Trade Liberalization and Peripheral Postindustrialization in the Caribbean.

by Emilio Pantojas-Garcia

ABSTRACT

In the 1990s, trade liberalization eroded the competitiveness of Caribbean economies as manufacturing export platforms. Proposed new economic strategies favored a shift from vertically integrated, transnationally based segment manufacturing to segments of knowledge-intensive industries and services. This strategy, however, reproduces the economic asymmetries associated with the core-periphery relation (low wages, value-added rates). Postindustrial technologies and economic strategies provide the opportunity to formulate alternative policies to overcome the shortcomings of peripheral postindustrialization and foster sustainable postindustrial development.

Today, we direct our Ministers responsible for trade to begin negotiations for the FTAA, in accordance with the March 1998 Ministerial Declaration of San Jose. We reaffirm our determination to conclude the negotiation of the FTAA no later than 2005.... The FTAA agreement will be balanced, comprehensive, WTO-consistent and constitute a single undertaking.

Declaration of Santiago

Summit of the Americas

April 19, 1998

The Heads of State and Government of the Caribbean Forum of ACP States (CARIFORUM)...reiterated their determination actively to participate in the negotiations for the establishment of the Free Trade Area of the Americas, in order to ensure the incorporation of the interest of smaller economies and their full participation in the process....

The Statement of Santo Domingo

First CARIFORUM Summit

August 22, 1998

Over the past two decades, neoliberal views on economic policy have acquired increasing prominence throughout the world. Market fundamentalism, the notion of the superior efficiency, rationality, and dynamism of the private entrepreneur and the marketplace, has become the dominant Weltanschauung among economic development experts and policymakers. This shift in the development paradigm has resulted in the adoption of regional, subregional, and supraregional proposals of trade liberalization that move away from state-directed development strategies in favor of market-centered ones (Dietz and Pantojas-Garcia 1994, 19).

The adoption in the North of, first, the Canada-United States Free Trade Agreement (CUFTA), and later the North American Free Trade Agreement (NAFTA) has been shadowed by a number of regional and subregional initiatives of trade liberalization in the southern Western Hemisphere (Aponte-Garcia and Alvarez-Swihart 1998; BID 1999, 42, 46-59). The creation of MERCOSUR, grouping Argentina, Brazil, Uruguay, and Paraguay; the reactivation of the Central American Common Market and the Andean Group; and the proliferation of bilateral framework agreements throughout Latin America are referred to by some experts as the spaghetti bowl effect of Northern trade liberalization.

In the Caribbean, initial responses to NAFTA took the form of asking the U.S. Congress to approve legislation providing trade parity with Mexico for the region. [1] On March 18, 1993, the Caribbean Basin Free Trade Agreements Act (HR 1403) was introduced in Congress to "ensure that the Caribbean Basin Initiative [was] not adversely affected by the implementation the NAFTA" and to provide for "fast-track" approval for free trade agreements between the United States and certain Caribbean counties.

Other regional initiatives included the creation of the Association of Caribbean States (ACS) in 1994 (with strong support by the Group of Three--Mexico, Colombia, and Venezuela--the Central American Common Market, and CAPICOM); the proposal for a CARICOM single market, following the recommendations from the West Indian Commission (1994, 506); and the creation of CARIFORUM in 1998. These are further examples of the scramble to find a stronger bargaining position in the new politicoeconomic milieu created by the adoption of transnational economic framework agreements for liberalizing trade or free trade agreements (FTAs).

At first glance, the plethora of acronyms for new organizations, agreements, symposia, and summits prompted by the triumph of neoliberalism looks more like an alphabet soup than the framework for a new economic order. Yet that framework is real. The first hemispheric call for a Free Trade Area of the Americas (FTAA) in the 1994 Summit of the Americas Declaration of Principles (Summit of the Americas 1994) led to the intensification of discussions among Caribbean political and business leaders on alternatives for horizontal Caribbean integration to prepare for the process of hemispheric integration (Ceara-Hatton 1997, 1998). The reaffirmation of the goal of hemispheric free trade by the year 2005 at the 1998 Summit of the Americas in Santiago, Chile, calls for an analysis of the implications of adopting further economic liberalization policies for the small economies of the Caribbean and of the region's role in the new hemispheric division of labor. The type of analysis needed now is one that will help assess emerging scenarios from a new perspective, given these changing realities.

