Lesson 2
Challenges facing the Caribbean Region
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GLOBALISATION: COOPERATE TO SURVIVE

a) Define “globalization”.

b) State TWO negative effects of globalization for Caribbean businessmen.

c) Give THREE reasons why regional cooperation is necessary to compete with international producers in a global environment.

d) Suggest to Caribbean businessmen ONE action they may take to prepare their workers for globalization. State why the businessmen should support the measure you have suggested.
a) Define “globalization”.

GLOBALIZATION refers to the process by which the world’s economies are becoming interconnected as a result of improvements in transportation and communication.

b) State TWO negative effects of globalization for Caribbean businessmen.

– Competition from cheaper imported goods due to high cost of production and lower levels of technology and productivity in Caribbean countries.

– Difficulty accessing international markets or global markets because prices are uncompetitive and quality standards in the Caribbean need to improve to meet international standards. Caribbean goods seen as inferior to foreign products.
(c) Give THREE reasons why regional cooperation is necessary to compete with international producers in a global environment.

- Greater bargaining power as a region in dealing with trade negotiations with external countries and MNCs which have traditionally played us against each other
- Increased regional market allows for economies of scale so our costs of production can go down allowing us to compete on the global market
- Allows us to implement common policies such as the CET and other barriers to trade which can protect regional goods from competition from cheaper foreign products
(d) Suggest to Caribbean businessmen ONE action they may take to prepare their workers for globalization. State why the businessmen should support the measure you have suggested.

- *Foreign language training to prepare workers for dealing with customers and suppliers from foreign countries*
- *Investment in educational courses and short seminars e.g. by provision of study leave for workers to improve their knowledge, skills and competences*
- *Investment in technology (the latest model of machines and equipment) and training in ICT to ensure technologically skilled workers and greater productivity*
- *Arrange for workers to attend seminars or workshops on globalisation and the effects it can have on the business (increased competition etc)*
- *Negotiation training/ cultural sensitivity training to prepare them for interactions with people from different cultures and backgrounds*
- *Invite resource persons for sessions on values and attitudes, designing of websites and advertisements*
Objectives

The student should be able to:

1. Outline major challenges facing the Caribbean region
   Pg. 403[Modules]

2. Explain the importance of regional integration

3. Describe factors that promote regional integration
   Pg. 401-403[Modules]

4. Describe factors that hinder regional integration
   Pg. 416[Modules]

5. List the main resources of the Caribbean region
   Pg. 409-412[Modules]
Review

• **COOPERATION:** working helpfully with others
• **REGION:** an area of a country or the world having definable characteristics but not always fixed boundaries
• **INTEGRATION:** the act of combining things to form a whole
• **CARIBBEAN:** relating to the region consisting of the Caribbean Sea, its islands and the surrounding coasts
• **GLOBALISATION:** the process by which the world’s economies are becoming interconnected as a result of improvements in transportation and communication.
• **MULTINATIONAL CORPORATION (MNC):** a very large business that has offices and factories in several different countries.
Review

- **DEVELOPED COUNTRY**: a country that has a developed economy and advanced technological infrastructure relative to other less industrialized nations.

- **DEVELOPING COUNTRY**: a low to middle income country that is a country with a less developed industrial base relative to developed countries.

- **UNDERDEVELOPED COUNTRY**: a country without modern industry or modern services that provide transport, hospitals, etc.

- **ECONOMIES OF SCALE**:
  - the **reduction in cost** per unit item of production that is brought about when businesses produce on a large scale
  - the **benefits of large-scale production**
DEFINABLE CHARACTERISTICS OF THE CARIBBEAN REGION

1. Limited Natural Resources
2. Dependence on Tourism and Agriculture
3. Prone to Natural Disasters:
4. Small Population Size, Small Physical Size
5) Brain Drain
6) Common History and Heritage
7) Varied Ethnic Composition
CHALLENGES FACING THE CARIBBEAN REGION
1. Small size/small population/small domestic markets

2. Lack of diversification (similar natural resources, similar crops, similar economic activities)
   - Limits opportunities for trade
   - Vulnerable / near-mono-cultures
3. High levels of unemployment and underemployment
4. Brain drain
5. Low levels of production and productivity
   - Inefficient, labour-intensive operations; poor work ethic
   - Outdated technology
   - Lack of skills
6. Shortage of capital for investment
7. Heavy debt burden (high national debt)
   - World Bank
   - International Monetary Fund
8. High level and cost of imports
9. Low value of exports
10. Shortage of skilled workers
11. Inadequate technology
11. Vulnerability to natural disasters
12. Unequal distribution of resources
13. Poverty
14. Globalization
   (increased competition from foreign goods)
Importance of Regional Integration

1. A united group is stronger and has greater bargaining power
2. We can share natural resources
3. We can share technical expertise and knowledge
4. We can reduce duplication of effort
5. We can create more employment opportunities
6. Larger markets for our goods and services
7. Can lead to increased foreign investment & better deals with MNCs
Benefits of Regional Integration

1. Reduction in unemployment and underemployment
2. Better response to globalization and trade liberalization
3. Improvement in the quality of life
4. Reduction in the inequality of wealth distribution
5. Free movement of goods, labour and capital
Benefits of Regional Integration

