

DILEMMAS OF CARIBBEAN DEVELOPMENT: AN INTERVIEW WITH G. ARTHUR BROWN

The Honorable G. Arthur Brown has been Associate Administrator of the United Nations Development Program (UNDP) since 1978, overseeing all operations of UNDP throughout the world. His vast experience in international development includes top-level positions in both the public and private sectors. From 1962 to 1977 he was responsible for all of Jamaica's negotiations with the IMF, the World Bank, multinational lenders, and foreign governments. Brown served as Alternate Governor of the World Bank, the IMF, and the Inter-American Development Bank. He also served as Alternate Governor of the Caribbean Development Bank, which he helped found. He was also a member of the Group of Twenty appointed by the IMF to reform the international monetary system.

In this interview, Mr. Brown discusses the dilemmas of development confronting the island nations of the Caribbean. He evaluates the U.S. role in this region of growing unrest, focusing particularly on the impact and future prospects of the Caribbean Basin Initiative. In comparing the alternative strategies pursued by different countries, Mr. Brown concludes that more pragmatism combined with better management skills will be the keys to sustaining, and ultimately improving, the quality of life in the Caribbean.

FORUM: Based on your knowledge of the Caribbean and your experience in development in that and other regions of the world with UNDP, what do you consider to be unique about the problems faced by the nations of the Caribbean?

BROWN: The first problem I would identify is that each country is relatively small. Apart from Jamaica and Trinidad, all of the islands in the English speaking Caribbean have populations of under one million, and the majority have populations under 200,000; so that this means a small population base. Also, the islands have a very poor resource base. Only Trinidad and Jamaica have any mineral deposits at all. This means that they are dependent either on agriculture or tourism or, in some cases, on a certain amount of industrialization. These are basic factors which can only be altered or adapted to the extent that the people are sufficiently well-trained and skilled to involve themselves in service industries.

FORUM: What potential resources and advantages does the Caribbean possess that other regions lack?

BROWN: As regards resources, as I have said, the physical resources are very small. On the other hand, the human resources are an advantage in the Caribbean in that the educational system there, compared to many former colonies, has always been excellent. For example, primary education has always been free in the Caribbean countries and in countries like Jamaica, education is free right through to university. A population with this educational opportunity certainly gives the Caribbean an advantage. I think, too, that its geographical position is very important — its closeness to the United States and Canada. Common language is also a very important factor which makes movement to the larger nations to the north of the Caribbean much easier. And the evidence shows that Caribbean peoples who have migrated to the United States and Canada have invariably done very well, once they are given that opportunity.

FORUM: Can being close to the United States be considered a disadvantage as well?

BROWN: It is clearly a disadvantage in terms of the concept people have of the standards of living that they should aspire to; I recently attended a conference and there were many people there who felt that this was one of the most difficult issues that governments in the Caribbean have to cope with — that is, the aspirations of the people and what they regard as their norm. These aspirations are then reflected in actions such as trade union action, in the type of demands which are made for wage levels, and this, in turn, does affect the productivity and the competitiveness of industry in the Caribbean.

FORUM: In 1982, President Reagan described the Caribbean countries as being “under economic seige.” What are the dimensions of the economic dilemma in your view?

BROWN: By “economic seige,” I assume the President meant the external environment. One of the attributes of the Caribbean I should have mentioned is the openness of the economy. In some of these countries, international trade amounts to forty or fifty percent of GNP. This means that the economies are very open, that the main stimulant to growth and foreign exchange earnings is dependent on trade and on exports, and if the market for the primary exports becomes depressed, this immediately has an adverse impact on growth and development. This is what has happened in the case of Jamaica: the Bauxite industry, which has been the major export earner, has been suffering from chronic depression. It

is one of the sad situations that although most other sectors in the world economy have been showing growth and revival the Bauxite and Alumina sector is still very much on its back. Indeed, at the end of January another major bauxite producer, Alcoa, announced that it was temporarily suspending production in Jamaica. This follows Reynolds, which closed down production in 1984. The betting is that Alcoa may not resume production. In this sort of situation where bauxite produced some fifty to sixty percent of foreign exchange earnings, it does not take much to see that once there is a decline it has a very pronounced effect on the economy. In Trinidad one could say the same thing about oil. Sugar, the second important area in Jamaica, has also suffered from weaknesses in the international market. In 1982 and 1983 the price of sugar in nominal terms was about what it was fifteen to twenty years ago. This is another indication of the type of problem that these countries encounter.