This essay examines the evolution and impact of neoliberal economic policies in the Caribbean economies from the enactment of the Caribbean Basin Initiative (CBI) and the adoption of structural adjustment policies in the 1980s to the proposals building up to the formation of an FTAA. More concretely, it analyzes the process of economic restructuring that the region is undergoing from manufacturing export platforms to peripheral postindustrial sites. The later sections of this article examine alternative views and policies for economic restructuring based on postindustrial activities, the implications for the region of the normalization of trade relations between China and the United States, and the conflicts around the World Trade Organization negotiations on trade liberalization.

Peripheral postindustrialization is defined as the process in which the axis of economic growth shifts from transnationally based, vertically integrated segments of manufacturing to transnationally based, vertically integrated segments of knowledge-intensive industries and services. The notion of periphery is alien to the literature on postindustrialization. It comes from the field of development economics, and is anchored in Raul Prebisch's view of deteriorating terms of trade for primary products traded between underdeveloped (agrarian) and developed (industrialized) countries. "Dependency" theorists in the 1970s extended the core-periphery dichotomy to refer, in general, to economic relations based on unequal exchange between countries. In its initial formulation, the core-periphery view emphasized the geographical basis of the dichotomy of developed versus underdeveloped countries; for example, first versus third worlds (Rodriguez 1980; Love 1980; Negron-Diaz 1998).

The process of economic liberalization and corporate intermingling on a global scale taking place today makes it difficult to speak of national economies or countries as the principal actors of the world economy. Still, it can be argued that the core-periphery relation continues in the global economy; only now, instead of referring mainly to a geographical distribution of the core and the periphery, it can be conceptualized in terms of core versus peripheral circuits of transnational capital. In the new globalized and liberalized economy, transnational conglomerates or transnational megacorporations (acting as global information and financial networks for multiple production companies) have emerged as the main actors driving the dynamic circuits or vertical chains of global production, trade, investment, and finance. These "core" mega-TNCs are behind the emerging movement to liberalize all trade in goods and services on a global scale.

TNCs, however, continue to operate in a geographical framework that privileges "developed" countries. In 1995, of a total of 44,508 parent corporations based in countries throughout the world, 36,380, or 82 percent, were based in developed countries. Of the top 100 TNCs in the world, 87 were based in the United States, the European Union, or Japan. Only two of these, Daewoo Corporation of South Korea and Petroleos de Venezuela S.A., operated in "newly industrializing countries." These top 100 TNCs control one-fifth of the world's assets (UNCTAD 1997, 128-29, 134-37). TNCs are stratified, moreover and not all operate within the new financial core of the global economy.

THE CARIBBEAN ROAD TO TRADE LIBERALIZATION

In the 1980s, Caribbean policymakers and entrepreneurs adopted a set of economic policies that effected a shift from state-directed to market-oriented development strategies. Knowingly or not, however, these market-centered policies were anchored in preferential treatment of Caribbean commodities by developed countries, not in the principles of market fundamentalism. The preferential regimes driving economic development in the 1980s started with the launching of the CBI, enacted by the signing of the Caribbean Basin Economic Recovery Act in August 1983. This measure was followed by Lome III in December 1984 and CARIBCAN (Canadian Programs for Commonwealth Caribbean Trade, Investment and Industrial Cooperation) in 1986.

