercise autonomy over its trade development.

Unlike the other two cases, Trinidad and Tobago pursued an alternative path to Lewis' Industrialisation by invitation model. The difference was that, instead of nationalisation or isolating the private sector, Trinidad and Tobago used capital (from the oil boom) as leverage to renegotiate its existing investment relationship with present and future foreign investors. This is significant as the increased oil revenue lowered the state's dependence on foreign capital. Trinidad and Tobago also used capital from the oil boom to finance the development of an indigenous class of entrepreneurs. Whereas capital (from the oil boom) gave the Trinidad and Tobago government political autonomy over the private sector, this autonomy was not abused. Consequently, Trinidad and Tobago was the only one to experience a critical juncture in its trade development. Compared to Jamaica and Barbados, the sudden accumulation of capital, introduction of indigenous entrepreneurs and political autonomy represents a transformational shift from the colonial and early post-independence period. This finding is significant as it substantiates one of the primary claims of thesis; the trade development path of these states evolved along different continuum. As will be highlighted in the subsequent chapters, the endogenous changes experienced by Trinidad and Tobago in the 1970s, has enhanced the state's capacity to mitigate external threats to its trade development. The next chapter outlines the role of multilateral institutions in shaping the trade development path of these three states.

## CHAPTER 5

### STRUCTURAL CONTEXT: GLOBAL DEVELOPMENTS AND IMPLICATIONS FOR THE ROLE OF THE STATE

The historical analysis of these three states' trade development would not be complete without reviewing the role of multilateral institutions trade and financial institutions in shaping their trade development path. The protectionist trade policies implemented by the Commonwealth Caribbean states in the 1960s and 70s set them in the cross hairs of the International Monetary Fund and the World Bank. Globally, there was a division in opinion on the role of the state in designing its trade and economic policies. Post-1945, the prevailing consensus among the Bretton Woods Multilateral institutions was to reduce trade barriers (Ruggie, 1982; Scott, 2017; Stiglitz, 2008; United Nations, 2017; Wilkinson, 2014, 2017). The Washington consensus ran counter to proponents of protectionism, who argued that protectionism was necessary for emerging economies, at least temporarily, before these states could trade competitively (Chang, 2003, 2007, 2008; List, 1990). The status of Commonwealth Caribbean states as emerging economies in the 1960s meant that they became entangled in this debate. On the one hand (as discussed in Chapter 4), the prevalent view in the political economic literature of the region was that these states should be insular and self-reliant, while on the other hand, the multilateral environment in which they emerged was drastically becoming anti-protectionist (Beckford, 1972; Bernal, 1984, pp. 53-56; Demas, 1975; Girvan, 1971, 1972, 1973, 2006; McIntyre, 1976; Thomas, 1974). The main argument of this chapter is that instead of opening alternative trade developmental possibilities, multilateral financial and trade institutions (IMF, GATT and World Bank) imposed policies that solidified existing ways of operating consequent to reinforcing path dependencies.

Section I explains the contestation between Commonwealth Caribbean states and Bretton Woods Institutions, particularly the debate on liberalisation versus protectionism. This section also outlines how the manifestations of the IMF and World Bank were filtered in the Caribbean policy space through Structural Adjustment Loans (SAL), consequently shaping these states' trade development path. Section II examines the evolution of the GATT and the extent to which the enabling clauses impacted the Commonwealth Caribbean states trade development.

## **Section I: The impact of Bretton Wood's Structural Adjustment Programs**

Between 1977 and 1992, Barbados, Jamaica, and Trinidad and Tobago had 15 standby agreements with the IMF and World Bank. Although these countries underwent a number of trade policy reforms, these changes did not create a critical juncture in their trade development instead these standby agreements reinforced path dependence (Brown, 1981; Fontaine, 2005a, p. 6; Lewis-Bynoe, Griffith, & Moore, 2002; World Bank, 1989). To better understand the reasons for the lack of critical juncture, it is necessary to analyze the role of import substitution in the balance of payment crisis as well as the tension between import substitution and Bretton Wood's structural adjustment programs.

According to Brown (1982), the "IMF programme is based on export-led strategy in which low wages are important to induce foreign capital and markets and to maintain the competitiveness of export goods abroad" (p. 44). The IMF's emphasis on export-led strategy contrasts to the import substitution strategy implemented by the three case studies in this thesis. In fact, a strong case could be made that import substitution was a contributing factor in the trade imbalance experienced by each state (Krueger & Rajapatirana, 1999). As mentioned in Chapter 3, each state used policies such as duty concessions to incentivize their industrial development and import restriction to protect domestic industries from foreign competition. It is important to note that even though the manufacturing sector grew exponentially between the 1960s and 70s in each state, this sector did not contribute significantly to foreign exchange earnings (Brown, 1981; Lewis-Bynoe et al., 2002; World Bank, 1989). Manufactured outputs were consumed primarily by the respective domestic markets instead of being exported. Moreover, this sector was dependent on the importation of raw materials which placed a significant demand on each states' foreign exchange earnings (Brown, 1981, p. 9; Handa & King, 1997, p. 914). Correspondingly, only a select few sectors were generating foreign exchange, i.e., bauxite, tourism, sugar and banana (Brown, 1981; Lewis-Bynoe et al., 2002; World Bank, 1989). Amidst the global oil crisis in the 1970s, there was increased domestic consumer demand for locally manufacturing products which caused greater demand for foreign exchange. While Trinidad and Tobago was in receipt of increased foreign exchange earnings from the increase in oil prices, there was massive shortfall in the price and demand for exports from Barbados and Jamaica. The resulting balance of payment crisis caused both states to approach



the IMF and World Bank for structural adjustment loans (see Table 14) (Fontaine, 2005a, p. 8). After the sharp decline in oil prices in 1986 and subsequent balance of payment crisis, Trinidad and Tobago approached the IMF for a standby agreement in 1989 (Bissessar, 2014; Fontaine, 2005, p.6; Weissman, 1990).

Table 14: IMF and World Bank Loans to Barbados, Jamaica and Trinidad and Tobago 1977-1992

Country	Date	Institution	Title	Amount USD/per million
Barbados	1982	IMF	Standby Agreement	30
	1992	IMF	Standby Agreement	17
Jamaica	1977	IBRD	Public Sector Investment	30
	1979	IBRD	Manufactured Exports	31.5
	1981	IMF	Extended Fund Facility	
	1982-84	IBRD	Structural Adjustment Loan I, II, and III	191.4
	Jan 1987	IMF	Standby Agreement Reinstated	
	1987	IBRD	Public Enterprise Sector Adjustment Loan (TFSAL)	40
	March 1990	IMF	Standby Agreement	
	March 1990	IDBRD	Ag Sector Adjust. Loan in Jamaica (ASAL) 1st tranche, 3/30/90, \$12.5m 2nd tranche, 3/26/91, \$12.5m closed 3/30/91	25
	1992	IBRD	Jamaica Second Trade and Financial Sector Adjustment Loan (TFSAL II)	30
	1992	IBRD	Jamaica Private Sector Adjustment Loan (PSDAL)	60
Trinidad and Tobago	1989	IMF	Standby Agreement	75
	1990	IMF	Standby Agreement	65

Source: table compiled using data from (Bissessar, 2014, 196; Fontaine, 2005, p.6)

Between 1977 and 1992, these three Commonwealth Caribbean states approached the IMF against the backdrop of fiscal instability, nationalisation, import substitution and democratic socialism (Bernal, 1984, pp. 53-56). The protectionist policies of the Commonwealth Caribbean were diametrically opposite to the dominant ideology of the International Financial Institutions (IFIs) - The Washington Consensus. The Washington Consensus, “a consensus between the IMF, the World Bank, and the U.S. treasury about the ‘right policies for developing countries that signalled a radically different approach to economic development and stabilisation’” (Stiglitz, 2002, p. 16). The term Washington Consensus was first used by John Williamson in 1989, it describes ten reforms that should be undertaken by states experiencing trade imbalance, fiscal discipline, re-ordering public expenditure, tax reform, liberalising interest rates, competitive exchange rates trade liberalisation, foreign direct investment, privatization, deregulation and property rights (Williamson, 1990).

To better understand the implications of the Washington Consensus on the Commonwealth Caribbean states’ trade governance, it is necessary to perform an overview of these policies and the underlined ideology (neo-liberalism) on which they were based. Neoliberalism posits that the role of the state should be restricted to maintaining the rule of law and macro-economic stability, reducing rent seeking behaviours among private firms, investing in human resource development, investing in public infrastructure, and implementing outward-oriented trade policies ( Babb & Kentikelenis, 2018; Chwioroth, 2007; McCleery & De Paolis, 2008; Stiglitz, 2008b).

As it relates to trade, the Washington Consensus stipulated open trade regime was more economically beneficial for the state (Brown, 1981; Edwards, 1998; Franko & Seiber, 2015; Griffith-Jones & Rodriguez, 2014; Levitt, 1996; Thomas, 1988; Witter & Brown, 2004). The Washington Consensus also noted that a competitive exchange rate was necessary for overcoming a balance of payment crisis, export expansion and ultimately, economic growth (Symoniak, 2011; Williamson, 1990). The underlining rationale for this prescription was that competitive exchange rates and currency devaluation rate would make the exports of developing countries relatively cheaper, since they would be selling their exports for a low price in exchange for a higher valued foreign currency (Symoniak, 2011; Williamson, 1990). Over time, the inflow of foreign currency could be used to service structural adjustment loans as well as pay for imports. Furthermore, currency devaluation could also stimulate domestic export industry development and expansion, in that the demand for non-traditional exports would

increase, while the private sector would be inclined to invest in the expansion of export industries to meet the increasing demand (Symoniak, 2011; Williamson, 1990).

In keeping with its neoliberal principles of an 'outward-oriented economy', states were compelled to liberalise imports (Williamson, 1990, p. 14). The underlying reasoning was that the practice of import licensing pursued by developing countries threatened the viability of the export industry, as import licencing drove up the cost of imports, thus undermining the possibility for the manufacturing industry to export goods at competitive prices (Williamson, 1990, p. 14). Therefore, for the export industry to develop sustainably, states should liberalise imports to ensure export industry had access to cheap raw materials input. Outside of driving up the cost of imports, import licencing provided an opportunity for corruption, thereby robbing the state of rent. Alternatively, the Washington Consensus prescribed the use of tariffs which provided dual benefits; on the one hand, the state would be generating much-needed rent for debt servicing, while on the other hand, the state had the chance to lower tariff rates for imports critical to the export industry (Williamson, 1990, p. 14). Finally, as it related to the use of protection for infant industries, the Washington Consensus proved it could be flexible by recommending the use of tariffs protection ranging between 10 and 20% with a limited timeframe. The use of timeframe has been the subject of debate about whether there should be a predetermined timetable (established by the IMF or the WTO regulatory environment) or based on local context (Williamson, 1990, p. 14).

The principles of the Washington Consensus formed the conditionality for the IMF and World Bank's structural adjustment loans. Countries experiencing a balance of payment crisis had to agree to these conditions for a loan (Dell, 1981; Krueger & Rajapatirana, 1999, p.722; Reisman, 1992). Given the nexus between the Washington Consensus and IMF conditionality, it was only natural that the import substitution strategy pursued by Commonwealth Caribbean states would be a point of contention. Commonwealth Caribbean states used protectionist policies such as subsidies, stamp duties, import licensing, foreign exchange and interest rate controls. The point of conflict was that the protectionist policies of import substitution caused anti-export bias which consequently reduced these states' potential to earn foreign exchange. Subject to the conditionality of World Bank and IMF structural adjustment loans, each state had to transition from import substitution to trade liberalisation, that is, reduce anti-export

bias and implement more export-oriented trade policies (Handa & King, 1997, p. 915; Lewis-Bynoe et al., 2002; p.285; World Bank, 1989, pp. 15-22).

In the case of Jamaica, and in accordance with World Bank conditionality, the country agreed to phase out its import restriction list, and in 1983 removed 180 countries from its restriction list (Handa & King, 1997, p. 915). Between 1987 and 1990 the country reduced tariff rates from 50 to 20%, abolished its quota system and stamp duties (Handa & King, 1997, p. 915). In Trinidad and Tobago, the IMF targeted the use of import restriction as the country had a negative list which restricted the importation of 325 items in 1985; this subsequently increased to 430 in 1988. To put things into perspective, import restriction protected 51% of the non-oil manufacturing sector, 40% of agriculture produce and 20 % of production overall (World Bank, 1989, p. 17). In 1989, the country agreed with the IMF to phase out import protection over an agreed timeframe (World Bank, 1989, p. 16). Like the other two countries, Barbados was mandated to eliminate its tariff regime, quantitative restrictions and use of subsidies (Lewis-Bynoe et al., 2002, p.95). All three countries were also mandated to remove export licenses requirements for certain commodities such as sugar, banana, species, petroleum and steel. Moreover, all three countries agreed with the IMF and World Bank to provide manufacturers with unrestricted access to import raw materials at international market price, save for exemptions in the interest of public health or threat to national security (Hoeven et al., 1995, p. 20; IDB, 2006; World Bank, 1989, p.17).

Overall, structural adjustment programs created a paradigm shift in the Caribbean's industrial development. Two decades earlier, Commonwealth Caribbean states were pursuing a strategy of import substitution. Under the IMF's SAPs, these were reversed, with a strict focus on trade liberalisation (Brown, 1981; Elu, 2000; Fontaine, 2005a; Hoeven et al., 1995; Witter & Brown, 2004). Nonetheless, scholars remained divided on the implications of the IMF's structural adjustment programs on Commonwealth Caribbean states. While critics agreed that the IMF's SAPs were necessary to curtail the structural imbalance experienced in the Caribbean, they argued that the execution of these policies, especially trade liberalisation, were implemented within a relatively short space of time (Deep Ford & Rawlins, 2007; Timms, 2008; Weis, 2004). The question then becomes to what extent did the implementation of export-oriented policies result in a dramatic shift in these states' trade development trajectory?

One of the many outcomes of the IFIs' structural adjustment programs is the suppression of each state's political autonomy. Under the structural adjustment programs, states had to relinquish control over interest rate, foreign exchange controls and movement of capital in and out of the country (Bernal, 1984, pp. 53-56; World Bank, 2012). Caribbean economists argued that financial liberalisation would lead to economic stability, although the rapid rate at which it was enforced on Caribbean countries remained contentious (Belford & Greenidge, 2002; Dean, 1998; Howard, 2001). None of the three states were given the opportunity or ability to build up its foreign reserves and maintain macro-economic stability to mitigate the negative effects of capital flight (Belford & Greenidge, 2002; Dean, 1998; Howard, 2001). Best and Levitt (2009) explained that the haste and the top down manner in which structural adjustment programs were applied by the IFIs merited comparisons with these states' colonial past. Best and Levitt (2009, p.34) recalled that during the colonial era, the state was prevented from establishing independence and exerting control over its trade governance. Instead, it was locked into a system of colonial exploitation, and its trade and economic policies were developed externally and designed to satisfy the interest of the metropole (Best & Levitt, 2009; Levitt, 2008). Similarly, the IMF and World structural adjustment policies prohibited the government from exercising control over capital mobilisation:

Because, however, the governments are restricted in their ability to mobilise and re-allocate internal resources they are forced into the only course remaining open to them- external borrowing and concessions even when revenue is plentiful as in conditions of a booming export sector. Thus development programmes aimed at diversification of export and residentiary activity are typically based on traditional reliance on the metropole capital and entrepreneurship. (Best & Levitt, 2009, p. 30)

A counter argument here is that institutions such as the IMF and World Bank can only recommend and enforce at the margins policies that they deem appropriate, but it is the role of states to design their policies (Wade, 2001). However, a comparison of the power balance between the IMF and developing Commonwealth Caribbean SIDS countries reveals the IMF wields greater leverage. Since the IMF has the fund, borrowing countries experiencing trade imbalances find themselves in a precarious position, as without funding from the IMF, there is an increased possibility for economic and political turmoil, increase in unemployment rates, and anti-government

protest. Similarly, the harsh fiscal policies of the IMF could also result in domestic turmoil in the host country. Against this dilemma, borrowing states have limited choices, it is either acceptance of the inflexible conditionality of multilateral financial institutions or deal with the catastrophe of a balance of payment crisis (Haggard, 1985, p. 521). Additionally, scholars explained that it was not in the nature of the IMF and World Bank to exercise sensitivity to developing countries. Stone (2008), Vreeland (2010) and Weaver (2010) explained that the primary aim was the reconstruction of post-war European countries. Over time, the aim of the Bretton Woods institutions changed. Their new mandate was to pry open developing economies to provide markets for developed countries' manufactured exports. Inadvertently, these institutions were used as a medium to legitimately block developing countries from using similar strategies such as quantitative restriction (Stone, 2008; Vreeland, 2010; Weaver, 2008). Moreover, during the Cold War era, these institutions were used as a medium to reinforce the foreign policies of Western countries, particularly that of the hegemon - the United States (Oatley & Yackee, 2004; Stone, 2008; Weaver, 2008). By virtue of their ideology, wealth and power, the IMF would wield immense leverage over borrowing members without question (Dell, 1981; Eurodad, 2006; Haggard, 1985, p. 521; Wade, 2001).