FORUM: In announcing the Caribbean Basin Initiative (CBI) in February 1982, President Reagan spoke of an "economic disaster" which he said was "consuming our neighbors' money, reserves, and credit, forcing thousands of people to leave for other countries . . . and shaking even the most established democracies." It has now been three years since the CBI was announced; has the situation improved or deteriorated?

BROWN: The Caribbean Basin Initiative, one must accept, is an imaginative response to the Caribbean problems. Many leaders and economists have indicated and said that to hand out money to developing countries is not enough. These developing countries must be given an opportunity to trade and to be able to sell their goods. This helps develop self-reliance and gives them a more permanent and stable basis on which they can function. The CBI attempts to do this, although it has been somewhat emasculated by leaving out some important areas such as textiles which are important for developing industry in the Caribbean. I think most people would admit that although the CBI, as I have said, has been imaginative enough and offers many opportunities, Caribbean businesses and foreign investors have been slow to take advantage of it. There are various reasons for this: to take advantage of new markets requires new investments, but the movement of investments into the Caribbean has been somewhat slow. This is partly due to people's views about stability in the region and also concern about the support that these investors would get, not only from the local government, but also support from the local community in terms of good labor relations. The information that is circulating is that there are some investment projects which were agreed upon which are now likely to come to fruition. I would say that one should judge the CBI probably five years after it started, because

these things take such a long time to start up. But it certainly is a movement in the right direction.

FORUM: In a recent book, an American scholar wrote, "How the United States responds to the challenge of promoting Caribbean development will be crucial in determining the nature of its future role in the region." How would you evaluate the American response in the past ten years, and ideally, what role would you like to see the U.S. play in the development of the Caribbean?

BROWN: I think any small country or sets of countries like those in the Caribbean — in the backyard of one of the superpowers — must acknowledge certain facts of life: these countries have to establish good working relationships with the superpower. This has been one of the cornerstones of foreign policy in the Caribbean. Equally, from the United States' point of view, it is in their interest not to have a number of what I might call "nuisance countries," because in no way could these countries be a challenge to the United States, but they could be nuisances. The U.S. has a long term interest in seeing that there is stability in the region, and I would say the interest is mutual when one looks at it in a pragmatic and realistic way.

I believe it is true to say, too, that five or six years ago U.S. interest in the Caribbean was not great. I think the U.S. perhaps overlooked the islands as "specks of dust" in the Caribbean Sea. But one did notice an important change in the past five or six years, particularly under the Reagan administration: the emphasis in U.S. policy shifted. I think the events in Grenada probably had something to do with this, because what Grenada demonstrated was that it was possible for a small country to become something more than a nuisance and it obviously would not have been in the U.S. interest to have seen other countries or other small islands in the Caribbean going the same way. This new concern has all been to the good and in the interests of the Caribbean nations insofar as their relationships with the United States are concerned. I would imagine that this interest is going to continue for some time to come and so long as the superpowers each have their client states in the Caribbean I think neither party is likely to back out.

FORUM: Do you think there is a fear in the Caribbean that the United States might play too heavy-handed a role?

BROWN: I am not sure that even if there is a fear, people realize that if the U.S. wanted to play a heavy-handed role there is nothing that the countries of the Caribbean could do to stop them. But equally, I am not sure that it is necessary for the U.S. to become overly heavy-handed,

because it has all of the cards in its favor: it is geographically close, it certainly has good information, it knows exactly what is happening in each of the islands, and I doubt that one would see another Grenada taking place because the security, military, and other information which the U.S. lacked five or six years ago it probably now has. I think, too, that there are those people who would like to see *more* interest on the part of the U.S. For example, immigration is a touchy subject in the Caribbean, and left to the people themselves they would like to see a greater freedom of movement into the United States, both on the basis of permanent visas and also on the basis of short term farm worker programs. These are areas in which I would like to see a greater involvement by the United States.