These preferential agreements were framed in the structural adjustment package known as the Nassau Understanding, signed by CARICOM leaders in July 1984, and enveloped in a heavy rhetoric of market fundamentalism. History demonstrates, however, that these measures constituted a neoprotectionist package that provided preferential market access for selected Caribbean commodities to the United States, Canada, and Europe. These preferential regimes, especially the CBI, fostered a process of economic restructuring centered on labor- and import-intensive, export-processing industries, known as maquiladoras. Such maquila-type operations, with limited production linkages to the domestic economy, multiplied in newly established free trade zones (FTZs) that Caribbean Basin governments created, often with private sector assistance. Among the products that benefited most from the CBI and these new offshore sourcing arrangements were light manufactures (electrical machines, sporting goods, furniture) and agroindustrials (frozen fruits and vegetables, fruit juices, and preserved fruits) (USITC 1992, chap. 3).

The CBI, however, did not cover the category of light manufacturing that grew fastest: apparel. The rapid growth in apparel assembly was fueled by another U.S. special preference program passed in 1986, known as the GAL (Guaranteed Access Level program, or "807a," for its section in the U.S. Customs Code). The GAL ensured unrestricted access to the U.S. market for apparel assembled in the Caribbean Basin originating from fabric made and cut in the United States. Under this program, exports of assembled apparel from the Caribbean to the United States more than doubled in only four years, from $1,125.4 million in 1987 to $2,589.6 million in 1991, an annual growth rate of 23.2 percent. By 1995, "807" exports to the United States had risen to $5,544.6 million, an annual growth rate since 1991 of 21 percent (USITC 1996, table 6).

Still, despite growth in particular industries, the early impact of these preferential regimes on export production in the Caribbean Basin was disappointing to policymakers in both the region and the United States. Between 1984 and 1988, exports from CBI beneficiary countries to the United States declined from $8.9 billion to $6.2 billion. Exports moved up to $8.4 billion in 1991, but this was partly from the addition of Guyana to the list of CBI countries in 1988. In the short run, the CBI-induced exports did not compensate for the decline in traditional exports. Although by 1994, Caribbean Basin exports to the United States had reached $12.2 billion, more than one-third of this total, $4.6 billion, was in assembled apparel (figures from the U.S. Department of Commerce). The value-added content of these assembled products averaged 25 percent or less. Hence, the foreign exchange earnings of the new industries were estimated to be less than those of traditional agricultural exports (GAO 1988, 22-23).

Until the adoption of structural adjustment policies and the enactment of the CBI and the GAL, U.S. manufacturers considered Caribbean countries (with the exception of Haiti and the Dominican Republic) to be relatively high-cost producers because of their high levels of unionization, comparatively high wage rates, and high transportation costs. The CBI-GAL trade preferences were designed to allow Caribbean-based manufacturers to establish operations that could compete in the U.S. market with Asian- and Mexican-based manufacturers. By 1994, a group of researchers studying the global chain of apparel production described a production "triangle" for Asian and American corporations in which the Caribbean was one of the key axes (Bonacich 1994, 3-4; Bonacich and Waller 1994, 21-41). But the CBI-GAL regime was short-lived. The enactment of NAFTA, just ten years after the CBI, reestablished the comparative disadvantages of the Caribbean compared to Mexico as a maquila-type export platform.

In the short run, Mexico’s low wages and proximity to the United States, combined with NAFTA’s duty-free treatment, seemed to provide a nearly insurmountable competitive advantage for Mexico over Caribbean production locations. In the textile and apparel industry in particular, freer market access under NAFTA caused the value of Mexican textile and apparel exports to the United States to grow exponentially, while the combined value of the four larger Caribbean exporters sagged. In the first two years after NAFTA began (1994-96), the value of Mexican textile and apparel exports to the United States grew by 123 percent, while the combined exports of the Dominican Republic, Jamaica, St. Lucia, and Haiti grew by only 14 percent. Exports from the Dominican Republic, the single largest Caribbean exporter to the United States, grew by only 12 percent in this period. In the three-year period previous to NAFTA, 1992-94, the growth rates for these exports were 70 percent for Mexico, 54 percent for Jamaica, and 29 perc ent for the Dominican Republic, with an overall growth of 29 percent for the Caribbean four. The volume of exports followed a similar pattern (USITC 1996; unpublished 1996 figures from the U.S. International Trade Commission).