In addition to shaping the political autonomy of these states, the structural adjustment policies of the IMF and World Bank also influenced the trade sectors of each state through their manufacturing services. A post-mortem was conducted to determine whether the adoption of export-oriented policies caused an increase or decrease in the output of value in each sector in the aftermath of structural adjustment loans. The findings revealed that except for Barbados, manufactured exports as a percentage of merchandise exports increased in both Jamaica and Trinidad and Tobago (Figure 3). Though the illustrations in (Figure 4) indicate trade liberalisation caused an increase in manufactured output for Jamaica and Trinidad and Tobago, closer examination revealed that based on percentage annual growth of value-added manufacture, only Trinidad and Tobago experienced increase growth in value-added manufacture post trade liberalisation (Figure 5). Only Trinidad and Tobago experienced a higher annual value-added percentage growth after structural adjustment (Figure 6). Whereas Barbados experienced value-added growth in its service sector, the level of growth did not exceed pre liberalisation years. Because of insufficient data it was impossible to conduct the before and after comparison for Jamaica's service sector.

Only Trinidad and Tobago experienced annual value-added growth in both its manufacturing and service sector, which reinforces the claim by scholars that states could not experience trade competitiveness without the requisite industrial capacity (Gore, 2000; McCleery & De Paolis, 2008; Rodrik, 2008; Stiglitz, 2002, 2008b).

Moreover, as established in Chapter 4, the government of Trinidad and Tobago was able to use the capital from increased oil prices to finance the development of steel, chemical, and baked goods industries. In the case of Jamaica and Barbados, both governments remained dependent on foreign capital and assembly type industries. Currently, there is no evidence to substantiate a state achieving economic efficiency and trade competitiveness without implementing the requisite industrial base established primarily through temporary protection of infant industries, patent protection, subsidies and investment in innovation (Gore, 2000; McCleery & De Paolis, 2008; Rodrik, 2008; Stiglitz, 2002, 2008b). For instance, in developed states such as the United Kingdom, industrial expansion fostered mercantile trade policies designed and implemented by the state (Chang, 2003, 2007, 2008; Lewis, 1950). The United Kingdom only saw it fit to swap protectionist policies for laissez-faire trade policies after their infant industries had reached maturity. Likewise, the United States employed a strategy of infant industry protection, and it was only after achieving industrial development that these protection policies were marginally reduced (Abdelkader et al., 2012; Chang, 2003; Davis, 2008; Melitz, 2005; Zambakari, 2012). Moreover, interventionists argued that East Asian industrial development was fostered by state-sponsored industrial policies (Berhane, 2012; Chang, 2008; Jongwanich, 2007; Stiglitz, 1996; Wade, 1990a, 2004; Wint, 1998; World Bank, 1993). The state was instrumental in providing temporary protection for infant industries; these were gradually removed as domestic industries matured. The state was also instrumental in providing development capital (Berhane, 2012; Chang, 2008; Jongwanich, 2007; Rodriguez & Rodrik, 2001; Rodrik, 2008; Stiglitz, 1996, 2008a, 2008b; Wade, 1990a, 2004; Wint, 1998; World Bank, 1993)

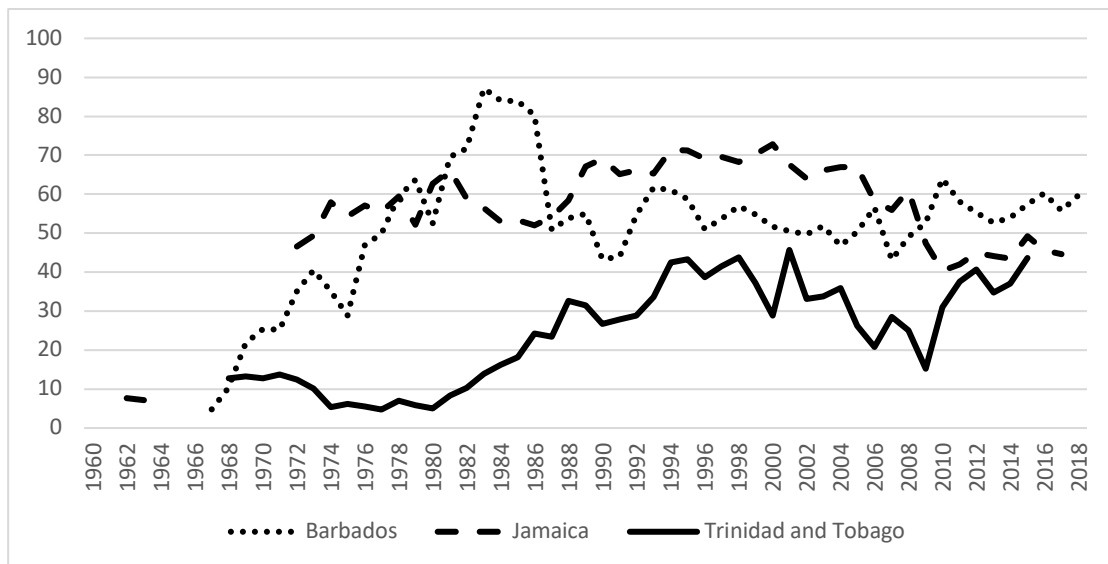


Figure 3: Manufactures exports (% of merchandise exports).

Source: (World Bank, 2019<sup>f</sup>)

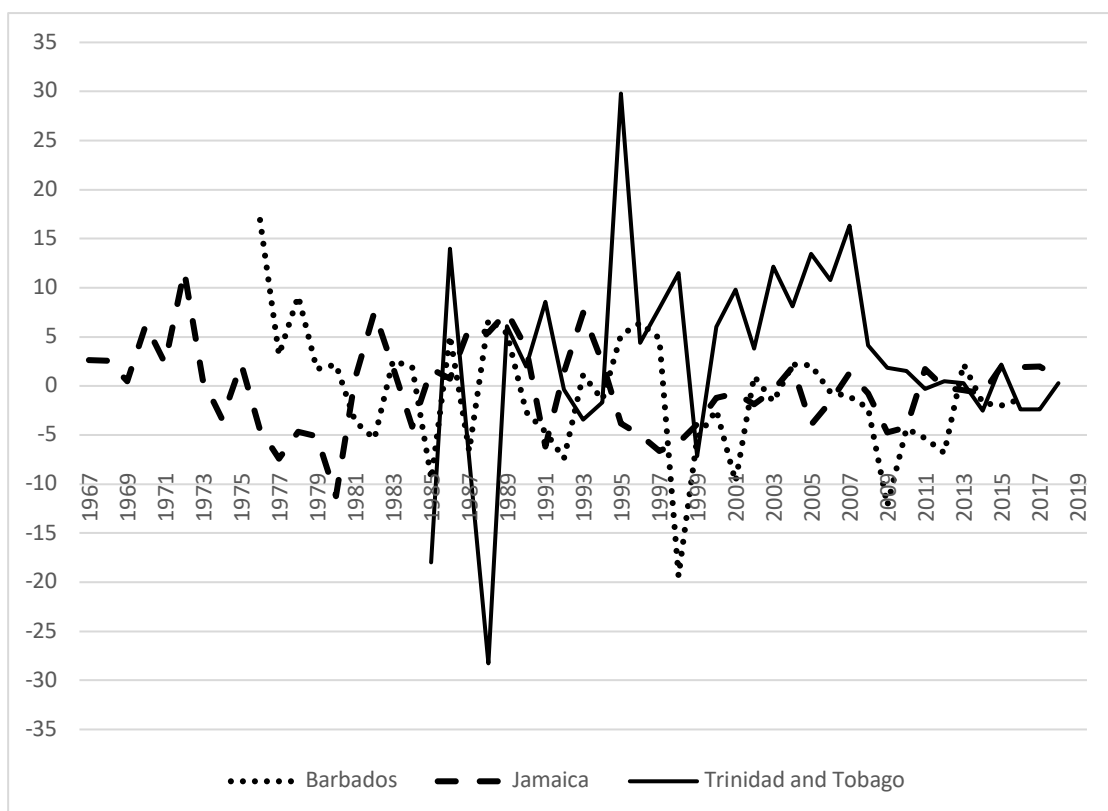


Figure 4: Manufacturing, value-added (annual % growth) - Jamaica, Barbados, Trinidad and Tobago.

Source: (World Bank, 2019<sup>e</sup>)



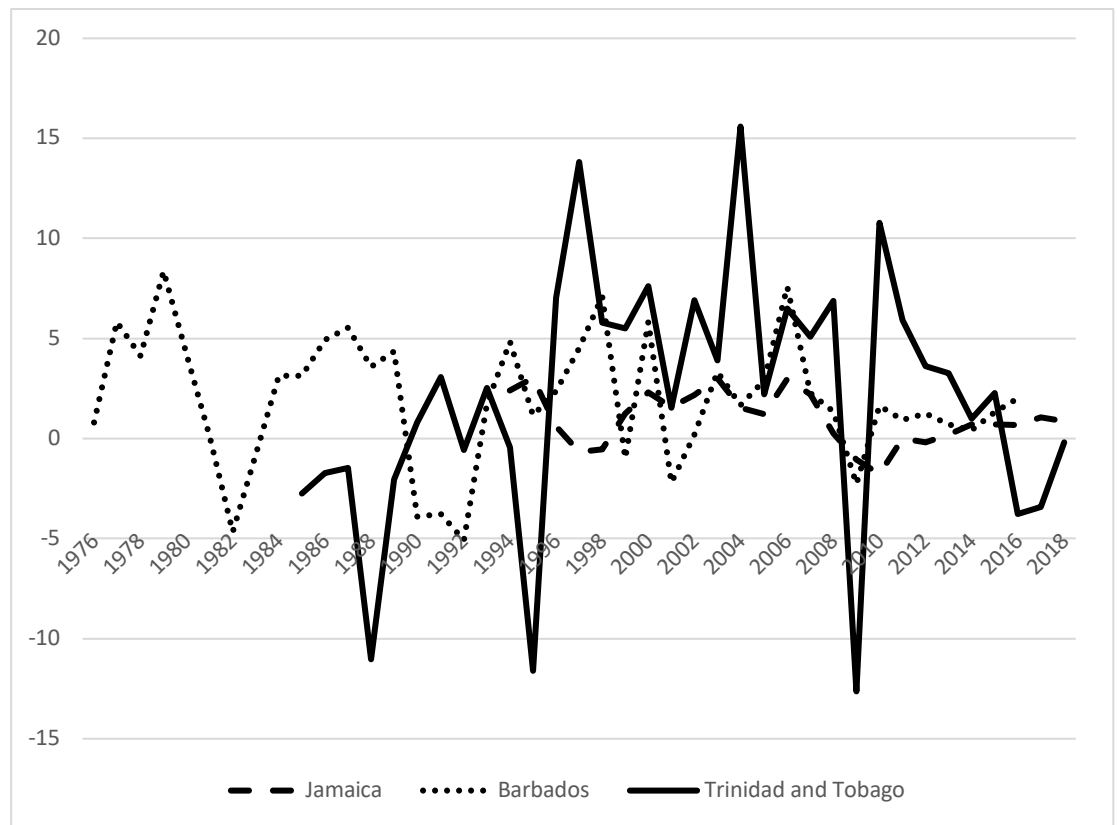


Figure 5: Services, value-added (annual % growth) - Trinidad and Tobago, Jamaica, Barbados.  
Source: (World Bank, 201a)

This section examined the implications of the IMF and World Bank structural adjustment programs on the trade development path of these three states. Except for Trinidad and Tobago, the trade development paths of Barbados and Jamaica continued on an evolutionary trajectory, that is, there was very little difference between their post-independent and colonial trade development. Like colonialism, IFIs significantly undermined the autonomy of all three states to shape their trade development path. First, the structural adjustment programs prescribed by IFIs forced each state to expose their uncompetitive industries to the global market. Second, by forcing loan recipients to liberalise their capital markets, IFIs removed the capital and interest rates from the control of the state. Without political autonomy over monetary, fiscal, and industrial policies, states were not able to fund their entrepreneurs or use capital as leverage for their industrial development.

## **Section II: The 'Enabling Clause' of the GATT, Implications for Commonwealth Caribbean Trade Development.**

This section examines the impact of the General Agreement and Trade and Tariffs (GATT) on these three states' trade development. The main argument is that the exemption provided to Commonwealth Caribbean developing states under the GATT reinforced path dependence on agriculture exports.

The establishment of the GATT in 1948 provided states with a multilateral platform to negotiate the reduction of trade barriers such as tariffs and quotas (WTO, 2019). Based on the GATT's 'most favoured nation' (MFN) principle<sup>4</sup> states are required to treat each other equally, in that, states cannot provide special favours to one trade partner without extending it to another (Gunerwardene, 1991). This principle posed a threat to late-developing states. Without an exemption clause, late-developing states would have to engage in reciprocal trade agreements with developed countries notwithstanding their asymmetrical differences. This was the reality facing Barbados, Jamaica, and Trinidad and Tobago in the aftermath of their dependence in the 1960s. Even more compelling, the GATT granted the United States and other developed countries an indefinite waiver to subsidise agriculture exports and use quantitative restrictions on agriculture imports (Gunewardene, 1991; Scott, 2017; Wells, 1969, p.46).

Member states from developed countries were granted an exemption to subsidise their agriculture industry, but not developing countries (Josling, 1972; Rayner, Ingersent, & Hine, 1993). Small developing states such as Jamaica, Barbados, and Trinidad and Tobago had to contend with the threat of developed countries dumping their subsidised agriculture exports in Commonwealth Caribbean markets. In contrast, Commonwealth Caribbean states could not reciprocate because they did not have the capital nor the legal right to subsidise their agriculture exports. To help developing countries cope with the use of trade subsidies by more developed countries and the reciprocal requirement of the MFN<sup>4</sup> clause, the framers of GATT included a by-clause to the requirements of Article 1 (Jones, 2017; Wells, 1969).

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4 “[paragraphs 2 and 4 of Article III](#), any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties” ( GATT, 1947).