6. Increased market size
7. Improved levels of international competitiveness
8. Expansion of trade
9. Increased cooperation among member states
10. Increased chances of achieving sustainable development
Factors Promoting Regional Integration

1. Common history
   • Colonialism, slavery and indentureship
2. Common cultural heritage
   • Language, dress, cuisine, music, general lifestyle
3. Close proximity
4. Common economic and social issues
5. Effects of globalization, trade liberalization and trading blocs
6. Vulnerability to economic shocks and natural disasters
Factors that Hinder Regional Integration

1. Geography of the region
   Caribbean countries are separated by water and inter-island transport is not always easy.

2. Absence of a common strategy for development
   Different emphases on strategies for growth: one depends on petroleum, some on tourism, others on agriculture (common policies difficult to achieve)

3. Competition for location of industries
   Territorial interests often supercede regional ones, e.g. the countries compete among themselves to attract foreign investors
Factors that Hinder Regional Integration

4. Differences in stages of growth and development MDCs and LDCs

5. Absence of common currency and non-acceptance of each other’s currency

6. Fear of political integration

7. Unequal distribution of resources
The more developed member states that are fortunate to have mineral resources often utilize income gained from this wealth only for their country’s benefit rather than shared regional benefit.
Factors that Hinder Regional Integration

8. Influence of MNCs / TNCs
TNCs still bargain with individual governments for tax-free holidays, duty free import of raw materials, repatriation of profits etc in contravention of CARICOM objectives.

9. Lack of diversification in production and duplication of effort
Since member states produce similar products (sugarcane, bananas, cocoa, coffee, ground provisions) intra-regional trade is stifled. Each country has its own factories rather than there being different types of factories in several CARICOM countries to produce items for the entire region and for export.
Factors that Hinder Regional Integration

10. Insularity

11. Delayed implementation of policies agreed on at meetings of regional heads

12. Citizens know little about CARICOM organizations and what they do

13. Poor information dissemination

14. Slow implementation and ratification of plans

15. Poor media coverage
   Insufficient information about CARICOM countries in newspapers, on radio and cable television
Factors that Hinder Regional Integration

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2. Absence of a common strategy for development
3. Competition for location of industries
   Differences in stages of growth and development
4. Absence of common currency
5. Fear of political integration
6. Unequal distribution of resources
   Influence of MNCs / TNCs
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Regional Integration Timeline

1. West Indian Federation (WIF) – 1958-1962
2. Caribbean Free Trade Association (CARIFTA) – 1968
3. Caribbean Community and Common Market (CARICOM) - 1973
4. Organisation of Eastern Caribbean States (OECS) - 1981
5. Association of Caribbean States (ACS) - 1994
6. CARICOM Single Market and Economy (CSME) - 2006
The West Indian Federation

1958-1962

The West Indian Federation was one of the first major attempts at regional integration in the Caribbean (political integration)
Federation

A group of countries or states that have joined together to form a single group in which power is divided between a central/federal government and the individual governments of the countries or states.

- A single political entity e.g. USA, Canada
West Indian Federation: 10 Member States

- Antigua
- Barbados
- Dominica
- Grenada
- Jamaica
- Montserrat
- St. Kitts/Nevis/Anguilla
- St. Vincent
- St. Lucia
- Trinidad and Tobago
AIMS AND OBJECTIVES
OF THE
WEST INDIAN FEDERATION
1. To generate ideas to solve their social and economic problems
   – Sugar industry in decline (unprofitable)
   – Shortages of goods & high prices after WW2
   – Low wages
   – High unemployment
   – Poor social facilities (hospitals, schools, utilities)

2. To increase their bargaining power
   – thereby securing cheaper prices for imports and better prices for exports through a united voice
3. To safeguard the democratic system of government
   – resist the US intervention in the affairs of the Caribbean (Monroe Doctrine)

4. To reduce foreign control over their economies
   – (foreigners controlled most of the fertile land)

5. To strengthen the movement towards independence and self-government
Achievements

• Facilitated the move from colonialism to independence through a united voice

• Increased effectiveness in dealing with international bodies such as the UN
Aims and Objectives of the West Indian Federation

1. To generate ideas to solve their social and economic problems
2. To increase their bargaining power
3. To safeguard the democratic system of government
4. To reduce foreign control over their economies
5. To strengthen the movement towards independence and self-government
REASONS FOR THE COLLAPSE OF THE WEST INDIAN FEDERATION
Factors leading to the Collapse of the Federation in 1962

1. Trinidad and Jamaica thought it unjust that they were expected to provide 82% of the funding for running the Federation.