FORUM: The problem of development in the Caribbean appears to many observers as a structural problem similar to that encountered by most developing nations. For example, increased petroleum costs combined with a sharp decline in the world market price of many Caribbean commodities such as bauxite and sugar have led to a growing indebtedness simply to cover trade deficits. What impact would a restructured international economic order have on the Caribbean?

BROWN: Clearly, the non-oil producing states in the Caribbean have suffered from all of the problems that you have mentioned, although here we should note that Trinidad is an oil-producing country and has benefited from the oil boom. As I've said earlier, outside of Trinidad and Jamaica, there has been the problem of low resource endowment. Agriculture has unfortunately not been very efficiently organized. I did not mention, or I mentioned only briefly, that tourism was one of the sectors that is available to the Caribbean islands. Jamaica is a good example of a country in which the tourism sector, which had declined in the 1970s under the previous government, has increased dramatically in the first four years of the present government. But events in January 1985, when there were demonstrations against price increases arising from the IMF programs, did have a catastrophic effect on the inflow of tourism and this reveals how fragile the tourism industry is as a means of broadening the economic structure and the economic base in these countries. Clearly, if there is a restructured international economic order, the Caribbean, like all developing countries, will benefit. My advice to the Caribbean countries has always been, however, that while we should join with all developing countries in working for the achievement of a restructured international economic order, we cannot sit back and do nothing in the hope that this new order is around the corner, because it's not. This has been one of the policy deficiencies in the Caribbean. I think that under

Mr. Manley, one could say that that was a problem — that there was a genuine belief that considerable resources should be put into achieving the new international economic order, that it would come sooner rather than later if we worked hard at it. Unfortunately, the things that could have been done, or should be done currently, were not given the same amount of attention. I think we have to avoid the view that hoping for the new international economic order is going to take us out of our current problems. We are probably talking here in terms of a generation, and in the meanwhile we have to do whatever is within our power to cope with the difficult resource endowments that we have.

FORUM: Former Jamaican Prime Minister Michael Manley has been a consistent critic of the IMF as a developmental institution. He argues that the IMF formula of devaluation and contraction of the money supply aimed at stimulating exports and dampening demand for imports, is “misconceived in the Third World situation” because most countries cannot simply expand export production on demand. For example, Jamaica could not expand its sugar production even with a devaluation because of problems in the infrastructure of the industry. In his view, the IMF subjected the population to severe pressure in pursuit of benefits that were “unattainable.”

As Governor of the Bank of Jamaica, you dealt with the IMF for many years. Would you agree with the above assessment of the role of the IMF? Why or why not?

BROWN: The IMF has come in for a lot of criticism. Many people have blamed the IMF for its adjustment programs, but on the other hand, I think there has been a great deal of misunderstanding of what are the basic issues at stake. This is certainly one of the areas in which rational and calm analysis is needed.

To begin with, because of the external battering that many of the economies got — the oil prices went up, their export prices went down — they had to borrow to make ends meet. They borrowed and interest rates have since gone up, so they are faced with a two-edged sword, so to speak. Their export earnings have gone down, their main import prices have gone up, and then in addition, they have debt-servicing to cope with. This has resulted in a maladjustment in that a country, just like an individual, cannot live for any length of time with its earnings less than its expenditures. So whether we like it or not, whether or not there's an IMF, an adjustment has to be made. Either earnings are increased or expenditures are reduced. This is a point which the IMF has been making, but it has not had many people willing to listen.

We would have had to make the adjustment whether or not the IMF were there, but the quarrel is over the speed with which the adjustment has to be made. The IMF's answer is that the speed of adjustment is mostly determined by the amount of resources available to it. If they had greater resources, then they could tie up monies for a longer period. But since they have a small pot which has to be used for a large number of clients, they can only allow each one to use their resources for a limited period. So, in an economy which is out of balance to the extent that you have to bring your budget deficit down from twenty percent of GNP to three or four percent, for example, it's very difficult to make that adjustment over a three-year period. If people were to view the argument in this way, then I think there would be a better understanding of what needs to be done.

At the present time, I don't see a solution. It is well known that the IMF had a very difficult time getting increased funding from the United States and unless there is an increase in the amount of resources available to the IMF then it's feared that we're likely to confront very, very difficult adjustments.