In subsequent rounds of GATT negotiations (Kennedy-1965 and Tokyo Round 1979), the special and different economic position of least developing countries were acknowledged through the provision of temporary and permanent waivers to the requirements of the MFN clause of the GATT (Hoda, 2004; Jones, 2017; Wilkinson & Scott 2008). In 1965, Part IV of the GATT was included as a formal exception clause to the requirements of the MFN clause (Jones, 2017). Part IV required developed countries to forgo the reciprocal requirement of Article 1 of the GATT and provide special and differential treatment to least developed countries in the form of reduction or elimination of tariffs (Gunewardene, 1991; Jones, 2017; Wilkinson & Scott, 2008). In 1971, to ensure consistency in the application of preferences and eliminate ambiguity with the MFN clause, a general list of non-reciprocal and non-discriminatory preferences were formalised. States then drafted a waiver for these General System and Preferences (GSP) giving developed states the right to grant developing countries preferential treatment of their trade for ten years (Hoda, 2004; Jones, 2017). In 1979, as the end of the Tokyo Rounds of Negotiations went another step further, the provision of the “enabling clause” allow developed countries to provide ‘permanent’ exemption to Article 1 of the GATT: “Notwithstanding the provisions of Article I of the General Agreement, contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties” (Article XXXVI, paragraph 8). The extent to which developing countries such as Barbados, Jamaica, and Trinidad and Tobago benefited will be examined below.

The granting of the enabling clause was supposed to be a counterbalancing act to the granting of waivers to developed members. However, it remains unclear whether the terms of the enabling clause were applicable to developing countries like Barbados, Jamaica, and Trinidad and Tobago (Von Tigerstrom, 2005). The enabling clause of the GATT, and later the WTO regime, granted a permanent waiver to the MFN for Least Developed Countries (LDC) because of their limited capacity to trade competitively. However, the reality is that not all developing countries were classified as least developing (Von Tigerstrom, 2005). In the cases of Barbados, Jamaica, and Trinidad and Tobago, these states were developing, not least developed. All three states had moderate human development and high per-capita incomes; consequently, they were considered middle-income countries (Von Tigerstrom, 2005). Notwithstanding this, there is evidence that they have significant internal challenges that inhibit their trade competitiveness. However, they do not benefit from permanent exemption from MFN

or the right to trade anything but arms without quantitative restriction (Von Tigerstrom, 2005). This, therefore, begs the question, to what end did developing states such as Barbados, Jamaica, and Trinidad and Tobago benefit from the GATT's enabling clause?

Although the enabling clause did not provide any significant exemption for developing countries, amidst the trade imbalance and export market uncertainty in the 1970s, these three states benefited from a preferential trade agreement (Laaksonen, Mäki-Fränti, & Virolainen, 2007). The Lomé Convention was signed between the members of the European Community and Africa, Asian and Pacific countries in 1975. This convention was renegotiated and renewed in 1981, 1985, and 1989 (Davenport, Hewitt, & Koning, 1995, p. 9). Under the Lomé agreement, ACP goods benefited from preferential market access, a stabilisation fund, financial and technical aid (Dolan, 1978; Gruhn, 1976; Ravenhill, 1984). Specifically, the Lomé Convention has four protocols, "beef, rum, bananas and sugar" (Grynberg, 1998, p.6). Although this agreement was compatible with the General System and Preferences exemption clause to Article 1 of the GATT and served as a buffer to liberalisation, the extent to which it aided in the transformation of these states' trade development warrants examination.

Despite providing preferential market access, the Lomé Convention did not cause a significant shift in the trade development of Barbados, Jamaica, and Trinidad and Tobago. Instead, it sustained the existing trade development path of these states and reinforced their dependence on raw material exports. As highlighted in Table 15, the Agreement covered raw materials only. This was not sufficient to mitigate the existing vulnerabilities of Commonwealth Caribbean states (Bishop et al., 2013; Clegg, 1997), and to compensate, the European Common Market designed the STABEX (stabilisation of export earnings). The STABEX aimed to guarantee stabilised prices and to prevent economic and political disruptions as a consequence of drastic fluctuations in their export earnings (Ravenhill, 1984). Moreover, these small Commonwealth Caribbean states did not have diversification or the means of providing domestic subsidies likened to the European CAP and the United States domestic subsidy. The STABEX would provide aid where there was a decline in export earnings by allowing domestic authorities to purchase the commodities of their producers for a minimum price (Dolan, 1978; Laaksonen et al., 2007).

Table 15: Top Ten EU Imports from ACP, 1976-87 and 1988-1992

CN code	Products	1976-87		1988-92	
		%	Growth rate	%	Growth rate
2709	Petroleum	37.3	8.5	28.2	12.2
7102	Diamonds	1.6	37.9	6.1	9.1
0901	Coffee	9.7	8.9	5.8	-16.8
1801	Cocoa beans	6.4	10.4	4.7	-2.5
1701	Sugar	2.9	5.3	3.6	4.4
7403	Copper	5.0	-0.1	3.3	-10
4403	Wood	3.0	2.7	3.1	-2.1
8802	Aircraft	0.1	169.1	2.1	2.8
0803	Bananas, plantains	1.6	12.4	2.0	5.4
7601	Aluminium	0.6	26.1	1.8	6.9

Source: Davenport, Hewitt, and Koning (1995, p. 9).

Further examination of the STABEX system revealed it indirectly served the interest of European states more than the ACP states (Asante, 1981). For instance, the price stability mechanism which protected raw material exports against price fluctuations incentivised ACP partners to concentrate on primary raw material exports, and inadvertently this ensured a steady supply of raw materials to the EC (Ravenhill, 1984, 1985, 2004). Second, STABEX coverage was not extended to raw material exports that compete with similar products in European Community members. Special protocols were required for rum, beef, sugar, and bananas (Laaksonen et al., 2007). Third, the STABEX also reinforced the existing international division of labour; that is, developing states would supply the raw materials and EC countries would do the manufacturing and export finished goods to these developing countries. Fourth, the nature of trade between ACP and the European Community resembled the restrictive pattern of trade between metropole and colonies under mercantilism. The STABEX was designed to prevent trade diversion, that is, to prevent ACP member countries trading with countries outside the European Community. Only goods exported from the ACP to European Community qualified for coverage, thus creating dependence on the European market (Ravenhill, 1984, 1985, 2004). Fifth, a product threshold was introduced to minimise demands on the STABEX system. Export coverage was limited

to a selected number of exports, more specifically, only exports accounting for at least 6.5% of export earnings for the previous four years (Ravenhill, 1984, 1985, 2004).

Based on the analysis thus far, it can be argued that the STABEX system undermined Barbados, Jamaica, and Trinidad and Tobago's capacity to improve their trade development. Only products accounting for 6.5% of a country's exports over the previous four years qualified for stabilisation exchange, placing several constraints on the state. First, it prevented trade diversion from the European market. The 6.5 percentage requirement discouraged states from sending their exports to other markets as this would have stretched the distribution of goods over several markets risking the percentage falling below the required target (Ravenhill, 1985, p. 555). Second, the Lomé Convention stipulated that products which had undergone minor processing did not qualify for the ECC market access. This stipulation indirectly forced these states to prioritise raw material over manufactured exports. Even if these states were to engage in manufacturing, their manufactured goods would not benefit from preferential market access and price stabilisation (Ravenhill, 1985, p. 545).

Furthermore, the combination of the commission's discretionary powers, percentage and product threshold criteria, restricted pay-out to a limited percentage of states. For example, between March 1975 and February 1980, no payments were made to the three cases under examination. In the case of Jamaica, banana almost qualified, but it accounted for 4% and not 6.5% of export, thus falling below the threshold (Ravenhill, 1985; p. 555). It was always going to be impossible for payment to be made to Trinidad and Tobago, by virtue of STABEX's qualifying standard of 6.5%, as only petroleum would qualify to transfer export earnings stability. However, petroleum was not on the list of export commodities covered under STABEX, and even if it were, Trinidad and Tobago would still not qualify for a transfer of payments. This was because Trinidad and Tobago was a high-income state and would not be prioritised over poorer countries, that were dependent on a lesser commodity. In the words of Ravenhill (1985):

There is little logical justification for affording the same preferential treatment with respect to the dependency and fluctuation thresholds to a wealthy island state, such as Trinidad and Tobago, and to a least developed, landlocked country such as Upper Volta. Rather than discrimination by level of development, it is the selective product. (p.551)

Another limitation of the Lomé was it had to be renewed every ten years to be considered as a temporary waiver under the General System and Preferences (Laaksonen et al., 2007). Both the ACP and the European Community were eager to renew the agreement each time it expired. Between 1975 and 1989, the agreement was renewed three times, attracting the attention of the United States (Myers, 2004). From as early as the first Lomé agreement, the United States had been contentious towards ACP-EC preferential trade agreements (Myers, 2004). Since the early years of negotiating the GATT, the United States always lobbied for trade liberalisation to which the imperial style ACP-CE agreement served as an impediment (Myers, 2004; Wilkinson, 2018). In fact, in 1972, the United States lodged a complaint to the GATT claiming preferential market access for Caribbean bananas and quota restrictions on its Latin American bananas was in breach of the Most Favoured Nation clause (Myers, 2004). Eventually, the United States was able to diplomatically resolve this dispute with the EC. However, as Myers (2004) puts it, “this was the omen of things to come” (p. 32).

In January 1995, a group of Latin American Banana Producers, Chiquita bananas, petitioned the United States government to file a claim with the WTO's Dispute Settlement Body against the European Union to provide preferential market access for ACP bananas (Myers, 2004). The WTO's Dispute Settlement Body ruled in favour of the United States, stating that preferential access was contravening the principle of free-market liberalisation (Bishop et al., 2013; Clegg, 1997, 2008; Myers, 2004; Von Tigerstrom, 2005). For years the European Community had provided preferential market access to Caribbean bananas yet while Latin American produced bananas had market access to the European Community, they were subjected to quota restrictions to protect ACP members. Latin American counterparts complained that this was unfair since American-produced bananas were cheaper and more efficiently produced with the capacity to consistently meet their quota supply (Clegg, 1997; Myers, 2004; Von Tigerstrom, 2005). This claim was supported by Germany as at least one European community member state which had long complained that the ACP bananas were more expensive and inefficiently produced. Also, despite having preferential quotas, they were never able to fill them (Clegg, 1997). Moreover, Bishop et al. (2013) noted that the EU in its ‘Green Paper on Relations between the European Union and the ACP countries’ admitted that:

Despite 25 years of trade preferences and generous aid provision, Lomé had signally failed to promote export growth or diversification. Needless to say, quite the reverse had occurred: between 1976 and 1994, ACP exports to the EU as a proportion of the total shrank from 6.7 to 3.4 per cent. (p. 11)

Additionally, between the late 1980s and early 1990s, several new members joined the EU. The implications were that Spain and Portugal did not have the same affinity towards their former colonies as France and the UK. Admittedly, Spain was more sympathetic towards the concerns for the Latin American banana producers while Nordic countries either had little interest in exporting or importing for the Caribbean. The Nordic EU members indicated a preference for development-based trade that would deliver export growth and diversification rather than preferential trade based on colonial ties (Bishop et al., 2013; Ravenhill, 2004).

The WTO's ruling was indeed consequential as the United States argued not for preferential trade, but the opening of European Union markets to other countries. The EU preferences system since 1975 had provided preferential market access; however, this was exclusive to only ACP countries. The US victory in the dispute settlement forced open the EU markets. The Dispute Settlement Body (DSB) ruling undermined the original intent of the General System of Preferences (GPS) which was designed to protect export growth from developing countries (Myers, 2004). Over the years, the exclusive protection afforded by the Lomé Convention shielded Caribbean exports from more efficient competition (Von Tigerstrom, 2005). United States backing of Latin American banana producers meant these countries benefited from subsidies, had more efficiently produced products, and overall were more competitive than their Caribbean counterparts.

The WTO ruling had several consequences for the Caribbean and multilateral trade overall. First, the ruling signaled an intent that it was different from its predecessor, the GATT. Whereas the GATT facilitated special and differential trade, the WTO was determined to fulfil its mandate of reciprocal trade agreements. The Dispute Settlement Body ruling reflected the fulfilment of the WTO's mandate. For years non-reciprocal trade was used by the quad (United States, EU, Canada and Japan) to compensate developing states for excluding agriculture for successive rounds of GATT negotiations (Baldwin, 2016). With the threat of preferential trade erosion, the lingering question was also how Caribbean small states would function in the absence



of EU trade preferences? In light of this, the EU and the Commonwealth Caribbean states agreed to renegotiate a new trade deal based on the principle of reciprocity. There would be no further extension of Lomé; as such, the Cotonou agreement would serve as a buffer until the EU-Caribbean negotiated an Economic Partnership Agreement in 2008 (Bernal, 2013).

The WTO ruling dealt a severe economic blow to the agriculture industry, which depended on preferential market access. It forced developing states such as Barbados, Jamaica, and Trinidad and Tobago to face the harsh reality that reciprocal trade was inevitable (Bernal, 2013). In the absence of trade preferences, Barbados sugar would have to compete with more efficiently produced sugar in the European Union market. In 2008, the government of Barbados announced it would be reducing its sugar exports to the European Union (Government of Barbados, 2008). Like Barbados, Jamaica's sugar and banana exports benefited from preferential market access. Notwithstanding, as highlighted in Table 16, sugar exports in the WTO context, sugar exports declined gradually, particularly for Jamaica and Trinidad and Tobago. In 2008, Jamaica ceased banana exports to the United Kingdom, in the absence of the banana protocol, Jamaica's banana could not compete with more efficiently produced bananas entering the United Kingdom. In the case of Trinidad and Tobago, there were no reports of a decline in agriculture exports. This was because of the three countries, Trinidad and Tobago was the least dependent on its agriculture industry. What this tells us, is that the end of the Lomé Convention was more consequential for Jamaica and Barbados than Trinidad and Tobago.

Table 16: Sugar Exports to the EU-28 Member States 2000-2018

Year	Jamaica Weight in KG	Barbados Weight in KG	Trinidad and Tobago Weight in KG
2000	7,611,700	6,759,700	176,500
2001	8,045,800	6,815,500	345,000
2002	3,778,100	6,550,441	70,400
2003	3,043,199	9,147,800	200
2004	539,000	7,888,900	1,174,200
2005	361,800	8,542,000	508,487
2006	183,000	6,975,000	563,100
2007	297	5,929,000	3,330
2008	974	2,473,500	4,784
2009	24,329	3,067,253	233
2010	473,927	5,076,962	330
2011	1,535	5,264,647	
2012	1,581	2,409,252	521
2013	577	5,601,935	11,664
2014	356	5,257,052	132
2015	442	4,828,244	2,387
2016	664	4,363,636	180
2017	623	3,406,466	20
2018	7,701	4,239,533	4,414

Source: UN Comtrade Database (2019).

### Post-WTO-era: Preparing for Non-Reciprocal Trade

The signing of an Economic Partnership Agreement (EPA) in 2008 between the EU and CARIFORUM states signaled the gradual phasing out of preferential trade agreements. Unlike the Lomé agreements which had been criticised as constraining the capacity of developing states and fostering a dependence on raw material production, the EPA made provision for trade in goods, services, fisheries and investment. Moreover, there was no need for renewal every four years as the EPA was WTO compatible (Bernal, 2011, pp. 239-257).

Arguably, the EPA served as an escape hatch for states to garner a fresh start and develop their capacity to trade competitively. The EPA by design had considered the adverse developing nature of these smaller states. For instance, the EPA facilitated immediate market access for CARIFORUM member states' goods, while

CARIFORUM member states were required to liberalise up to 83% of their markets over 15 years (Bernal, 2011, pp. 239-257). This period provided a window of opportunity for CARIFORUM states to develop their trade capacity to compete with more developed states. Unlike the STABEX system under Lomé, the European Union had committed preferential loan funding through the European Investment Bank (EIB) (Babarinde & Faber, 2007). This fund aimed to grant CARIFORUM member states access to development funding to improve their capacity. This development fund undoubtedly shifted the balance of trade developmental autonomy back in the power of the state. Under the STABEX system, the EU previously dictated what goods qualified for protection; the insurance scheme targeted agriculture goods and to an extent minerals (SYSMIN) which still qualified as raw material (Babarinde & Faber, 2007). Moreover, it is noteworthy that these insurance schemes were restricted to goods entering the EU markets. CARIFORUM states accessing EIB funds under the EPA were at liberty to fund their private sectors irrespective of the destination of these prospective exports (Babarinde & Faber, 2007).