In addition to NAFTA, the Central American peace process has demonstrated that under equal competitive preferences (the CBI and the GAL), other countries in the hemisphere are more competitive export platforms than the countries of the insular Caribbean. Between 1994 and 1996, the value of textile and apparel exports to the United States from Honduras grew by 89 percent, from El Salvador by 78 percent, and from Guatemala by 32 percent (figures from USITC).

Thus it seems clear that maintaining a competitive advantage in labor-intensive maquiladoras is a self-defeating strategy for the Caribbean, considering that the key to remaining competitive as a maquila export platform means deepening the social and economic disadvantages of the working population. Low-wage industries will continue to grow in those countries where policymakers are willing to go along with wage-lowering policies, such as continued currency devaluations, reduction in public services, and minimum or nonexistent fringe benefits. The question that arises for Caribbean policymakers and entrepreneurs, then, is which path to take in the unavoidable process of economic restructuring being induced by NAFTA and the prospects of an FTAA.

THE CARIBBEAN AND THE EMERGING HEMISPHERIC ORDER

The problems raised by the changing world order are not simply economic. The U.S. government's past efforts to promote trade and investment in the Western Hemisphere (the Alliance for Progress) or in the Caribbean Basin (the CBI-GAL) often were linked primarily to geopolitical interests framed in Cold War politics. Hence, the NAFTA and FTAA debates can be seen as debates about the shaping of post--Cold War hemispheric and global economic and political relations.

The analysis of the still-emerging global and hemispheric division of labor, based on liberalized trade and the freer flow of investment across national borders, cannot be conceived as a mere geographical reshuffling in the economic specialization of the region. We are witnessing technological, institutional, and economic transformations that are designed to allow for greater global mobility of the factors of production (particularly capital and technology) on a greater scale than ever before. The various international agreements, treaties, and institutions, like the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), and the recently created FTAA Secretariat, willingly or not, are helping to implement and reinforce neoliberal policies sought by transnational corporations at a level of implementation above and beyond the power of national governments.

Ricardo Grinspun and Robert Kreklewich (1994) call these arrangements fashioned at the supranational level conditioning frameworks. These emerging supranational regulatory frameworks increase the freedom and security of movement of TNCs and open up resources that previously were nationally controlled, while they facilitate the more complex transnationalization of economic space and further the vertical integration of production into vast global commodity chains (Applebaum and Gereffi 1994; Dietz 1985). Commodity chains, which are internal to the global operations of transnational corporations, function most efficiently in an environment of weak states; free movement of goods, services, and capital; and leveled or harmonized standards of global competition.

If the thrust toward more encompassing free trade agreements among national states constitutes a further push in the direction of transnationalization of the economic space under conditions less restrictive to private investors, the question at hand is what place the Caribbean will occupy in this changing order. Given the drive toward freer trade and the emergence of new technologies and management practices in transnational corporations that enable the adoption on a global scale of flexible production and "just in time" (JIT) industrial organization (Wilson 1992), we can expect a retrenchment of traditional assembly manufacturing activities relying on location-specific FTZs and the restructuring of labor-intensive assembly manufacturing on a global scale. With the proliferation of free trade agreements and areas, goods and capital will be able to move under standardized global conditions and supranational rules that cannot be affected easily by changes in national governments and their policies. Then, hemis pheric and global production sourcing will be able to shift more easily and constantly from country to country or region to region, within and even between trade blocs, in search of lower costs, faster turnaround times, greater design flexibility, higher quality, and other advantages.

These changes in the trade policy environment, production technologies, and manufacturing-sector management practices may very probably make obsolete or economically uncompetitive a substantial part of the infrastructure that fostered the development of manufacturing export platforms in some Caribbean countries under the CBI-GAL-led regime of trade preferences. Moreover, many of the recent trade liberalization agreements have focused on intellectual property rights issues, which suggests that the crown jewel of the new international trade agreements is the liberalization of trade and investment in knowledge-intensive industries and in services. Indeed, in 1994 the WTO achieved the first global accord on trade in services, the General Agreement on Trade in Services (GATS). Negotiated in the context of the GATT's Uruguay Round, the GATS was designed as the framework for progressive multilateral liberalization of trade in services, with the first full round of global negotiations scheduled to begin no later than January 1, 2000 (World Bank 1996, 17-18).