Now, the type of adjustment that has to be made, namely, whether it is social programs which are cut back or programs in the economic area, is another issue. I think here, the domestic governments involved have a much greater say. Governments, obviously, are going to find it easier to cut back on hospitals and cut back on schools than to cut back on employment, and I think that this is one of the basic issues. It's a big subject and I can only say that what we need to do is to look at the thing rationally in the hope that there can be a better overall understanding.

FORUM: Specifically, how would you evaluate Manley's contention that even if you change your exposure to the world to spur exports and slow imports as the IMF dictates, Jamaica could not increase its production of sugar or bauxite by enough to improve the balance of its economy?

BROWN: I think there's another side of the coin that should have been mentioned. If in fact we can't increase production, if in fact, we can't increase our exports, then the corollary is that we have to live on less. That conclusion is normally not made and no politician is prepared to say it. If we can't increase production, then we can't live up to the standards that we had in the past, and we will have to cut back our expenditure to keep it within our earnings. I don't think there is any other answer. Unless we were to become mendicants for the rest of our lives so that as long as the country exists we would go around saying, "Well, there's nothing we can do to increase our exports, but we need

more money than our exports can bring in. Therefore, somebody has to help us out with the difference.”

FORUM: To get around that, the Caribbean countries we need to develop more of an infrastructure so that exports could respond more to the IMF formula.

BROWN: Certainly. This is incompatible with saying we can't do it. Obviously we must try to see whether we can do it.

FORUM: The CBI is a three-pronged program of aid, trade, and investment, of which the investment prong is of greatest long-term significance. But even with numerous tax incentives, many businessmen have been reluctant to invest in the Caribbean because it lacks the necessary infrastructure of transportation networks, dependable power, etc., to support new development. How can these infrastructural deficiencies best be overcome, and what kinds of programs has the UNDP been undertaking in the region?

BROWN: The lack of infrastructure, I think, is only one aspect of the reluctance of businessmen. In fact, from a transportation point of view, we're ideal, because we are close to the market. There is a problem with dependable power in places like Jamaica, but that is essentially a human resources issue — an inability of the staff there to maintain the power plants in the way that they should be maintained. So I don't think that the infrastructure problem is the most important of the issues.

I think the important issues are rather fear for the security of the investment; fear about labor relations — whether there are going to be strikes — and the first one, of course, is always decisive in that if you don't think that your investment is going to be safe, then of course you are not going to make the investment. This is why many foreign investors in the Caribbean today are expecting the local government to do so much for them. In other words, they seek to bring the minimum amount of their own resources, and expect the government either to guarantee or underwrite, or to provide them with a substantial input into the investment.

UNDP has helped in the software side of development; that is, we don't make loans for capital projects, but it has been helping on the human resources development side, making things like export surveys, helping the government to organize its administration, its ministry of finance, and its central planning organization more efficiently, doing research in agriculture — helping with crops, industries, and so on — and this is an ongoing program. All of this goes towards either helping

preserve the infrastructure better through more trained people, or contributing in a small way to production, as in the case of crops.

FORUM: How might a program like the CBI with its investment incentives complement what UNDP is trying to do?

BROWN: It very much complements it because if there is an incentive to export, then there is a need to ensure that you are targeting your goods for the right segment of the market, and this has to be studied. You take a simple thing like packaging; your product may be good, but you can't sell it because the packaging is bad; and one of our projects has been precisely in this field of technical assistance to improve packaging.

FORUM: In coping with foreign exchange shortages, most Caribbean nations have been made painfully aware not only of their dependence on imports of oil, but also on their imports of food. How can one account for the need to import food into a region which outwardly seems so lush and fertile?

BROWN: One of the problems of food, as you know, is that the basic staples of the Caribbean diet are not grown in the Caribbean. This is a social or cultural problem based on history; on the history of slavery, that is, in which slaves were fed on imported flour and rice, so they could devote all of their time to growing cane instead of growing their own food. We now suffer from this, and indeed, you could say it is a fatal flaw of the economy because any country that has to pay for the importation of its basic food staples is committing a good deal of its foreign exchange in this area from the start. Changing tastes is always a difficult matter, and politically, governments throughout the Caribbean, no matter what the economic problems, have had to try to secure that imports of rice and flour continue. So that is going to be a problem with us until new generations acquire different tastes.