Undoubtedly, the EPA qualified as a critical moment in Commonwealth Caribbean trade history. However, instead of gravitating towards the EPA and seizing the moment, there has been disagreement over the EPA (Bernal, 2013). Several Caribbean political economists engaged in scare tactics before and after the agreement was signed (Byron & Lewis, 2007; Girvan, 2008; Hinkson, 2008; Myers, 2008; Thorburn, Rapley, King, & Campbell, 2010). The underlying claim then and now was that the small developing states of CARIFORUM did not have the capacity to compete. Other arguments included the loss of import duties; fear of premature import liberalisation; the loss of customs duties, which was a significant revenue stream for CARIFORUM member states; and lastly, the dislocation of CARIFORUM economies which did not have economies of scale (Bernal, 2011, pp. 239-259). Some also claimed that because European countries colonised CARIFORUM members, they were morally obligated to provide preferential access or guarantee that their goods would not flood Caribbean markets (Bernal, 2011, pp. 239-259). These criticisms and concerns were undoubtedly legitimate, however, the harsh reality is that the rules of global trade were inconsiderate. Commonwealth Caribbean states were now at a juncture where they could either seize the opportunity and collect their nuts or go hungry in winter. This perception is based on sound reasoning. European markets were becoming more and more liberalised (Babarinde & Faber, 2007; Government of Barbados, 2008;

Government of Jamaica, 2017). Moreover, the collapse of the WTO rounds on agriculture liberalisation pointed to the reality that it was in the interest of these small states to develop their capacity or remain on the same trade development path.

The ruling of the WTO's Dispute Resolution Body highlighted the need for trade reciprocity in the post-WTO era. Barbados, Jamaica, and Trinidad and Tobago were therefore compelled to improve their trade capacity. However, as established in Chapter 2, there were concerns as well as prescriptions on the role states could play to improve their capacity. The next chapter analyses the specific differences in the strategies used by each state to improve their trade development.

## **Conclusion**

This chapter examined the impact of multilateral trade rules and policies on the evolution of Barbados, Jamaica, and Trinidad and Tobago's trade development path. The findings reveal that the structural adjustment trade policies of the IMF and World Bank were externally designed and implemented top down which hindered the autonomy of each state to govern their industrial policy. Similarly, the GATT prohibited these late-developing states from subsidising agriculture exports and using quantitative restriction on agriculture imports. Furthermore, even though the enabling clause afforded these states the benefits of preferential trade with more developed countries, as exemplified by the Lomé Convention, developed countries wielded greater leverage in negotiating terms and conditions. These terms were usually skewed in the interest of the developed state, as in the case of the Lomé Convention. Where there was no provision for value-added exports, since all incentives were geared towards raw material exports such as agriculture and minerals. Like colonialism, the Lomé Convention reinforced Barbados and Jamaica's dependence on preferential market access for their raw material exports.

Although all three countries replaced import substitution with export-oriented trade policies under the IMF and World Bank structural adjustment programs, only Trinidad and Tobago recorded significant value-added growth in its service and manufacturing sectors. Since Barbados and Jamaica did not record significant growth in their value-added output, it underscored the difference in the capacities of these countries to adapt to the exogenous policies of multilateral financial institutions. It is clear the endogenous policies of Trinidad and Tobago were more effective in mitigating

the impact of trade openness. Indeed, as highlighted in the previous chapter, the 1970s oil crisis provided the government of Trinidad and Tobago with much needed development capital. The Eric Williams led government use this capital to reduce its dependence on foreign capital, financed industrial expansion, served as leverage to renegotiate foreign direct investment. It is therefore not surprising Trinidad and Tobago export sectors are more competitive.

Thus far this thesis has covered the trade development path of Barbados, Jamaica, and Trinidad and Tobago's trade development path from the point of colonial rule to the WTO context. In the WTO context, the Commonwealth trade development path is now at a critical stage. For centuries, their trade development path has not evolved beyond dependence on the raw material-based trade sector and preferential market access for their exports. Within the 21st century, preferences for their exports have gradually reduced, particularly in European markets. These states are faced with the challenge of improving their non-traditional export sectors, to experience a critical juncture in their trade development path. The next chapter examines the extent to which these states have the policy space and the autonomy to change the trajectory of their trade development path.

## **CHAPTER 6**

### **THE ROLE OF FORMATIVE MOMENTS: CONTEMPORARY TRADE DEVELOPMENT OF BARBADOS, JAMAICA, AND TRINIDAD AND TOBAGO**

Chapters 3, 4 and 5 provided a historical analysis of the formative moments which shaped the trade development path of Barbados, Jamaica, and Trinidad and Tobago. An examination of the endogenous strategies employed by each state to mitigate the 21st century exogenous threats to trade development is the next step in the analysis. The empirical analysis in this chapter will provide answers to one of the main research questions in this thesis, namely, how have the differences in the trade development path influenced the contemporary trade capacity of Barbados, Jamaica, and Trinidad and Tobago? This chapter aims to build upon the historical analysis by using the literature, historical, and primary data to comparatively analyse the link between formative moments and contemporary trade development outcomes across the three cases. The focus is on the differences in trade development across the case studies, differences in capacity of each state to act ex-post. This chapter also seeks to address two arguments: 1) while there continues to be similarities between both economies, there are subtle but important differences in these states' capacity to act ex-post; 2) these differences are caused by formative moments.

The first section examines the differences in the trade performances in the WTO context. It comparatively analyses the WTO reports of each state to determine how erosion of trade preferences affects the different trade sectors in Barbados, Jamaica, and Trinidad and Tobago. This section will also explore the link between formative moments and the contemporary vulnerability of states to trade preference erosion. The second section explores the strategies used by each state to mitigate the impact of exogenous factors in the 21st century. It examines how trade policy formulation takes place in each state; the role of the state in risk socialisation and policy formulation; and the level of cooperation between the state and private sector. Section II also comparatively analyses the capacity of each state to act ex-post in their cooperation with the private sector. More specifically, the section examines whether the state has the political autonomy to hold beneficiaries of its development capital accountable; to determine how beneficiaries of state rent are monitored and evaluated; and determine

whether the capacity of states to shape their trade policy is determined by formative moments.

### **Section I: The Impact of Formative Moments on the Contemporary Trade Performance of Jamaica, Barbados and Jamaica**

As established in Chapter 2, the formalisation of the WTO has had several implications for the Commonwealth Caribbean trade development landscape (Clegg, 1997; Lindsay, 2012; Mayer, 2009; Wade, 2003; Yeung, 2016). Notwithstanding the newly emerged multilateral trade rules, there was an abundance of literature explaining how late-developing states could improve their trade competitiveness without violating the WTO's constitution (Amsden 1999, p. 3; Evans, 2000, p.6; Weiss, 2005, p. 733; Weiss, 2010, p.9). One of the major critiques of these literatures is that they treated late-developing states as uniform. In Chapter 2 it was also argued that whereas the policy prescriptions of Caribbean political economists were cogent, economists used a one-size-fits-all approach which undermined their immediate application to each state (Bernal, 1996, pp. 7-14; 2013, p. 4431; Lindsay, 2012, pp. 5-6; Payne, 2009, p. 145; Payne & Sutton, 2007). Thus far Chapters 3 to 5 have provided evidence to confirm that Commonwealth Caribbean states share many similarities even though their respective trade development paths evolved on a different continuum. The next step is to examine how the difference in the evolution of each trade development path affects their contemporary trade development. Before establishing the link between the formative moments and contemporary outcome, it is necessary to understand the issue of 'causality' when using the historical institutionalism framework.

One of the possible criticisms of historical institutionalism is that this framework assumes causation between outcomes and formative moments. This critique becomes pertinent in this thesis as one of the objectives of this study is to analyse the implications of formative moments on the contemporary capacity of each state. Scholars using historical institutionalism have used the principle of causation to explain state development. In order to establish causation, emphasis is placed on how institutions create paths (Hall & Taylor, 1996). The rationale for emphasising institutions' creation of paths is because the evolution of institutions is path dependent,

and all paths have “formative moment (s)”; these formative moments are critical in the shaping of the state’s development trajectory. While the historical institutionalism framework does not provide a tangible causal link between formative moments and contemporary moment, it provides rich historical accounts, and tries to identify the implications of these historical occurrences on contemporary outcomes. This attempt to link exogenous and endogenous factors from the past to contemporary outcomes in each state is legitimate, as Kurtz (2013) contends that “once a trajectory is laid in, it can be decidedly difficult to change long term outcomes” (Kurtz, 2013, p. 231). Moreover, Mahoney, Mohamedali and Nguyen, (2016, p.103) explain that “causal conditions are located at multiple points in time”, and ‘that adequate explanation requires taking seriously the unfolding of causal processes over time’. The historical institutionalism framework will be instrumental in identifying the lasting impacts of exogenous (colonialism, multinational corporations and multilateralism) and endogenous (state policies) factors on each state’s contemporary capacity (Hall & Taylor, 1996, p. 9). The principle of linking past events to the present (causation) will be used as a point of reference, to demonstrate how the formative years have shaped the present reality of states. This will be achieved by analysing the reports submitted by each country to the WTO between 1998 and 2017, as well as statistics from trade databases such as UN Comtrade and World Integrated Trade System (WITS). The juxtaposition of WTO reports and trade statistics provide an overview of their trade capacity in the WTO context.

Between 1998 and 2017 Barbados, Jamaica, and Trinidad and Tobago submitted at least three reports each to the WTO. These reports provided an overview of each country’s performance, the dominant sectors and the major issues undermining trade performance (Government of Barbados, 2002, 2008, 2014; Government of Jamaica, 1999, 2005, 2017; Government of Trinidad & Tobago, 1999, 2005, 2012). A comparative document analysis revealed, “trade preferences” as a major theme in each report. This is of significance, as trade preferences have been instrumental in buttressing the export sector(s) of each state. The different reports outline that Barbados, Jamaica and Trinidad Tobago were covered by four main preferential trade agreements: the Caribbean Basin Initiative (CBI), Caribbean-Canada (CARIBCAN) partnership agreement and the Lomé Convention.

The 1983 Caribbean Basin Trade Partnership Agreement (CBTPA) signed between the United States and countries of the Caribbean Basin (including Barbados,



Jamaica, and Trinidad and Tobago) granted duty free market access for Caribbean exports, provided that at least 35 percent of value-added production took place in a member country (Palmer, 2016; Rendell, 1987). Under this agreement, the three cases in this thesis were able to establish the non-traditional export sector, namely textile and electronics industries (Government of Trinidad & Tobago, 1998; Looney, 2019; Potoker & Borgman, 2007). In addition to the CBTPTA, Barbados, Jamaica, and Trinidad and Tobago also benefited from preferential market access under the Caribbean-Canada (CARIBCAN) trade partnership agreement. The 1986 CARIBCAN agreement granted duty free access for Caribbean exports (excluding textiles, handbags and menthol) under the condition that at least 60% of the goods originated from a member state (Looney, 2019). As explained in Chapter 4, the Lomé Convention provided preferential market access for banana, rum, sugar and minerals to the European Union between 1975 and 2000.

After 1994 these major preferences eroded in the WTO-context, either because of rulings by the WTO's Dispute Resolution Body or because of the unilateral action of developed member states. In 1994, the United States, Canada and Mexico formed the North American Free Trade Agreement, and as a consequence, the duty-free market access previously granted under the Caribbean Basin Trade Partnership (CBTPA 1983) was shifted from Caribbean members to Mexico (Matibag, 2012; O'Neal, 1994). Caribbean states applied for 'NAFTA parity', that is, for a continuation of the preferential market access afforded to Mexico, which was denied by the United States up until 2000 (Matibag, 2012). In the case of the Lomé Convention, the 1995 ruling by the Dispute Resolution Body compelled the European Union to apply for a WTO waiver in the form of the Cotonou Agreement while members negotiated the reciprocal trade agreement- the Economic Partnership Agreement in 2008. The CARIBCAN agreement expired in 2007 and the Canadian government applied for a WTO waiver which expired in 2011. Since then, efforts to negotiate a reciprocal trade agreement have been stalled.

The erosion of trade preferences undoubtedly had a detrimental impact on the non-traditional and traditional trade sector in the respective countries. For the non-traditional sector, the textile industry was the most adversely affected by the erosion of the CBTPA preferential tariff. In the immediate aftermath of NAFTA, export revenues declined drastically. As highlighted in Figure 6, the textile industry was a major foreign exchange earner for Jamaica in particular, however the foreign exchange earned from

the sector decreased from a high of USD250,000 to a low of USD3,000. Despite receiving NAFTA parity in 2000, years later the textile industry is yet to recover in all three countries (Government of Barbados, 2014; Government of Jamaica, 2017; Government of Trinidad & Tobago, 2012). Moreover, in 2000, the WTO's Dispute Settlement Body ruled that the tax exemption granted to the financial sector was illegal, leading to a near-immediate collapse of this component of the service sector. The accumulation of the different threats to the respective industries rendered the exports of Barbados goods and services "comparatively uncompetitive" (Government of Barbados, 2002, p. 6).

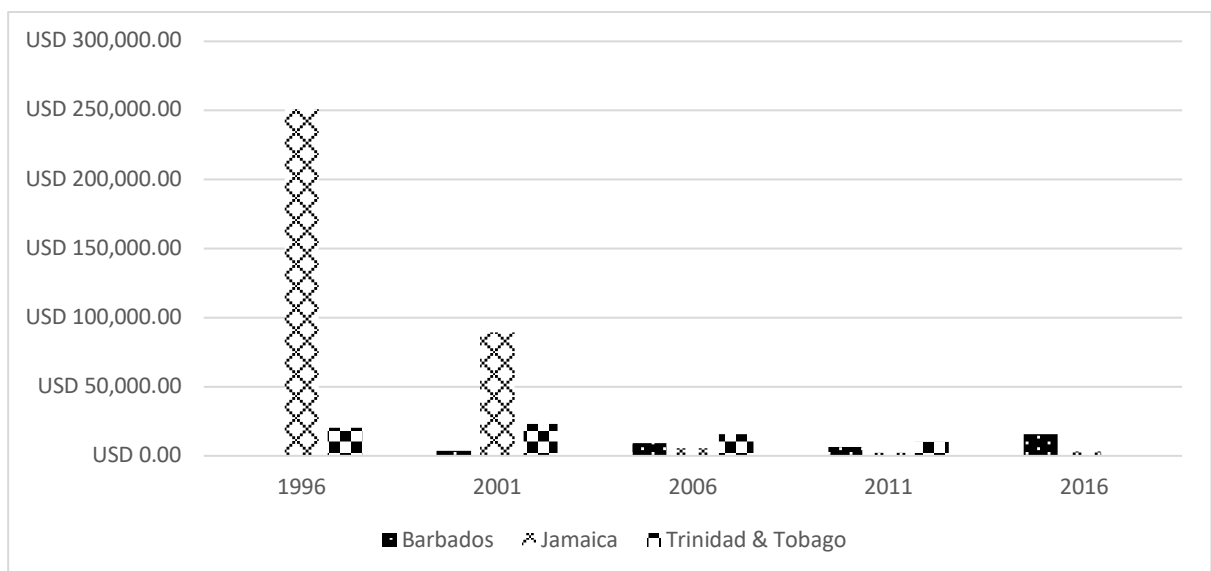


Figure 6: Foreign Exchange Earnings by the Textile Industry in Barbados, Jamaica, and Trinidad and Tobago in a Decade.