Those negotiations went ahead in May 2000, despite the WTO's failure to reach agreement at its Seattle Ministerial Conference in December 1999 and the concurrent tensions surrounding the WTO's dispute settlement procedures (Tradewatch 2000). In addition, the FTAA Consulting Group on Services held its seventh meeting in Miami, in May 2000, to continue work on the draft text of the services chapter of the FTAA agreement (FTAA 2000). Both the GATS and the FTAA have a target date for completion in the year 2005.

It can be argued that completion of the GATS and the FTAA will shift the competitive advantage to postindustrial activities. Knowledge, technology, creativity, and management expertise, rather than location-specific fiscal advantages (for example, trade preferences), will be the key component of competitive advantages in the twenty-first century. The trend of the future for the Caribbean can be defined as peripheral postindustrialization. The emerging crop of postindustrial maquiladoras will be in segments of knowledge-intensive industries and services, where the main imported inputs are know-how and technology and the main exports are services delivered through a digital telecommunications network. These postindustrial products and services will be patented or copyrighted and will accrue heavy payments in royalties, fees, and franchise permits or licenses.

Indeed, the deregulation of international trade in services and the global harmonization of intellectual property rights have been key components of the U.S. agenda in international negotiations on trade liberalization since the beginning of the Uruguay Round of the GATT. U.S. pressure on Mexico to effect intellectual property rights reforms before NAFTA was signed also served as leverage to propel negotiations on intellectual property rights and liberalization of trade in services in the Uruguay Round (Mead 1992; BLA 1991a, 1991b). U.S. leaders believe that North American businesses have a comparative advantage in copyrighted and patented products and international services over their Asian and European competitors. Pushing for the liberalization of trade in services and global enforcement of copyrights and patents would counter the decline of U.S. competitiveness in traded manufactured goods compared with Asian and European manufacturers.

Transnational corporations in tourism and transportation see the Caribbean as a site for potential expansion. During the 1980s, tourism receipts in the region grew at an annual rate of 9 percent (World Bank 1994, xii). Hotel chains, airlines, and cruise ship companies have longstanding business ventures in services in the Caribbean. They are aware that, in spite of significant social inequalities, most Caribbean countries have an educated labor force with experience in tourism and related services, such as banking and entertainment; knowledge of the English language; and a time zone shared with the eastern United States, the departure point for many Caribbean-bound flights and cruises. Caribbean countries also have a middle class educated in the United States or Europe, familiar with Western business culture, and mobile among urban centers in all three locations.

Besides the already existing services, new enterprises see investment opportunities. Fast food restaurants, telemarketing, data processing, real estate, entertainment, and recreation companies are following on the heels of tourism expansion. These trends have led World Bank experts to argue that international services have growth potential in the Caribbean and that potential market niches may exist in this sector in the new hemispheric and global division of labor (World Bank 1996).

ECONOMIC RFSTRUCTURING THROUGH PERIPHERAL. POSTINDUSTRIALIZATION

The notion of peripheral postindustrialization has been used to describe the development process of segments of knowledge-intensive (postindustrial) transnational industries in Ireland and Puerto Rico (Jacobsen 1989; Pantojas-Garcia 1990, 158-73). Changes in telecommunications, management techniques, transportation, informatics, and other services to industry have made possible the vertical segmentation of corporate production lines, as well as services. A good example of this is the U.S. pharmaceutical industry. Research and development of drugs are conducted in the United States; materials and components are produced in a vertically integrated global production line (commodity chain); while the drugs are assembled and marketed out of the peripheral postindustrial site (Puerto Rico or Ireland), where companies enjoy certain competitive advantages not only in the industrial segment of assembly but in marketing, financial, and management services.