The agricultural sector is undergoing dramatic change in that most of the good lands have been committed to export crops in the field of sugar, citrus, and bananas, but for various reasons, the sugar and banana industries have been declining and land which was previously used for these crops has now become available.

One of the strategies in Jamaica is a project called Agro-21, which is bringing modern methods of farming into Jamaica, and developing crops which previously were not grown. This is one of the major areas in which agriculture could again make an important contribution to development. But there are two problems with this thrust. First, it is very capital intensive, and second is the degree of skills required. I think what has

been shown in the United States is that high technology farming is almost no different from high technology industry in terms of its complexity. The issue for the Caribbean is whether a country like Jamaica will be able to sustain both the capital investment that is required and the skills needed on the part of farmers to manage that sort of agriculture. These are two very big question marks one can raise against this new thrust.

FORUM: How do you encourage people to work the land? How can a government promote the agricultural sector?

BROWN: Here there are social problems and social questions. People will work the land if the returns they get are commensurate with what they regard as their aspirations. Also, there has always been a stigma attached to working the land, particularly as wage earners in the sugar industry. Again, this goes back to slavery. So we do have some sociological and cultural problems regarding working on the land. The new thrusts in agriculture I have mentioned will attract a new type of person on the land. This is a person who has gone through secondary school and probably gone through some sort of a technical college. But it does not provide an answer to the large number of people now on the land who would then have no place to live, and this of course becomes a very serious social problem. Either you are going to have a large number of landless people hanging around the countryside, or, as normally happens, they migrate to the city. So I don't think we solve the problem by moving into high technology agriculture as far as the employment issue is concerned. We may solve agricultural production but not unemployment.

FORUM: When we talk about the Caribbean, we are forced to generalize about a highly diverse region. What kinds of development strategies have different countries pursued and with what varying degrees of success?

BROWN: If we restrict this to the English Caribbean, what you might call export agriculture originally formed the basis of the economies in these countries. Later, bauxite and oil was developed in Jamaica and Trinidad. I would say that in terms of economic strategies and economic management, Barbados has been consistent in following a very pragmatic policy of doing what works, free of any ideology. In other words, if government ownership is required in certain sectors, then government ownership is pursued; if free enterprise will be more effective, then free enterprise is pursued. Jamaica has gone through a sort of see-saw: we had free enterprise, then we had an attempt at a socialist organization, and we are now back at the free-enterprise strategy. Trinidad has pursued

a fairly orthodox mixed-economy strategy. Of all three countries, I would say that Barbados with its pragmatism has probably shown the greatest success. In a small country with 250,000 people, Barbados has not run into any trouble and has been able to avoid an IMF adjustment policy even though their only resources are their land, their beaches, and their people; they have no minerals. So I think that Barbados is an excellent example of what a well-organized, small, island country can do.

FORUM: Jamaica is generally considered the focal point of the Reagan Administration's Caribbean development policy. It has been made a regional model for the kind of free enterprise development that Reagan would like to see extended throughout much of the Third World. Despite this concern, and despite increasing amounts of aid, Jamaica has not succeeded, as evidenced by recent unrest. Why has Jamaica not succeeded? Is the free enterprise "magic of the marketplace" model out of place in the Caribbean?

BROWN: I think that a lot of people are asking the same questions. I think, too, that the present government in Jamaica would probably say that you can't measure success in terms of this year or next year, and that what had to be done was to bring about a basic restructuring of the whole economy and the way in which the economy operates. This period of hardship, restraint, and adjustment, the government believes, will eventually yield its benefits. I think one would see the same sort of arguments taking place in the United Kingdom. On the other hand, people have to live and can't be put into suspended animation, and during this period there are inevitable hardships. The unemployment rate is twenty-five or twenty-six percent at present, which means that in the absence of any social security underpinning, there must be many people who are in serious difficulties.

From the point of view of the theoretician and the observers of models of development, Jamaica is going to be, and probably is already, a fascinating study in that it shows that there is no automatic superiority in either model. I would say, looking at the Barbados example, that probably one of the most important ingredients in any system is the application of good management; good management at the macro-level — at the level of basic government decisions — and good management at the micro-level. This has been one of the areas of greatest weakness and shortcomings in Jamaica. It is interesting that socialist writers make the same point. That socialism itself does not ensure success in the organization of the economy if it is not also accompanied by good management.