Source: Data compiled from World Integrated Trade Systems (WITS, 2020a-l)

A comparative analysis of the trade sectors in each state shows that the reduction in trade preferences had a greater impact on the sectors in Barbados and Jamaica than in Trinidad and Tobago. Table 17 highlights the reduction of preferences against the percentage contribution of traditional and non-traditional sectors such as agriculture, industry and manufacture contracted in both Barbados and Jamaica. Moreover, it is also noticed that the reduction in preferences caused both Barbados and Jamaica to shift dependence from agriculture to the services sector, which is comprised of two sub sectors - tourism and offshore banking. In comparison, industry and services

in Trinidad and Tobago proved to be more competitive considering the erosion of trade preferences. The percentage contribution of the industrial sector remains unchanged before and after the erosion of trade preferences. Moreover, of the three countries, Trinidad and Tobago was the least dependent on its services sector.

Table 17: Comparative Analysis of the Main Industries' Percentage Contribution to GDP, before and after Trade Preferences

Country	Sector	Pre-1995	1996-2018
Barbados	Services	65	72
Jamaica		58	64
Trinidad and Tobago		51	50
Barbados	Industry	18	15
Jamaica		28	21
Trinidad and Tobago		48	48
Barbados	Manufacturing	9	7
Jamaica		13	9
Trinidad and Tobago		-	16
Barbados	Agriculture	6	2
Jamaica		8	6
Trinidad and Tobago		4	1

-no data

Source: World Bank. (2019a, 2019b, 2019c, 2019d, 2019e, 2019f).

The difference in the capacity of each state to adjust to the erosion of preferences reinforces the main argument of this thesis. However, the extent to which this difference can be attributed to formative moments along its trade development path is debatable. One strong reason Trinidad and Tobago's industry remains competitive is because the main commodity produced by its industrial sector is petroleum. Comparatively, petroleum has attracted a greater global demand at more lucrative prices than the two major exports of the industries of Jamaica and Barbados, i.e.,

bauxite and chemicals, respectively. It could be argued that the resilience of Trinidad and Tobago's industrial sector has more to do with the country possessing a lucrative natural resource and less to do with strategies implemented by the state to improve the resilience of its industry (Tanya, 2015). Notwithstanding the position of oil reserves, the government played an active role in shaping its trade development path. As outlined in Chapter 4, the Eric Williams government of Trinidad and Tobago capitalised on the exponential increase in oil prices. The accumulation of oil wealth, in addition to Williams' astute leadership, was critical in the transformation of Trinidad and Tobago's export capacity. The accumulated oil wealth was used to fund: the expansion of its manufacturing industry to include new manufacturing sectors such as steel and petrochemicals; the development and expansion of an indigenous class of entrepreneur to complement foreign investors who were previously less inclined to fund the government's development plans (Henry, 1997, pp. 838-39; Sebastien, 1985, pp.115-16; Tanya, 2015). Therefore, it is not coincidental that Trinidad and Tobago's trade development is the strongest of the three cases, as the country continues to report annual trade surpluses (Government of Trinidad & Tobago, 1999, 2005, 2012).

Whereas Trinidad and Tobago experienced a transformational shift in its trade development path in the 1970s, the trade development path of Barbados and Jamaica continued along an evolutionary development trajectory. This included a dependence on foreign capital which undermined their political autonomy to shape their trade development path, and dependence on preferential trade and raw material exports.

The main sectors in these states were dependent on preferential trade to remain competitive in the 21st century, which also reinforces the second argument of this thesis; that the contemporary capacity of states is shaped by formative moments. The dependence of these states on preferential trade for competitiveness is a fundamental issue that precedes 21st century Commonwealth Caribbean states development. Dependence on trade preferences can be traced to each state's colonial past. As discussed in Chapter 3, all three states were prohibited from creating a manufacturing sector under colonial rule. Instead, they were forced to cultivate raw materials which were primarily agriculture produced for export. Colonial markets were reserved for the importation of manufactured goods from Great Britain, while the British market was reserved for colonial raw material exports (Best, 1968, pp. 283-290; Green, 1992; Levitt & Best, 1969, pp. 16-17; Lewis, 1967; Nettels, 1952, pp. 105-113; Sudama, 1979, p. 66). Over time, the colonies became dependent on preferential market access to the

British market. The prohibition of manufacturing and preferential trade dependence rendered the economy of the colonial state as well as its exports uncompetitive. In the event preferences were removed from the colonial state, there was a strong possibility its agriculture industry would have collapsed. This was the case when the British Sugar Act of 1846 sanctioned the removal of import duty protection for British West Indian sugar. By 1854, British West Indian sugar production declined drastically, as planters could not compete with the more efficiently produced sugar entering the liberalised British Market (Lobdell, 1972; Riviere, 1972; Schuyler, 1918; Wade, 1990b).

In 1951, the West Indian Sugar industry was resuscitated by the Commonwealth Sugar Agreement, which provided preferential market access to sugar exports from the Commonwealth. The British Sugar Act of 1846, the Commonwealth Sugar Agreement of 1951, and the Banana and Citrus agreement in 1955, highlighted the strong relationship between trade preferences and the competitiveness of Commonwealth Caribbean states. This causal relationship is further confirmed by the Lomé preferential trade agreement and the 1995 ruling by the WTO's Dispute Settlement Body.

In 1975, Barbados, Jamaica, and Trinidad and Tobago were included in the group of ACP countries that signed a preferential trade agreement with the European Community. The Lomé agreement did not prohibit manufacturing, but preferences and stabilisation of exchange were applied to agriculture and mineral raw material exports. Like colonialism, the Lomé agreement reinforced dependence on preferences for export competitiveness. Similar to the Sugar Act of 1846, the 1995 ruling by the WTO's Dispute Settlement Body caused the European Union to phase out sugar and banana preferences (Bishop et al., 2013; Clegg, 1997, 2008; Kufuor, 1997; Lanoszka, 2001; Myers, 2004; Von Tigerstrom, 2005). Consequently, the removal of trade preferences caused the decline of the sugar and banana sectors in both Jamaica and Barbados.

In the case of Barbados, exportation of raw sugar had ceased, and attention focused on diversifying sugar cane products (Government of Barbados, 2008, p. 5). The main reason Barbados dismantled its sugar industry was because sugar was no longer competitive, and sugar preferences had decreased in the EU market. The EU, which had traditionally consumed the overwhelming majority of its sugar exports, eliminated preferences for Caribbean sugar and liberalised its market (Busse & Jerosch, 2006). Consequently, the Barbados sugar industry, which relied on preferences over the years, was now forced to compete with more efficiently produced sugar in the European market (Government of Barbados, 2008, p. 5).

In its 2017 WTO, Jamaica reported that it had stopped exporting bananas to the United Kingdom because of the liberalisation of the UK market (Government of Jamaica, 2017). In the absence of preferences, Jamaican banana producers were unable to compete with the more efficiently produced EU bananas. Jamaica's textile industry which was initiated and fostered by preferential trade under the CBI suffered the same fate as sugar and bananas. However, the sector collapsed when these preferences were withdrawn, and production shifted to Mexico. Despite Jamaica's constant lobbying for NAFTA parity in the immediate aftermath of NAFTA, this was not granted until 2000 after the collapse of the textile industry (Government of Jamaica, 1999, p. 7; Vincent-Mark, 2001).

The analysis of the contemporary trade performance of these states confirmed that Barbados and Jamaica's trade trajectory remains evolutionary. The lack of diversification in the economies of Barbados and Jamaica, years of subjugation to colonialism, and forced liberalisation further reduced chances of their trade development path to move much beyond their point of origin. To break this cycle, both Barbados and Jamaica will have to undertake the burden of developing a non-traditional export sector. Export diversification seems to be the only means through which their trade and development path can be shifted from being primarily evolutionary to transformative (Government of Jamaica, 2017). The next section examines the role of the state in implementing strategies to mitigate the external influences and increase trade competitiveness. This will shift the discussion from the link between formative moments and contemporary trade development to examine whether there are differences in the contemporary capacity of each state to improve their trade development.

## **Section II: 21st Century Trade Governance: Similarities and Differences**

The previous section discussed the erosion of trade preferences in the WTO context and the corresponding weak trade development, especially in the cases of Barbados and Jamaica. In this section, the triangulation of interviews, literature review, and policy documents provide insight into the strategies used by each state in the 21st century to mitigate challenges of trade preference erosion, restrictive multilateral trade rules, and the historical legacies of colonialism. The analysed data revealed that these states shared a number of similarities in their contemporary trade governance structure,

although there were also fundamental differences. This was because the contemporary capacity of each state to act ex-ante and ex-post were deeply rooted in the historical legacies of their trade development trajectories. Before discussing their uniqueness however, it is important to examine their similarities within the structure of trade governance.

At first glance, a comparison of the trade governance structure of each state looked identical (see Figure 7), including trade policy formulation and execution. The responsibility for formulating trade policies usually resides with Government ministries (Ministry of Commerce Industry and commerce, Ministry of Foreign Affairs and Trade and Ministry of Agriculture). These policies are usually executed by quasi-independent government state agencies. The Barbados Investment and Development Corporation (BIDC) oversees export promotion, while the Central Bank of Barbados is responsible for capital provision through its Export Credit Insurance Scheme. In Jamaica, JAMPRO serves as the export promotion arm of the state, while the Export-Import (EXIM) bank Development Bank of Jamaica are responsible for the provision of capital to trade development. Similarly, in Trinidad and Tobago, ExportTT is responsible for export promotion, while the EXIM bank is responsible for capital provision and development expansion. In all three states, the private sector cooperates with quasi state agencies to increase export competitiveness. The extent of these similarities is examined on a case by case basis below.

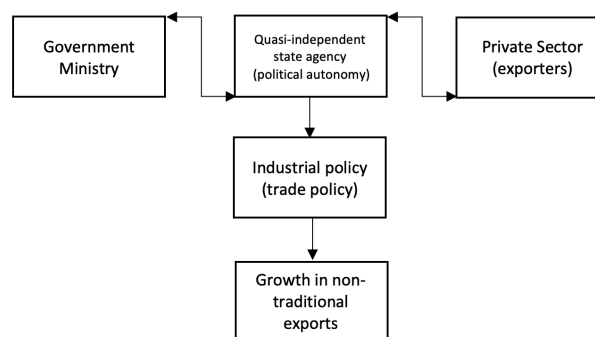


Figure 7: Conceptual overview of trade governance in Barbados, Jamaica and Trinidad and Tobago.

The interviews and trade policy analysis revealed all three states played an instrumental role in its 21st century trade development through risk socialisation, development capital provision, product development, export credit insurance, and

export promotions. Within the Jamaican context, there is evidence the state is trying to act ex-ante through risk socialisation. Prior to 2013, efforts by exporters to increase their trade competitiveness was severely restricted by a lack of capital. As explained by a senior Jamaican government trade policy advisor, capital provision to the export sector is regarded as high risk. Stakeholders looking to transition from the agriculture sector to the agro-processing industry are exposed to the challenges of perennial hurricanes, droughts and praedial larceny. Given the high-risk nature of this sector, it ranks very low on the list of priority areas targeted for financing by local financial institutions. Local exporters are therefore burdened with the task of sourcing: initial capital for plant; technology; machinery; and technical expertise to make the transition (*Expert H*).

Another senior policy advisor in the Jamaican government indicated that between 1998 and 2012, the few instances where investment capital was made available by the government or local financial institution to emerging exporters, the latter was responsible for providing their collateral. Moreover, exporters who sought to access government funding did not qualify for export financing unless they could provide at least two years' worth of cash flow for their business. Based on these explanations, it can be inferred that because the state provided limited capital, exporters were burdened with the task of furnishing collateral to qualify for loans. In such a scenario, the exporter risked losing personal collateral such as one's house, land or automobile (*Expert G*). However, since 2013, the Development Bank of Jamaica (DBJ) has provided a partial guarantee to small businesses which would allow them to overcome previous issues, such as lack of finance due to the absence of collateral. The state, in this instance, acts as a guarantor for small businesses. In the event of a default, the state would absorb between 15 and 50% of the loan; this reduced the risk associated with small businesses, making them more appealing to Approved Financial Institutions (AFIs) for loan financing:

... by acting as a guarantor, we [DBJ] are actually freeing up more capital for them [exporters], so the AFIs and the commercial banks are now willing to lend more money. The more they lend, the more they can turn over the interest from it, so instead of having the money tied up at BOJ (Bank of Jamaica), they generate profits from the export industry...because of DBJ guarantee AFIs feel more secure and no longer see exporters as high risk. (*Expert H*)



In addition to standing as a guarantor for exporters, the state has also engaged in interagency cooperation to reduce the bureaucracy involved in accessing export finance. The DBJ has partnered with other government agencies such as the Jamaica Export Agency and Export-Import (Exim) bank. Collaboration among government agencies increased the chances of loans being processed, as there is a higher level of trust. Moreover, there is a common understanding among government agencies working to achieve a common goal, that of increased growth and development. The DBJ also provided grants in the form of vouchers and technical assistance. These grants are designed specifically for start-up entrepreneurs to move from the point of conception to start up. To reduce the risk of the loan being used for alternative means, the state only sanctions payment to state assigned Business Development Officers (BDO). The grant is designed to finance business plans, developmental and expansion for up to the first two years of the business. By undertaking surety of loan financing, the state was freeing up more capital, creating an environment where AFI were more inclined to undertake loan financing to local firms seeking to scale up global value chains.

To date, the EXIM Bank of Jamaica provides financing to companies in the form of working capital; this finances their need to purchase equipment and retool existing equipment (Esteban, 2005). The institution also assists with the refurbishing and preparation of small companies to meet international standards, such as the Food Safety and Modernisation Act (FSMA) of the United States. Laws are also provided to purchase raw materials to get products into the markets. The productive sector is prioritised for funding, as the state is interested in the upscaling of traditional industries:

We look at the productive sector that is our focus. We deal with agro-processors, manufacturers, the tourism industry. We have a new loan programme that came on board for the tourism sector. So every once in a while, to assist the companies we have a new product, so that was the focus of this new product, as long as it is in the productive sector.

Although the state does not have an obvious preferred sector, it uses its role as guarantor for small businesses as a means of incentivisation, and to align the development of the export sector with the goals of the state. For instance, the state stands at a maximum guarantee of 50% for loans in the event of upscaling. In the case of the energy sector, the state takes on a greater share of guarantor responsibility, indicating it would stand surety for up to 80% of loans total to service energy efficiency.

Energy efficiency is singled out for preferential treatment by the state for varying reasons. Jamaica does not have oil resources and is dependent on energy importation. Consequently, this increases the production costs of critical industries such as manufacturing, tourism and agro-processing, rendering their exports uncompetitive. The state's decision to accord preferential financing and absorb a higher percentage of the risk to boost energy efficiency suggests the state's awareness of its weakness, and a deliberate attempt to reduce risk.

The data analysis also revealed that the Jamaican government has been acting ex-ante by collaborating with small exporters. The Jamaican Government, through its research agency, the Scientific Research Council (SRC), provides research, development and marketing for small firms. The state assumes this risk by conducting product analysis, scientific testing to identify, for example, the most appropriate methods of storage, prototype development, and labelling for packages. The SRC also provides support from the state of conception, testing and product patenting. Products are subjected to testing to meet international standards.

The SRC also helps emerging exporters to reduce the risk of market entry to meet international standards by providing the necessary knowledge and expertise. Separate and apart from the product development and testing, the SRC positions the product to compete internationally. An aspect of the SRC's risk mitigation strategy is commercialising; therefore, the SRC pairs young firms with the Jamaica Business Development Commission (JBDC). The JBDC assists with the commercialisation of ideas to generate a sustainable business plan and bring a product to the market. The corporation also helps with business management training, marketing linkages, customer service and pitching training. The SRC also assists with the creation of factory location and establishment, through collaborating with other government partners such as the factories corporation of Jamaica/JAMPRO. All these services are provided to entrepreneurs free of cost, with the bulk of the cost subsidised by the state..

The qualitative analysis highlights the role of the Jamaican government acting ex-ante and cooperating with exporters to identify and mitigate risks to their competitiveness. The role of the Jamaican government is instrumental in providing development capital, assist with research on product research and development, and acting as guarantor for capital financing.