The technological revolution has also permitted the segmentation of services, or even the exact reproduction of services and products, on a global basis. Such is the case for real estate companies that can sell and buy property for international clients across national borders. Certain patented services, such as fast food restaurants (McDonald’s, Kentucky Fried Chicken, Burger King), rely on computer-regulated technology to deliver a similar service and product over time and geographic space (Garson 1989, 20-21; Watson 1997, 21-22). [2] A company, moreover, can design a product in one country; have it produced by contractors in various countries, continents apart; sell the product with its brand name by phone or Internet almost anywhere in the world; and have other contractors (international carriers) deliver it. The services involved (design, sales, financing, delivery) can be done without the various actors’ ever meeting face to face (except for the carrier services).

As a potential hub for international services for the global economy, the Caribbean region thus already appears to have the basic infrastructure, as well as comparative advantages in tourism and financial services. There are also multiple policy initiatives to attract investment in informatics and entertainment (World Bank 1996; Mullings 1998). The next question is, along what lines will international services grow? One direction is along the lines of regional platforms for segments of transnational service corporations; another is in generating specialized services grounded in indigenous expertise and resources with particular or specialized qualitative comparative advantages. It cannot be argued that these are mutually exclusive options; but how they combine will determine whether the new strategy is one of peripheral postindustrialization, reproducing the same economic and political asymmetries of assembly processing, or one of sustainable growth, producing a variety of locally grounded business activitie s and enterprises that allow the domestic and regional markets to expand.

Recent developments show that there is already a trend favoring peripheral postindustrialization. In the 1960s and in some cases earlier, many Caribbean countries developed international banking centers that served as havens for companies and entrepreneurs involved in legal and illegal tax evasion schemes. More recently, money laundering for illegal activities such as drug trafficking and gambling has helped those banking centers proliferate even further (Griffith 1995). A network of secret international corporations exists side by side with a network of U.S., Canadian, British, Dutch, and French banks, as well as international financial service companies, such as American Express. The transnational corporate side of this network is already in place and ready to expand as the process of hemispheric financial liberalization and harmonization of financial regulations progresses in the context of FTAA negotiations (C/LAA 1997, 46).

In tourism, the package tour, resort-based tourist industry is developing rapidly in the Caribbean as an alternative to the more expensive destinations for North American tourists, such as Hawaii, the Mediterranean, and the Greek islands. U.S. and European hotel and cruise ship companies (Hilton, Hyatt, Marriott, Sheraton, Holiday Inn, Club Med, Cunard, Holland America) are already operating in the region. Canadian hotel companies, such as Leisure Canada and Delta Hotels, and regional groups, such as Jamaica's Superclubs, also have important shares of this sector, which is rapidly becoming the leading sector in many Caribbean economies.

The Caribbean tourist sector is highly transnationalized and depends on imports for food, beverages, and equipment. Moreover, transnational resort-based complexes are trying to homogenize their product (a competitively priced room by the beach with unlimited food and drink) to the point that it would be hard to tell the difference between a vacation in a resort in Barbados or in the Dominican Republic, except for the phenotypes and accents of the hotel attendants. Most jobs created in this sector are low-end jobs with low wages and heavy seasonal fluctuations.

Likewise, the entertainment and informatics services are driving the expansion of the telecommunications network in countries like the Dominican Republic and Jamaica. The Dominican Republic hosts one of 12 Internet relay stations in the world, and is quickly becoming a major international processing center for telemarketing (C/LAA 1997, 171). U.S. telecommunications TNCs such as Sprint, AT&T, and TRICO, a subsidiary of Motorola, are taking advantage of geographical proximity, shared time zone, relaxed regulatory standards, and demand for bilingual services to establish the Dominican Republic as a hub for telecommunications services for the U.S. Latino market.