It is clear that it is not lack of aid, because Jamaica has received a great deal of aid. It is also clear that the external environment has been hostile and has continued to be so because the bauxite industry which is so important in Jamaica has been depressed for a much longer period than those industries relevant to other countries. On the other hand, we must say that Barbados has also been living in a hostile environment. So there must be other reasons. I would pick out this issue of management as probably on top of the list.

FORUM: Twenty-five years ago, the countries of the Caribbean and many of the South-east Asian countries stood at approximately the same place. Yet, it seems that the Asian countries have developed the management capacity that you were just speaking of. How can the countries develop this capacity for management both on the micro- and macro-level?

BROWN: No one has been able to give any other answer for the difference in performance in the South-east Asian countries compared with the other developing countries throughout the world than the fact that these countries have managed their resource endowment better; they have been pragmatic. There are some interesting comments which have been made. It has been pointed out that many of the countries which have succeeded are countries that racially are either predominantly Chinese or have a large Chinese population. This I think is leading down a very slippery path because it starts equating success with race. It just so happens that this is the situation there. It has also been pointed out that many of the countries that have been successful, such as Singapore, South Korea, and Taiwan, are countries that are not true democracies. Again, this raises a very disturbing issue. The issue is whether a developing country can afford what might be regarded as the luxuries of freedom of movement, freedom of thought, freedom of speech, freedom of writing, and freedom of association, and at the same time, control the ordering of its resources, including labor, to achieve the objectives which they wish to achieve. I think that young scholars have a very exciting challenge here: given a developing country which, because it is developing, is by nature disorganized, poor in infrastructure, and poor in human resources, to examine whether that country is going to be able to get itself out of its present mire and at the same time guarantee the preservation of all these freedoms. I myself don't know the answer.

Certainly in the case of Singapore there has been a lot of guidance from the top and a lot of controls which would not be acceptable in a place like Jamaica or in Trinidad. But these are two basic issues that must be examined: willingness on the part of the people to allow savings to be accumulated through high profits which then allow for investment

and research. Such a process would not be tolerated in a country where you have a very active trade union organization looking at corporate profits and deciding that they should get their share, which is then spent on consumption goods instead of being put into investment. So there are some very serious problems here on which very little research has been done. Until that research has been done I don't know if we are going to be able to answer this question.

FORUM: Prime Minister Seaga has attributed many of Jamaica's problems to an overemphasis on ideology and Michael Manley has countered that Seaga's model would increase Jamaica's dependence along the lines of the Puerto Rican model, and insists that he was trying to get rid of this dependence. Could you comment on these different approaches to development?

BROWN: I don't think, for example, that the Puerto Rican model is relevant because Puerto Rico is virtually a part of the United States. Freedom of movement to the U.S., for example, is one of the big advantages Puerto Rico has which is not available to the other countries. So Puerto Rico should not be put into the picture at all and no comparisons made with it. As mentioned, we have had a see-saw situation in Jamaica, experimenting with different types of ideologies. But of course we have now had five years of a new model and we have not yet begun to benefit. This then raises a fascinating question: if under one model we have suffered from economic deterioration, a deterioration that occurred over a period of five or six years, how many years will it take to reverse that? As you know, they say that you can tear a building down in one day but it's going to take a year to build it back up.

FORUM: V. S. Naipaul, with characteristic cynicism, once described the West Indies as the "Third World's third world," meaning a region doomed to perpetual subordination, futility, and impotence, both political and economic. Is this characterization valid or is there a light at the end of the tunnel for the Caribbean?

BROWN: I think that this is a very neat journalistic phrase, but it doesn't represent the facts. We have been talking about a lot of difficulties so far. The fact of the matter is, however, that compared with the rest of the developing world, the Caribbean countries are very much in the top quartile: top quartile in terms of per capita GNP, in terms of literacy, in terms of life expectancy, infant mortality; by virtually any index you can think of, the Caribbean countries are very much at the top of the

list in terms of developing countries. The real issue is going to be the ability to *sustain* this. And the ability to sustain it is very much going to be dependent on the answers to some of the points that we have been discussing.