2. Smaller states distrusted the larger states
   - Felt Jamaica and Trinidad would change the constitution of the Federation in their own interest
Factors leading to the Collapse of the Federation in 1962

3. Conflict over choice of the Prime Minister of the Federation
   – (Sir Grantly Adams, Premier of Barbados)

4. Conflict over choice of the capital site, Chaguaramas, Trinidad
   – Jamaica wanted to be the site of the headquarters
   – Near to US military base
Factors leading to the Collapse of the Federation in 1962

5. **Selfish Goals**
   - Islands at various stages of political development and the more advanced countries felt that Federation might stifle their political progress i.e. their move towards independence
   
   - The most competent people to act as federal Prime Minister refused the role (Dr. Williams and Mr. Manley both preferred to remain as heads of their own countries)

6. **Envy and jealousy** among member states stemming from their varying levels of economic prosperity
Factors leading to the Collapse of the Federation in 1962

7. Inefficient communication between the islands (inadequate shipping, telephone and postal services)

8. Masses uneducated on the importance of the Federation

– Jamaica held a **referendum** in 1961 in which the majority of the population voted against Federation. Thus Jamaica withdrew from the Federation

– Dr. Eric Williams “**One from ten leaves naught**” – so Trinidad and Tobago also withdrew from the Federation
Factors leading to the Collapse of the Federation in 1962

1. Trinidad and Jamaica providing 82% of Federation funding
2. Smaller states distrusted the larger states
3. Conflict over choice of the Prime Minister of the Federation
4. Conflict over choice of the capital site, Chaguaramas, Trinidad
5. Selfish Goals
6. Envy and jealousy among member states
7. Inefficient communication between the islands
8. Masses uneducated on the importance of the Federation
   • Jamaica’s referendum in 1961
   • Dr. Eric Williams: “One from ten leaves naught”
VOCABULARY

1. REFERENDUM: a direct vote by the electorate of a country on a single political issue
2. INTERVENTION: the action of coming between people or things
3. FEDERATION: a group of states with a central government but independence in internal affairs
4. COOPERATE: to work helpfully with another person or with other people
5. DEMOCRACY: a form of government in which the people have a voice in the exercise of power typically through elected representatives
6. COMPETENT: having the necessary skills and knowledge to do something successfully
7. STATUS: the situation at a particular time
• Today’s class: challenges facing the region, factors promoting and hindering integration
• Next class: ECONOMIC INTEGRATION
Image sources

- Leaders of the WIF: https://i.pinimg.com/736x/02/3b/90/023b9011170d2f2f0270ce7372033cd3.jpg
- Federation flag: https://www.flagmakers.co.uk/wp-content/uploads/Flag_of_the_West_Indies_Federation1.png
- Financial burden: https://www.newsmax.com/Newsmax/files/5f/5f4743f1-1d05-4c53-aeef-f2329bb77415.jpg
(1) Modules in Social Studies:
   Read pages 236-241, 393, 401-403
(2) Study Guide: Read Unit 6.1-6.2 on pages 92-95
(3) Answer the following questions:
   a) What does regional integration involve?
   b) What is the fundamental purpose of regional integration?
   c) List the 14 major challenges facing Caribbean countries?
(4) Complete the online quiz entitled: *RI-Q1 Challenges facing the Caribbean region*
(5) Do Question 1 (a-d) on page 113 of your Study Guide.
ANSWERS

a) What does regional integration involve?
Regional integration involves the unification of a number of nation states into a larger whole.

b) What is the fundamental purpose of regional integration?
The fundamental purpose of regional integration is to enhance the development of the region.

c) List the 14 major challenges facing Caribbean countries?
Small markets /no economies of scale, unemployment and underemployment, Brain drain, debt burden, shortage of capital, low productivity, limited physical resources and unequal resource distribution, lack of diversification/monoculture, unfavourable balance of payments as imports exceed exports, inadequate technology, transportation, natural disasters, difficulty accessing foreign markets, high rates of illiteracy
ANSWERS

a) The small size of Caribbean nations is a challenge to economic development because the small size:-

- limits the markets, renders economies of scale impossible, makes Caribbean goods comparatively more expensive on the world market
- businesses remain small which limits job creation capability and limits ability to earn foreign exchange from exports
- limits government revenue from taxation.
b) Two reasons for the need to develop human resources are:-
- need well developed human resource to provide the skills and knowledge to make full use of our physical resources for economic development
- A well-developed human resource is more innovative, creative and productive
- high rates of illiteracy and lack of employable skills lead to high levels of unemployment so development of human resources would make people more employable

Ways in which the region’s human resources are currently underdeveloped are:
- high rates of illiteracy
- low level of skill
c) Diversification in agriculture is needed because

- It leads to more export products, increased foreign exchange earnings, decreased vulnerability to natural disasters, pests and diseases, more stable economy
- most agricultural products are sold on the commodities market where prices fluctuate wildly so it is better to not have all your eggs in one basket
- the wider availability of local fruits and vegetables leads to increase self sufficiency in food production.

C) Diversification in tourism is needed because

- There is a lot of competition in traditional tourism product areas such as cruise ship tourism and hotel or resort based tourism; development of new forms of tourism such as ecotourism and adventure tourism can create a unique niche market
d) CARICOM leaders can support attempts at regional integration, ensure the education system keeps pace with the needs of the industrial sector, give incentives to farmers to introduce new crops. These incentives might include:

- soft loans,
- duty-free import of equipment,
- training and advice,
- subsidize purchase of seeds, equipment and fertilisers,
- development of rural infrastructure,
- assistance in finding markets for their products