Here again, the proliferating service segments are not high-end, high-value--added ones. Individuals and companies providing a gamut of services, from psychic readings to party lines to illegal gambling in U.S. sports, seem to be the main investors at this stage. For example, Miami-based personalities, such as psychic Walter Mercado and salsa singer Celia Cruz, have franchised their names to psychic phone lines based in the Dominican Republic. Typically, these lines are operated by telemarketing companies that offer psychic consultations to international callers, advertising on television and in newspapers throughout Latin America and the United States. The caller can pay hundreds of dollars, depending on the length of the call, which is charged to a credit card or the caller's telephone bill through designated "900" phone lines. The lion's share of the profits goes to the telecommunications company (a TNC); the telemarketing company, usually registered as a foreign corporation enjoying tax-free status; and the celebrities, who live and commercially register their names in the United States, in this case. The local psychics are mere wage laborers.

In Jamaica, under the pressure of its structural adjustment agreement with the IMF and the World Bank, the government succeeded in promoting the establishment of a digital port facility in the Montego Bay FTZ. Owned by a consortium of the privatized Telecommunications of Jamaica, Cable and Wireless, and AT&T, the Jamaica Digiport International (JDI) provides low-cost data transmission and telemarketing services. The establishment of JDI and the concentration of fiscal incentives in companies operating in FTZs, however, fostered a dollarized cost structure that created a duality in the data entry and processing export sector, placing the local data processing providers at a cost disadvantage. Local entrepreneurs who had developed export services in data entry and processing could not afford to pay the rent on the JDI facilities in U.S. dollars, and therefore could not benefit from the low-cost telecommunications rates associated with the facility. Thus the JDI's operations resulted effectively in the subsidiz ation of TNC operations and the discouragement of local service providers

(Mullings 1998, 144).

Instead of developing a self-reliant and innovative international service industry, the JDI and its cost structure favored the establishment of service offices of TNCs. These segments of the service industry are typically outsourcing operations organized in assembly line--type workshops, which produce low-end, repetitive jobs and reproduce the working and living conditions associated with traditional maquiladoras (low wages and skills, high turnover rates, no fringe benefits). Indeed, many of the workers in this sector have been women who, once they gain experience and dexterity, opt to move on to clerical and secretarial positions in other companies (Mullings 1998, 150-51).

The JDI experience is typical of the informatics industry in the English-speaking Caribbean. In 1994, according to a World Bank study, 72 information-processing firms employed about 6,500 people, largely in data entry and processing activities operating mainly in Barbados and Jamaica (World Bank 1996, 9-10). Barbara Garson (1989) describes these segments of the informatics industry as electronic sweatshops. Repetitive, low-skilled, and low-wage jobs are now confined to computerized offices but, in essence, they resemble jobs in maquiladoras.

Another activity flourishing in the Caribbean is long-distance gambling. In 1992 the CBS television program Sixty Minutes reported a scheme used by a New York--based illegal gambling operator that established "charge accounts" accessed from the United States through an "800" phone line in the Dominican Republic to place bets on U.S. sports. Because the operation was legal in the Dominican Republic, U.S. authorities could take no action to stop the owners or the gamblers, who operated under locally sanctioned secrecy.

In another example, on December 11, 1999, the Fox Television Network program Fox Files reported on "cyber bookies" operating on the island of Antigua. Two companies ran Internet-based gambling facilities for international sports events. One company combined telemarketing operations with computerized gambling; the other relied exclusively on the Internet to process all gambling transactions and was, therefore, totally automated. Both companies conducted electronic money transactions. In dealing with U.S. customers, the money transactions were disguised as legal financial transactions in other entertainment activities (such as sweepstakes) to avoid prosecution by U.S. authorities (in the United States, gambling on sports is illegal, except in Las Vegas). Here again, local labor was minimal; the cash "spent" passed through the Antiguan telecommunications network but did not trickle down, except in the wages of a few operators and minimal operating costs (rent, utilities).

Although the activities associated with peripheral postindustrialization are substantially different from those in export processing, manufacturing, and agribusiness, the socioeconomic impact is similar: low-value--added, low-wage, semiskilled jobs and few economic links to the host economy. Peripheral postindustrialization in the Caribbean is reproducing the economic asymmetries traditionally associated with maquiladoras.