The government of Barbados played a similar role in shaping its trade governance. Government officials in Barbados explained that the state collaborates

with exporters to identify their development needs. One shortfall included lack of access to investment capital; however, the government official noted Barbados has been unable to mitigate this issue for two reasons: 1) a lack of capital on the part of the government; therefore, export firms have no choice but to seek funding in the private financial sector; and 2) unwillingness of commercial banks to channel funds to the export industry. Despite a lack of investment capital on the part of the state, the Barbadian government cannot compel the local financial market to support export stakeholders as financial institutions are not state-owned. During the interview *Expert B* shared:

Locally, the commercial banks view the export sector as high risk; local Barbados banks are more inclined to finance mortgages and motor vehicles than business development....

This creates a dilemma as lending institutions perceive the export business as high risk. However, without funding, local export firms are unable to meet international standards for respective export markets, rendering their exports uncompetitive. With limited funding provided by the state and high operational costs (e.g., transportation, interest rates for capital, equipment, wages) local firms must prioritise their service of the many international markets. The combination of factors, notably low state funding and lack of access to capital, provide insights as to why the transition from traditional to non-traditional sector is slower than expected, and why export is low and non-competitive.

While the state has not been able to provide development capital, it has implemented different strategies to increase access to investment capital (IBP, 2016; World Bank, 1980). The state has attempted to address this problem by providing incentives and serving as a guarantor for small business seeking loans from commercial banks. The government has reserved specific tax incentive schemes for the export sector - agri-processing, manufacturing, tourism and financial services. In the hospitality sector, the Tourism Development Act allows all entities to import raw materials and equipment duty-free. Under the Small Business Act, export entities are prioritised for tax exemption and duty concession for construction, equipment and raw material imports. Moreover, under the Loan Guarantee Scheme, the Barbados Central Bank serves as guarantor for small businesses:

The scheme is designed to offer protection to commercial banks and other credit institutions approved by the Central Bank against

insolvency and other possible losses in respect of the credit granted to small enterprises... in addition, the Central Bank may guarantee technical assistance loans up to BDS 50,000 for anyone borrower for market or product research, marketing, product costing, promotion and others. (IBP, 2016, p. 128)

Like Jamaica and Barbados, the government of Trinidad and Tobago also tries to act ex-ante by reducing the risk associated with capital provision for exporters. Through the local Exim bank, the Government of Trinidad and Tobago (2018) provides financing for:

Export credit insurance: this scheme provides risk protection against default payments by buyers in overseas markets. Export insurance provides exporters with the confidence to risk venturing in foreign markets. Exporters are required to pay a premium of 1.6%-3.5% of the shipment's value. Raw material financing: the state also provides short term financing for inventory; raw materials or semi-finished products. The exporter is positioned to pay creditors immediately, and the loan is repaid after the raw material is processed and sold by the exporter. This empowers the exporter with flexibility in its cash flow; it also engenders trust and confidence between exporters and its raw material suppliers. Factoring and discounting: this scheme is designed to ease cash flow between exporters and foreign buyers. In simpler terms, the state acts as a financing intermediary between exporters and their buyers. Exporters must supply goods and or services to buyers approved by the Exim bank. The Exim bank pays the exporter 85%-95% of the cost of the invoice. The buyer repays the Exim bank 100% of the invoice value at a later date; the Exim bank subtracts its fees and forwards the difference to the exporter. Here the state addresses the gap between production and export, rather than rely on payment which may be delayed. The exporter, through the Exim bank factoring scheme, is afforded consistency and security in its cash flow. Asset financing: the state provides loan financing at competitive market rates for renovation or purchasing of equipment. Most recently (2018), in light of a shortage of foreign exchange on the domestic for exporters, the state established a special scheme (for-ex facility) to mitigate the effects of future shortage on exporters;

Separate and apart from collaborating with export firms to reduce the risk associated with financing, each state has worked with export firms to identify and access potential export markets. Across all three states, there are specific state agencies responsible for export promotions: Barbados - BIDC; Jamaica - JAMPRO; Trinidad & Tobago - ExporTT. Based on the collated data from state officials working in these export promotion agencies in the respective countries, Caribbean producers' access to export markets is undermined by factors such as lack of linkage between exporters and importers; lack of market information; lack of market representation to lobby late payments and lack of funding for export promotion. Here the respective state agencies

are critical in linking international buyers with local suppliers; negotiating market access and financing market export promotion.

In Barbados, exporters are challenged with meeting standards for international markets and accessing market information. This was confirmed by a business development officer with the Barbados Investment and Development Corporation (BIDC). The BIDC officer cited the UK as one of the many potential markets with high disqualifying standards. These high qualifying standards serve as technical barriers to trade. Additionally, Barbadian exporters are also challenged with the high cost of advertising and product development (*Expert A*). Despite these challenges, the BIDC as a state agency offers exporters a comprehensive development package to mitigate these challenges. The BIDC aims to increase exports, provide employment and increase foreign exchange earnings. The state agent offers a special technical assistance program for exporters to become more competitive through the provision of market research, product development, employee training, handling of international quality standards assessment and provision of export readiness checks. According to a representative of the BIDC:

We conduct trade missions; we also conduct market research on behalf of manufacturers to determine which markets have the greatest opportunities for our products. Assuming that the research is done, and the opportunity is considered, we will send out invitations to companies in various sectors, to come on board the trade mission. We will conduct readiness training and then matchmaking between exporter and buyer. The BIDC then lead and facilitate trade missions to these overseas markets. We are also a business promoting entity, in that we identify and develop factory space and make these available to manufactures at a cost below the market rates. (*Expert A*)

In the case of Jamaica, the state is also the main sponsor of export promotion in foreign markets. Through this endeavour, several risks are being mitigated: the state finances the cost of overseas trade shows by sourcing and renting venues; the state solicits the attendance of buyers; the state also finances the attendance of Jamaican suppliers. Within this space, buyers and suppliers can interact. This space also addresses an issue of credibility. Without state-sponsored trade shows, it would be too expensive for local suppliers to access export value chains. Moreover, even if Jamaican exporters were to contact firms higher up the value chain, it is also very likely that firms higher up the value chain would not be aware of or trust Jamaican exporters.

That the Jamaican government has extended its role beyond financing overseas trade shows that the state has moved to establish and maintain a trade office in significant export markets. Trade ambassadors are better able to interact with large firms higher up the value chains to understand their needs, and more importantly, to promote awareness on domestic product. For example, *Expert L* noted that Canadian consumers were ignorant of the Jamaican callaloo; consequently, there was a lack of demand for this product. However, on providing product information that callaloo was equivalent to spinach, the demand increased among consumers:

We promote Jamaican exports by visiting Canadian trade shows or by going in supermarkets and helping them to position the products so that the mainstream Canadian can understand that you can use callaloo as spinach. To date, the JAMPRO Canadian office is responsible for providing sensitization and education; we plan to offer similar services in New York. (*Expert L*)

The state's presence in major export markets also serve to boost local supplier confidence. The state is able to address issues of late payment and verify the authenticity of firms that seek to purchase local produce. By maintaining a presence in the export market, the state was able to assist states in relocating and setting up a branch plant in a foreign market. Previously, local firms had an issue with collecting payment for goods supplied. However, with state representation, the state is now able to lobby on behalf of local firms. The Jamaican government official also indicated that the Canadian JAMPRO branch addressed issues of country brand violation. This is so as several countries have sought to market their products under the "brand Jamaica" label to capitalise on the country's positive image for certain products such as coffee and pepper sauce. The misuse of "Made in Jamaica" has caused confusion among consumers, consequently damaging the country brand. Inasmuch as the state lacks the resources to address all cases of copyright breach, it can at least document and try to negotiate with proprietors, the host firm as well as disseminate information to dissuade consumers in foreign markets from purchasing a counterfeit product. Based on this analysis, it is clear that foreign export would have been more challenging without government assistance. The state's role in risk reduction is critical in areas such as serving as the source of market information for both buyers and sellers in foreign and domestic markets, respectively. In the words of one Expert L:

What the Jamaican government did was to ensure that we could represent exporters 'in the market'. In the past, JAMPRO tried to address

issues facing exporters through its local Jamaican office; however, we weren't equipped to handle trade-related queries, so we wanted personnel on the ground to be able to handle that and provide the linkage for our local suppliers. We also felt that we were not getting enough leads because we weren't interacting with the clients in their domestic markets. So we started looking at reopening Canada first because of the cost, it was much cheaper than New York, and now that we've gotten approval from Finance, we recently opened New York. Prior to us having a Canadian outfit, how we would generate this, is through participation in trade shows. What we saw happening when we opened offices was that our representatives were able to pull on the diaspora contacts that we had. We were able to identify distributors, develop relationships that materialised in a lot more in sales than it did before. It also helps us to assist our suppliers from Jamaica since sometimes they have issues with payment, and there is nobody in the market who can reach out to the distributors and understand what the problems are and vice versa. The distributor may have ordered a product in Jamaica, but because there is no representative on the ground to help with that conversation, then trade will just stop. (*Expert L*)

Like Barbados and Jamaica, a quasi state agency has played a similar role in export promotion and risk mitigation in Trinidad and Tobago. In Trinidad and Tobago, ExporTT is responsible for providing exporters with pre and post-export market readiness information. ExporTT helps exporters with product development, capital provision equipment and other start-up costs. The agency provides technical assistance with packing information and also serves as the primary agency in funding export promotion. The state gathers market intelligence, prepares trade missions, and funds the cost of rental and travel expenses for exporters. The state is also involved in providing technical assistance after the export mission to prepare local exporters to realise their objectives in selected markets. During the interview, *Expert N* gave a specific account of how ExporTT cooperated with a single exporter who wanted to increase its export competitiveness:

There was one exporter who wanted to expand his market share in Latin America by exporting tissue to Costa Rica. The exporter approached Export TT, and we provided the information on tariff rates, rule of origin requirements, preferential trade advice, distribution channel, shipping lines, product specification. We also used a trade database known as 'Pancjiva' which gives information on market trends across the world. All this information is packaged and provided to the exporter. (*Expert N*)

Based on the discussion of the analysed data thus far, it is clear all three states have played an active role in their trade development through risk

socialisation and financing for export promotion. While there are similarities across all three states trade development context, there are differences in the nature of the cooperation between state agencies and exporters; there are differences in the capacity of each state to engage in risk socialisation as well as in the capacity of each state to exercise political autonomy over the private sector. The extent of these differences is examined on a case by case basis below. First, the differences between each state is analysed followed by an attempt to link the differences to formative moments.

An analysis of the qualitative interviews also revealed there is a difference in the capacity of all three states to act ex-post in executing its trade policy. As outlined in Chapter 2, Rodrik (2004) explained that the state should play a dual role in 21st-century policy-making process; ex-ante and ex-post. By acting ex-ante, the state and firms should collaborate to identify common issues and agree on how these should be mitigated. While ex-post, the state is required to provide monitoring and evaluation mechanisms to ensure the benefits provided by the state are not exploited.

In the case of Barbados, there is evidence that the state is attempting to increase the level of accountability for firms that benefit from state funding. At stage one, the state acts ex-ante, the BIDDC conducts market research to determine which market have opportunities for their exporters. Additionally, the state uses the data to guide the selection of firms for technical assistance and funding for export promotion. To ensure that private firms do not abuse the provided rents, the state uses a strategy of shared responsibility, where selected firms are required to meet the state mid-way by self-funding 50% of the cost for export promotion. When pressed to explain the rationale for this strategy, interviewees revealed that the Barbadian agency sought to reduce free-riding. When firms are required to provide a percentage of the cost, they would be more inclined to make greater use of networking opportunities at overseas trade shows since their capital would be at stake. The BIDDC official also explained that state funding is an ongoing relationship as a system is in place to track the results of firms that receive state funding. Beneficiary firms are mandated to provide progress reports to development officers who monitor their performance, and determine their eligibility to receive subsequent threshold payments in the states incremental funding scheme. Of the three states, Barbados is the most disciplined in balancing the dual role; acting ex-ante and ex-post.



In Jamaica, there is evidence that the state is trying to implement an approach similar to Rodrik's dual role in its policymaking process. The state acts *ex ante* in the financing of trade missions. Although there were criteria for selecting participants, there were no criteria to ensure that firms complied with recommendations after the trade mission. After each trade show, private firms are given a list of recommended changes they need to undertake to meet export market specifications. However, this approach is met with some resistance since private firms view these changes as the state's responsibility to implement. While state agents are cognizant of the private sector's position on this matter, they disagree that the state accepts the role to impose performance requirements:

So, we try to become all things to everyone, we have very little teeth, and so it's really hard for us to demand a particular quality or certain level of responsiveness from our exporters who can do better because we're not given the power to do that. And we're not given teeth to do that because I think it allows for whosoever is in control to put their mandate on the thing. But again, it comes back to us not being able to speak frankly with our clients, I mean our position is really to facilitate, it's not to censor, it's not to regulate, it's none of that. And maybe we should have that role, but we can't be everything to everybody. (*Expert F*)

In the case of Trinidad and Tobago, the state agency, ExporTT, uses a screening mechanism before trade missions. This screening mechanism is not to 'pick winners' but to identify the level of readiness for the target market of the trade missions. The agent noted that all firms are classified in a tier system. Their progression from tier one to tier three (highest tier), depends on whether they meet specific criteria established by the state. Once a firm has ascended to Tier three they are allowed to go on trade missions. The trade mission is therefore used to incentivise preparation and performance, thus safeguarding against the abuse of rent (*Expert N*). Unlike Barbados, the Trinidad and Tobago government funds the entire cost for export market preparation. The state does not have a framework in place for accountability to evaluate the extent firms benefit from state funds. Perhaps, the state's hands-off approach to acting *ex-post* with private firms is because the state places greater emphasis on its preparation of firms' export markets, therefore there is need for post evaluation of states which have been previously vetted at the *ex-ante* stage.

While there is evidence that all three states are cooperating with private firms to identify strategies to increase their trade competitiveness, the level of cooperation is not uniform. Based on interviews and documentary analysis, Trinidad and Tobago's

relationship with its private sector was described as the most cohesive of the three states. The official explained that unlike Jamaica and Barbados, Trinidad and Tobago has a very vibrant stakeholder consultation network and the private sector is influential in decision-making. Both the state and private sector embrace a proactive approach to trade. An elite interviewee explained:

The trade negotiations unit in Trinidad and Tobago's chamber of commerce is that unit that coordinates the private sector position. While government and public officials are developing their proposals, they are also requesting input from the private sector to include in their proposals on factors such as rules of origin....what should constitute the level of the offer in terms of market access, which product should go on the negative list, which products can go on the negative list. The government has the manufacturing capacity; the private sector has invested in its negotiating ability to support the government. The government of TT invests in the capabilities of the chamber of commerce negotiating staff to procure the necessary experts to negotiate on behalf of the private sector. (*Expert E*)

In Jamaica, the private sector is able to influence the government's decision-making. Private sector officials are more inclined to lobby the government for protectionist policies instead of engaging in bilateral trade negotiations which have the propensity to expose domestic firms to external competition. In the case of Barbados, *Expert E* also noted that the private sector in Barbados has not been a 'traditional demander' for trade negotiations. While the Barbados private sector is very well organised, they are more intellectual than proactive (*Expert E*).

Given the cohesive relationship between Trinidad and Tobago's government and the private sector, it is unsurprising that Trinidad and Tobago is the only member of the three countries to exercise its right under article 80 of the Revised Treaty of Chaguaramas<sup>5</sup> and negotiate bilateral agreements (WTO Secretariat, 2014). In 1998, Trinidad and Tobago negotiated a bilateral agreement with MERCOSUR (Southern

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5 Article 80: Co-ordination of External Trade Policy:

1. The Member States shall coordinate their trade policies with third States or groups of Third States. 2. The Community shall pursue the negotiation of external trade and economic agreements on a joint basis in accordance with principles and mechanisms established by the Conference. 3. Bilateral agreements to be negotiated by Member States in pursuance of their national strategic interests shall: (a) be without prejudice to their obligations under the Treaty; and (b) prior to their conclusion, be subject to certification by the CARICOM Secretariat that the agreements do not prejudice or place at a disadvantage the position of other CARICOM States vis-a-vis the Treaty. 4. Where trade agreements involving tariff concessions are being negotiated, the prior approval of COTED shall be required. 5. Nothing in this Treaty shall preclude Belize from concluding arrangements with neighbouring economic groupings provided that treatment not less favourable than that accorded to third States within such groupings shall be accorded to the Member States of the Community, and that the arrangements make adequate provision to guard against the deflection of trade into the rest of CARICOM from the countries of such groupings through Belize.

Common Market), and in 2004 Trinidad and Tobago negotiated the Costa-Rica Trade agreement. Though these bilateral agreements were later converted to CARICOM-Dominica Republic and CARICOM-Costa Rica multilateral free trade agreements. It was Trinidad and Tobago who initiated and concluded the negotiated process (WTO Secretariat, 2014). It is evident that Trinidad and Tobago's inclination to exercise its right under article 80 of the Revised Treaty of Chaguaramas is driven by its strong internal capacity; the cohesiveness between state and private sector, oil reserves, and industrial capacity.

Even though the type of bureaucracy existing in these three Commonwealth Caribbean countries falls below the Weberian standard existing in countries such as Japan and South Korea, the trade bureaucracy in Trinidad and Tobago comes the closest to being politically embedded (Barclay, 2013; Evans, 1995, pp. 12-13, Johnson, 1985). In Trinidad and Tobago, trade policy is governed by the Trade Policy Implementation Committee. This committee comprised a collection of state trade-related government institution and the business community. The major trade-related state trade agencies are Ministry of Trade Industry and Investment (MITI); Ministry of Food Production and Development; Export TT; Trinidad and Tobago Bureau of Standards; Economic Development Board; Chemistry Food and Drugs Division Government of Trinidad & Tobago (2013). The dense network between policymakers and the private sector represents quasi-independent collaborative relationship between state bureaucracy and private sector.

Trinidad and Tobago has a central authority coordinating its trade policy but in Jamaica and Barbados there is a duplication of authority. In Jamaica, JAMPRO is charged with trade policy implementation. From time to time the agency falls under a government ministry, e.g., Ministry of Trade or Ministry of Commerce. This agency has its own board and mandate to implement the nation's export policy. There is evidence of inter-agency cooperation among JAMPRO, Jamaica Customs-DBJ, EXIM Bank and Exporters (Government of Jamaica, 2009, p. 121). However, as established earlier, interviews revealed that JAMPRO does not have the authority to compel or coerce other agencies to comply with its mandate. Instead, Jamaica has "more bureaucracy and less efficiency; a lack of institutional capacity to implement existing mandates in some cases as well as deficiencies in skills and levels of expertise, present an obstacle to effective service delivery" (Government of Jamaica, 2009, p. 121). The state has a National Export Commission and a National Export Strategy which is

supposed to represent a coordinating authority and an export blueprint. While the strategy is in place in the form of the National Export Strategy, the central coordinating commission lacked the power to coerce other agencies to comply with the state's national strategy.

Instead of cooperating, respective state agencies are somewhat territorial. According to policy documents and interviews, turf protection among respective agencies results in a lack of coordination and duplication of functions. In one of the elite interviews, an agent at the Scientific Research Council lamented the lack of consolidation of state entities. As it stands, the services are fragmented and consist of different bodies such as Jamaica customs, Jamaica Trade Board, JAMPRO, Ministry of Agriculture, and Development Bank of Jamaica. These various state agencies consult but remain independent of each other. Consequently, exporters may find it challenging to obtain assistance from the state. The encouraging fact is that depending on which state agency is approached first, there is evidence to suggest that efforts are being made to collaborate and achieve uniformity in the provision of their services. The government report acknowledges that:

Executing the National Export Strategy will require, (i) more effective and efficient allocation and use of recurrent funds, (ii) private sector investments, and (iii) better planning and coordination among the producers/exporters and the relevant agencies of the State to reduce duplication, emphasize quality and ultimately, realize the vision of the NES. (Government of Jamaica, 2009, p. 28)

Since 2007, through the country's National Export Strategies the government of Jamaica committed to address the absence of a central trade authority. However, the problem seems to persist. As recently as March 2019, the CEO of a Business Process Outsourcing entity lamented the lack of a central authority to address issues affecting the newly emerged export sector:

Our sector definitely needs a minister, one who is passionate about its success... because at this juncture, we don't know who to go to, and we have several issues," Yoni Epstein told The Sunday Gleaner. "We need someone serious, and as passionate a Minister as Edmund Bartlett is for tourism, willing to do anything for the success of the industry they support to help this sector to continue at the same growth rate." For Davon Crump, chief executive officer (CEO) of Global Outsourcing Solutions, the oversight responsibility is too fragmented and needs to be consolidated. "I still maintain that the BPO [Business Process Outsourcing] sector will one day surpass tourism, and if the sector is showing this great promise, it must get the support of the Government,"

Crump argues. "It can be rather confusing because, at one point, it was Minister (Horace) Chang before he was appointed to the security ministry. Minister (Karl) Samuda followed but is now at the education ministry...," said Crump, citing oversight instability as a stumbling block to policy coherence. JAMPRO is a key partner over the years, but they report to Minister (Audley) Shaw. Daryl Vaz is in charge of policy, and then the technology aspect would fall under Minister Fayval Williams... That is ridiculous. (Titius, 2019)

Trade policy is coordinated in Barbados by the Ministry of Foreign Affairs and Trade, which is responsible for negotiating international trade agreements. The Barbados Industrial Development Cooperation (BIDC) works directly with exporters to prepare them for global markets. Like Jamaica, there is no central authority with the capability to align the interest of the private sector and government in an administrative web. One state agent revealed that:

We find that in terms of on the ground trade, we might not have work as cohesive as we would like. For instance, a company might have challenges with clearing goods at the port; we are not able to assist by contacting customs or have an existing MOU [Memorandum of Understanding]. (*Expert A*)

Thus far, the comparative analysis of each state's trade development context reveals a few idiosyncrasies. Arguably these peculiarities can be traced to formative moments. Within the WTO context, of the three states, Trinidad and Tobago is the only state to adjust the fiscal incentives provided to foreign companies. For instance, while the country continues to offer investment incentives to attract foreign investment, it no longer commits to providing subsidies for factory construction:

The Free Zones Programme in Trinidad and Tobago has developed quite differently from other Caribbean Programmes and in the process, has created a vehicle for economic development with particular features including the fact that all infrastructure is currently provided by private investors and the jobs that are created are generally of a high quality. The Programme is gradually becoming self-sufficient and is expected eventually to reduce substantially its dependency on the Treasury. The Free Zones approach will continue to be one of the main planks of the country's export strategy. (Government of Trinidad and Tobago, 1999, p. 8).

In comparison, Jamaica and Barbados continue to provide fiscal incentives similar to those used under industrialisation by invitation. Second, while Jamaica and Barbados continue to struggle with the lack of developmental capital, Trinidad and

Tobago seems to have developmental capital in abundance. Third, whereas Barbados and Trinidad and Tobago have an established criterion to monitor firms benefitting from state funding, Jamaica does not. Fourth, even though all three states lack a central bureaucracy with the power to coordinate trade development, trade policy coordination in Trinidad and Tobago is more cogent.

The differences in each state trade development is a result of formative movements. For instance, Trinidad and Tobago has an abundance of developmental capital as a result of its oil reserves. In the aftermath of its independence in the 1960s, Trinidad and Tobago, like Jamaica and Barbados, did not have development capital. Whereas it was the vision of Trinidad and Tobago's first post-independence Prime Minister, Eric Williams, to develop an indigenous sector, the state did not have the capital to do so. Moreover, the white entrepreneurial class in Trinidad and Tobago did not support the state's development plans (Henry, 1997, p. 836). However, the exponential increase in oil prices in the 1970s provided Trinidad and Tobago with much-needed capital. The state used its newfound wealth to fund the development of an indigenous entrepreneurial class (consisting of primarily Indians and Blacks). Williams also used the state's newfound oil wealth as leverage to renegotiate new and existing foreign investment in Trinidad (Henry, 1997, p. 839). The combination of oil wealth and Williams' astute leadership were critical in shifting the development trajectory of the postcolonial state which had many attributes of the colonial state; namely, own foreign capital and a powerful white elite class which did not share Williams development vision for Trinidad and Tobago.

Whereas Williams was successful in shifting the development path of Trinidad and Tobago, the government of Jamaica tried and failed. In 1972, the Michael Manley regime formed the government in Jamaica. Prime Minister Manley was of the view that Jamaica should shift its development path from industrialisation by invitation. However, Manley had no oil wealth at his disposal to renegotiate existing foreign direct investments; the prime minister tried to use the country's ore as leverage. When the latter strategy failed, Manley resorted to the nationalisation of private companies; nonetheless, this strategy backfired as the capitalist class left the island in droves, taking with them critical development capital. Manley's approach also placed a strain in the relationship between the state and the private sector. Since then, successive government administrations has tried to repair the relationship between the state, foreign investors and the private sector.

During the 1970s, Barbados re-affirmed its commitment to its entrepreneurial class as well as foreign direct investors. Like Jamaica, Barbados' trade development path did not change its trajectory from the postcolonial state. It is therefore not surprising that in the WTO context, Trinidad is the most proactive, has the capability to negotiate its trade interest, and possesses development capital fund to finance its trade development goals. It is also not surprising that Barbados has a very close relationship with its exporters; more specifically the state is able to impose measures to hold firms who benefit from state funding accountable. It is not coincidental that in the WTO era, Jamaica is hesitant to impose performance requirement on exporters. Also, Jamaica currently struggles to find development capital to leverage the implementation of its trade development policies.

## **Conclusion**

Based on the analysis in this chapter, it is clear there are differences in the contemporary trade development landscape of Barbados, Jamaica, and Trinidad and Tobago. It is argued that these differences are a result of the formative moments such as colonialism and endogenous policies used by the respective states in the postcolonial era. Colonialism caused path dependencies in these states' trade development path by undermining their political autonomy to formulate trade policies; engendered dependence on raw material exports and preferential market access. Only Trinidad and Tobago was able to experience a critical juncture in its trade development path in the post-independence era. The twin island Republic's oil wealth provided the government with development capital and political leverage which was used to establish a domestic manufacturing sector. Whereas Trinidad and Tobago experienced a difference in its trade development trajectory, the trade development path of Barbados and Jamaica continued on an evolutionary trajectory.

In the WTO context, it is therefore not coincidental that the export sectors of Barbados and Jamaica have demonstrated greater sensitivity to preferential trade erosion. In the case of Barbados and Jamaica, the sugar, banana and textile production declined drastically. Both countries were forced to shift their dependence to the services industry, namely tourism. Even though there was a decline in the agriculture and textile sectors in Trinidad and Tobago, the petroleum sector proved resilient to trade preferences erosion. It is also not coincidental that the qualitative data also suggest there

were differences in the political capacities of these three states to shape their trade development. Of the three states, only Trinidad and Tobago has been able to establish a dense network of cooperation between trade policymakers and the private sector.

This difference in formative moments and contemporary trade performance has implications for one-size-fits-all policy prescriptions prevalent in the Caribbean political economy. The findings of the chapter also suggests that even though the policy recommendations of Bernal (1996, 2000 and 2013), Lindsay (2012), Payne (2009) and Payne and Sutton (2007) provide essential lessons for these Commonwealth Caribbean states, their application must be guided by these inherent differences to improve the chances of localisation. In the 21st century, Trinidad and Tobago is best positioned to enhance their trade competitiveness. The twin-island Republic has capital and energy, which is used as leverage to enforce its trade policies. Furthermore, even though Trinidad and Tobago does not have a bureaucracy akin to the developmental state, there is cohesion between the state and private sector. In the case of Barbados, the relationship between state and private sector remains cohesive, however Barbados lacked capital to finance the diversification of its export sector and exercise leverage over foreign investors. Jamaica has several developmental problems: lack of cohesion between the private sector and state agencies, lack of cohesion between state agencies and the lack of bureaucracy with the capacity to coordinate the state's trade development.



## **CHAPTER 7**

### **CONCLUSION**

The preceding chapters examined, in detail, the different significant moments in the trade development path of the states of Barbados, Jamaica, and Trinidad and Tobago. In this concluding chapter, the main arguments are compiled, and their implications discussed as it relates to the existing literature. The central premise of this thesis was that the one-size-fits-all trade development policies that emerged in the WTO context were inappropriate as these policy prescriptions misunderstood the genesis of development of these regions and the implications of these formative moments on these states' trade development path.

Throughout the thesis, I argued that the trade development path of Barbados, Jamaica, and Trinidad and Tobago had been shaped by colonialism, foreign direct investment, multilateral trade and financial rules. While these exogenous factors were common to shaping the trade development path of these states, the endogenous factors used by each state to mitigate the impact of these exogenous threats caused differences in the evolution of their trade development path.

Guided by the historical institutionalism framework, I traced the genesis of the trade development path of these three states to the point of European colonisation. I highlighted instances where prior to European colonisation, indigenous inhabitants had political autonomy over their trade policies. Beginning in the 15th century, Barbados, Jamaica, and Trinidad and Tobago were colonised and incorporated under the mercantilist system of their respective European metropole. Under the hierarchical system of mercantilism, trade rules and policies were designed in the interest of the metropole and imposed in the colonies using a top-down approach. The evidence indicates that colonialism as a hierarchical system undermined the political autonomy of these states (colonies at the time) to design and implement their own trade policies. Colonialism also reinforced dependence on foreign capital, preferential market access and raw material exports. The trade development path of these three states continued uniformly along this evolutionary path from the 1700s until they gained their independence in the 1960s.

In Chapter 4, I argued that within the post-independence era, the pre-existing weak capacities and poor administration of trade strategies prevented all three states

from experiencing a critical juncture in their trade development path. Different states with endogenous strategies shaped the capacities of these states in various ways. Section 1 analysed each state's implementation of Arthur Lewis' industrialisation by invitation model. It was argued that the use of Lewis' strategy served as a critical moment in the trade history of all three Commonwealth Caribbean states. Had Lewis' strategy materialised as envisioned, then this would have set these states development path on a transformational trajectory. The empirical analysis reveals that Lewis' strategy failed because of poor administration by each state. All three states pursued a strategy of import replacement instead of import displacement and this approach provided no real transformation. Moreover, in the absence of policy strategy to foster backward and forward linkages with the local economy as well as performance requirement, private firms; both foreign and local firms took advantage of the state rents without any significant return. The state missed several key opportunities to benefit from foreign technology, linking foreign firms with local ones; the opportunity to develop economies of scale through regional integration. A post-mortem of Lewis' strategy, and the way Commonwealth Caribbean states implemented it revealed that the only benefit was low-level employment. In the end, states were left dependent on foreign capital, technology and markets.

In this chapter, I also argued that trade imbalance from the 1970s crisis provided a critical moment for all three states to change their trade development strategies and experience a critical juncture in their trade development. In the case of Jamaica, the state employed a strategy of democratic socialism. I argued that Manley's democratic socialist principles isolated the entrepreneurial class, causing an exodus in investment capital. Barbados continued to pursue Lewis' industrialisation by invitation, reaffirmed its committed to foreign investors and implemented export-oriented trade policies. In the case of Trinidad and Tobago, the state abandoned Lewis' strategy, and used the windfall of capital from the increase its oil prices to finance the extension of its domestic manufacturing sector. The strategies used by each state shaped their trade development in different ways. In the case of Jamaica, its trade development was further weakened amidst the exodus of its entrepreneurial class. For Barbados, the state capacity was strengthened because a close relationship was forged with domestic entrepreneurs and foreign investors. In Trinidad and Tobago, the state increased its capacity by using profits from oil export to finance a domestic entrepreneurial class as

well as renegotiate its pre-existing relationship with foreign investors, consequently reducing its dependence on foreign capital.

In Chapter 5, I argued further that the trade development path of each state was also shaped by multilateral trade institutions such as the IMF and the GATT. In the aftermath of the 1970s oil crisis, all three experienced trade imbalances and were subjected to the IMF's structural adjustment program. I argued that a consequence of the IMF's Structural Adjustment Program (SAP) was that these states were "rushed" onto a path of trade liberalisation without taking into consideration the local context, that is, their lack of preparation. Moreover, the IMF's Structural Adjustment Programs undermined the autonomy of these states to shape their trade development. Despite the one-size-fits-all exogenous policies of the Structural Adjustment Programs (SAP), the main export industries of Trinidad and Tobago by virtue of the endogenous policies implemented by Williams regime proved to be the most resilient of the three states.

Chapter 5 also highlighted the way these smaller states were integrated into trade multilateralism which affected their trade development. Initially, the Most Favoured Nation (MFN) clause of the GATT was relaxed to accommodate developing states. These states were granted the opportunity to benefit from preferential trade rather than develop their capacity. The Commonwealth Caribbean states were at a crossroads as they were vying to develop their capacity to compete, but being newly minted independent states, they did not have the wherewithal to do so. They were assisted by their former colonial masters who sought to maintain preferential trade. Of significance, these preferences were skewed toward raw materials - agriculture and minerals. Here I argued that preferential trade is another critical moment in the Commonwealth Caribbean states history. These policies could have been formulated to develop value-added exports. Instead, they focused on reinforcing precolonial values that the region did not have a comparative advantage outside of agriculture. Had the preferences been extended to value-added exports, Commonwealth Caribbean states would be encouraged to shift internal policy to accommodate this opportunity to change their trade development trajectory from raw material to value-added. Emphasis is placed on value-added, as value-added exports stood to trade more competitively outside the realm of preferences. To buttress this claim, I linked these arguments to similar arguments raised in Chapter 3, where preferences and protection had created dependency on raw material exports. For instance, sugar benefited from years of protection under the navigation system, however, when the protection was removed,

the sugar industry collapsed as it could not compete with the more efficiently produced exports outside of protection. The evolution of the multilateral trade regime presented a similar scenario as the rules of the regime were gradually evolving to full trade liberalisation. Preferential treatment of exports was therefore contrary to the policies of free trade. Therefore, by not learning from past mistakes and preparing for the inevitable, these small states were repeating past mistakes; dependent on raw material exports within a global environment transitioning to trade liberalisation. It came as no surprise that in 1995, after the formation of the WTO, Latin American states seized the opportunity to challenge the legality of preferential trade. The WTO Dispute Settlement Body (DSB) ruled in their favour. These states were caught flatfooted, in an environment that demanded reciprocal trade. The WTO context closed the window of opportunity for the state to use specific policy measures, such as infant industry protection and performance requirements to prepare their industries for competitive trade.

In Chapter 6, the discussion revealed that despite numerous similarities, there are differences in each state's trade development, and differences in the capacity of each state to improve their contemporary trade development. The findings of this chapter also reveal that the contemporary trade development and capacity differences can be traced to formative moments identified in Chapters 3, 4, and 5. In terms of differences in contemporary trade development, this is evidenced by the impact of trade preference erosion on the trade sectors of all three states. In the cases of Barbados and Jamaica, both states were dependent on the services industry, tourism in particular. In both Barbados and Jamaica, sectors such as manufacturing, industry and agriculture recorded decrease in their percentage contribution to GDP. Agriculture also remained vulnerable to drought, tropical storms and decline in trade subsidies. Of the three states, Trinidad and Tobago was the only state to record trade surplus in the WTO context.

Moreover, of the three states, Trinidad and Tobago remained the most diverse. Second, this chapter also highlighted the differences in each state capacity to act ex-ante. Ex-ante, all three states have cooperated with private firms to increase access to investment capital and export markets. Of the three states, the relationship between Trinidad and Tobago and its private sector was considered the most cohesive. Trinidad and Tobago was also described as the most proactive state to identify trade opportunities and negotiate bilateral trade agreements; also, its trade policies are the most up-to-date. Third, this chapter also highlighted the differences in each state

capacity to act ex-post. Of the three states, Barbados is the only one that implements checks and balances to ensure beneficiary export firms meet the state halfway. Despite evidence of cooperation among state agencies in the respective states, the findings highlighted the need for a state bureaucracy with the power to coordinate trade development in each state.

### **Implications of the Findings**

The empirical findings of this research make a genuine contribution to Caribbean political-economic literature. The Historical Institutionalism framework provided an alternative lens to analyse the trade development path of Commonwealth Caribbean SIDS. Previously, no known attempt had been made to map the trade development trajectory of Barbados, Jamaica, and Trinidad and Tobago to identify precisely how formative moments caused differences in their contemporary trade development. In the absence of this historical analysis, Commonwealth Caribbean states are treated as uniform and prescribed homogenous trade policies (Bernal, 1996, 2013; Cerny, 2010; Lindsay, 2012, p.24). Despite similarities such as a history of colonialism, small size, adoption of Lewis' industrialisation by invitation strategy, dependence on foreign capital, and trade preferences, The findings of this research indicate that the trade development path of each state was shaped differently by formative moments. More specifically, there are subtle differences in the contemporary capacity of each state to improve their trade development and, therefore, trade policy prescriptions should be revised to address specific issues undermining the capacity of each state. The application of a tailored approach, as opposed to one-size-fits-all, will increase the possibility of states to induce a critical juncture in their trade development path.

This thesis also makes an original contribution to the political economy of late trade development. The evidence provided raises important questions about the impact of historical moments on a state's contemporary capacity. The findings advance the arguments of previous studies that established a link between states' contemporary trade capacities and formative moments (Cerny, 2010, p. 18; Kohli, 1994, 2004, 2016). This thesis also provides a basis to challenge the ontological assumptions of existing research that conducts studies on developed countries and transfers the findings to a developing context (Amsden, 1999, p.3; Evans, 2000, p.6; Payne & Sutton, 2007;

Weiss, 2005, 2010). As highlighted in this study, even when countries are classified as developing or small islands, the possibility exists that their trade development path may evolve along different continua, and therefore any formulation should be localised to address the idiosyncrasies of the respective context (Rodrik, 2002, p.4). The latter findings also have implications for the universal manner in which multilateral agencies such as the IMF and World Bank administered structural adjustment programs; IFIs need to be attentive to local context when administering their structural adjustment programs.

The empirical findings also illustrate that political leadership is especially important for late trade developing states. Both Jamaica and Trinidad and Tobago have lucrative resources in the form of oil and bauxite, however only Trinidad and Tobago was able to induce a critical juncture in its trade development path. The possession of lucrative natural resources will not automatically produce a critical juncture; it is the extent to which the political administration of the day is able to design policies around its resources, and use them to leverage its industrial policy.

The findings of this thesis are also significant for other developing states seeking to implement endogenous policies to mitigate exogenous threats. The historical institutionalism framework can be used to analyse the trade development path of these states, to identify their formative moments and to design contemporary policies to mitigate the impact of these formative moments. For example, historical institutionalism was instrumental in identifying how the policies of the Eric Williams administration were critical to Trinidad and Tobago's experiencing a critical juncture in its trade development path. The policy implementation strategy of the Eric Williams administration bears important lessons for other small states such as Guyana. Trinidad and Tobago and Guyana share a similar history in that both adopted Arthur Lewis' industrialisation by invitation development strategy, were colonized by the British, and have an ethnically diverse population with the largest groups being Africans and East Indian. In 2016, Guyana discovered large oil reserves. The country could benefit by following Williams' strategy during Trinidad and Tobago's oil discovery period by using this particular find to fund the development of a domestic entrepreneurial sector. Guyana could also learn from Trinidad and Tobago's mistakes by implementing measures to ensure that the beneficiaries of state capital expenditure are subjected to performance requirements.

The findings of this research also advanced existing knowledge on the role of the state in trade governance (Evans, 2000; Wade, 2003; Weiss 2005). It clarifies that states' involvement in their trade development will not automatically result in the strengthening of trade capacity and overall competitiveness. The failure of import substitution in all three cases investigated here confirms that the provision of incentives by the state, without a monitoring evaluation mechanism, could result in the abuse of state rent by the private sector (Rodrik, 2002, 2004). It is crucial for policy makers in late trade developing states to meet with private firms and discuss issues that negatively affect their international growth, and to design strategies to mitigate these issues. This research also highlighted the importance for states to create a centralised agency to coordinate with the private sector, thus reducing the waste of resources and the duplication of efforts by competing agencies. Moreover, while it is important for the state to engage in risk socialisation by providing capital to private firms, policy makers should ensure that they establish clear performance requirements for private firms benefitting from state funding to prevent these firms becoming dependent and exploitive of public resources.

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## APPENDICES

## Appendix A

Table 18: Commonwealth Caribbean States' Trade Performance since Independence year of independence to 2016.

Country	Year of Independence from Great Britain	Export	Import	Trade balance
Trinidad and Tobago	1962	5,032,484,075	3,548,838,369	1,483,645,706
Jamaica	1962	2,854,001,095	3,957,142,606	-1,103,141,511
		2,099,	2,432,	-
Bahamas	1973	645,484	675,191	333,029,707
		1,021,	1,099,	-
Barbados	1966	297,801	102,989	77,805,187
				-
Guyana	1966	721,522,420	962,612,767	241,090,346
				-
Belize	1981	503,448,468	554,461,202	51,012,734
				-
Antigua and Barbuda	1981	361,680,173	433,759,557	72,079,384
				-
St. Lucia	1979	310,718,026	387,670,524	76,952,498
		135,97	199,67	-
St. Kitts and Nevis	1983	4,804	8,054	63,703,249
St. Vincent and the Grenadines		135,65	208,22	-
	1979	7,491	7,736	72,570,245
Grenada	1974	126,280,876	216,529,740	-90,248,864
Dominica	1978	98,307,398	139,775,744	-41,468,346

*Source:* World Bank, 2016

## Appendix B

Table 19: Percentage Contribution of each Sector to GDP

	Bar	Jam	T&T	Bar	Jam	T&T	Bar	Jam	T&T	Bar	Jam	T&T
	Services			Industry			Manufacturing			Agriculture		
Years for which data available	1975-2016	1993-2018	1966-2018	1975-2016	1993-2018	1966-2018	1975-2016	1993-2018	2012-2018	1975-2018	1993-2018	1966-2018
Minimum	59	57	35	13	18	34	5	8	15	1	5	0
Maximum	75	68	62	21	28	64	11	13	19	12	9	7
Mean	68	63	50	16	21	47	8	9	16	2	6	1

Source: (World Bank, 2019a, 2019b, 2019c, 2019d)

## Appendix C

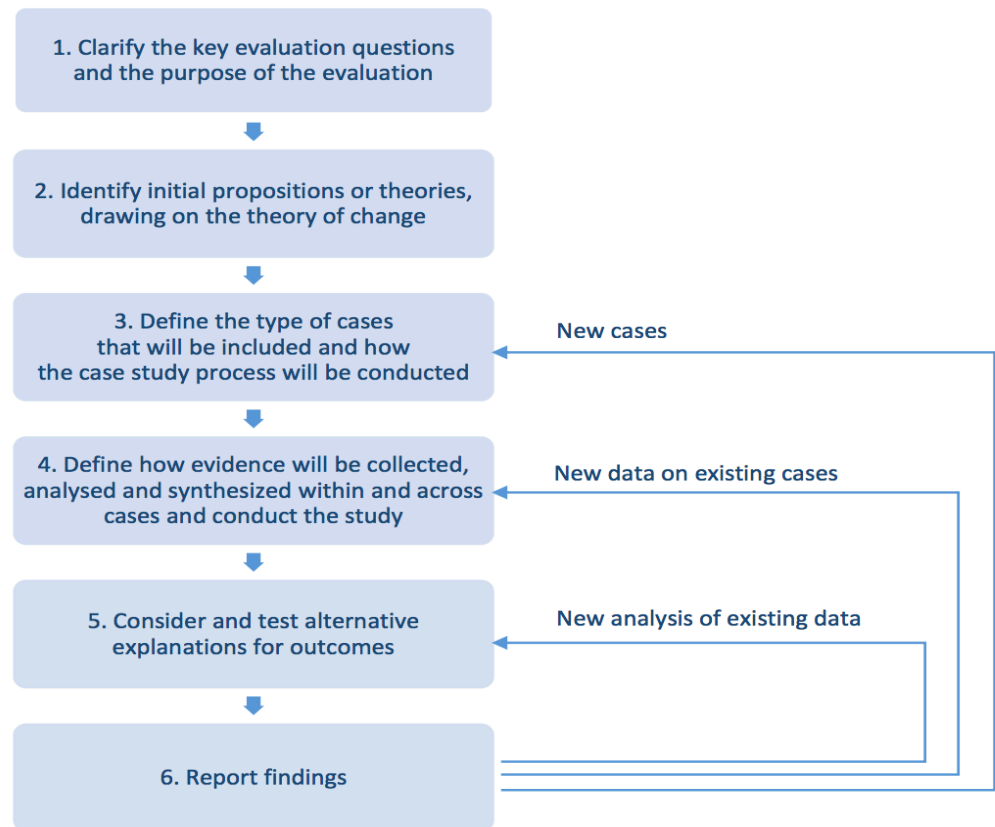


Figure 8: Case study selection.

Adapted from (Goodrick, 2014)

## Appendix D

Table 20: Employment in Manufacturing (Selected Years)

Industry	1970	1975	1,977	1980	1983	1985
Food	1,191	1,306	1,498	1,220	1,650	1,655
Beverages and Tobacco	711	744	825	602	737	804
Wearing Apparel	1,774	2,936	3,171	1,694	3,314	1,801
Furniture and Fixtures	385	321	470	232	368	426
Printing and Publishing	462	515	547	496	706	744
Chemicals	191	409	460	485	719	591
Non-Metallic Mineral Products	415	283	468	451	297	336
Fabricated Metal Products	283	449	462	462	991	645
Machinery and Equipment	806	1,001	1,140	1,538	2,618	1,576
Other Manufacturing	849	303	329	441	52	147
<b>Total</b>	7,067	8,267	9,370	7,621	11,452	8,725

Source: Howard (1991, p. 69)

## Appendix E

Table 21: Selected Data for firms Operating Under Jamaica's Incentive Laws as at December 1968

Industry Group	Fixed Capital Investment J \$'000	Employment	Payroll J \$'000	Domestic Sales J \$'000	Export Sales J \$'000	Total Sales J \$'000
Metal Products	6648	1481	1490	7468	250	7718
Non- Metallic	2302	620	340	1566		1566
Mineral Products						
Chemicals	16176	859	1506	26482	4406	30888
Plastic Products	1650	384	238	1256	74	1330
Containers and Packaging	6964	991	1644	10754	696	11450
Materials						
Electrical Products	880	325	260	1782	158	1940
Food	2628	435	250	3590	918	4508
Clothing	2010	3972	1690		8152	8152
Leather Products	178	357	150		624	624
Miscellaneous Manufactures	18714	3715	3326	11526	3204	14730
Total	58150	13139	10894	64424	18482	82906

Source: Ayub (1981, p. 142)

## Appendix F

Table 22: Investment and Employment in Assisted Firms Trinidad and Tobago 1964-1973

Year	Number of Plants	Investment \$ Millions	Employment
1964	21	2.0	437
1965	33	6.9	1329
1966	66	14.6	1146
1967	35	4.5	684
1968	25	3.6	440
1969	11	n.a	n.a
1970	76	9.4	1620
1971	45	1.7	783
1972	67	12.9	1731
1973	77	14.0	2184

Source: Toney (1995, p.15)