AN ALTERNATIVE VIEW OF ECONOMIC RESTRUCTURING

Considerations about alternative strategies for service-led development are not merely abstract moral issues of social justice. These are crucial policy issues to be considered if a postindustrial strategy for economic growth is to become a sustainable basis to provide an adequate living for the working populations of developing countries. Indeed, the main themes of the Second Summit of the Americas dealt with issues of poverty, education, and sustainable development in the context of developing the FTAA (Summit of the Americas 1998). Hence, the issues of living standards, sustainability, and quality of life raised by a development strategy based on postindustrial maquiladoras need to be pondered.

The adoption of a postindustrial strategy for the Caribbean need not be premised on policies that promote peripheral postindustrialization. Postindustrial competitiveness and competitive advantages should not be equated with cheap labor and cheap infrastructure. The Jamaican experience in developing an information-processing service industry illustrates how a one-track strategy to attract TNCs on the basis of mainly low-wage and subsidized infrastructure, in the hope of generating foreign exchange earnings, can be detrimental to the longer-term goal of developing a self-reliant and sustainable export service sector (Mullings 1998, 144).

Postindustrial development strategies in the Caribbean could promote economic activities centered on the high quality of service, specialized know-how, and specialized skills of the local work force and managers. Niches of competitive excellence, rather than low wages, relaxed regulations, and hidden subsidies to private enterprises can be effective comparative advantages. The quality of human resources, infrastructure, and services should be looked at as key components of any postindustrial development strategy (World Bank 1996, xi). If the weather is a natural comparative advantage, it should packaged in a strategy that emphasizes a kind of tourism that fosters greater links with local producers and providers of services.

Aware of the need for such a policy, the ACS Heads of State and/or Government issued the Declaration for the Establishment of the Sustainable Tourism Zone of the Caribbean during organization's Second Summit, held in the Dominican Republic in April 1999 (ACS 1999a). In this document the ACS leaders state the need to coordinate a policy for the development of tourism in the region in a manner that will ensure that global competitiveness is consistent with ecological, social, and economic sustainability and that tourism development benefits the communities and peoples of the Caribbean.

Other ventures in international services can be used to help Caribbean public and private sector leaders to draw policy alternatives. In the field called health tourism, the Cuban state company Cubanacan has successfully established Mediclub, a joint venture with Italy's Medical Finances (C/LAA 1997, 134). Mediclub uses the skills of Cuban health professionals, existing medical infrastructure, natural resources (such as climate, thermal waters), and Italian financing and managerial skills to offer health services to foreigners in Cuba at costs lower than those of advanced countries. Ventures like this could also make available a variety of medical services at affordable prices to patients from Latin America and the Caribbean needing advanced medical services available only in developed countries. In Costa Rica and the U.S. Virgin Islands, cosmetic surgery clinics provide services to North Americans and affluent individuals from the Caribbean and Latin America. These types of services open up opportunities to well-trained health care specialists who otherwise would migrate to developed countries; they provide well-remunerated jobs in specialized medical facilities in their home countries.

Latin American broadcasting networks, such as Univision, Televisa, and Gems, are already present in the U.S. market targeting the Latino population, and are broadcasting programs via cable throughout the hemisphere. Following through on these experiences, a Caribbean broadcasting company could be developed as a joint venture of existing broadcasters to promote the expansion of the Caribbean entertainment industry, encouraging the production and broadcasting via cable TV of regional programs and news from various islands. Joint productions could be established among French-, English-, and Spanish-speaking groups throughout the hemisphere with cultural and educational purposes. These initiatives could take advantage of the recent success of existing entertainment ventures, such as Jamaica's Reggae Sunsplash and the Trinidad Carnival, which have been presented in cities across the United States and Canada (World Bank 1996, 13). Miami-based Cuban American singer Gloria Estefan launched her latest musical product ion on U.S. network TV from the Bahamas and later staged a similar production in La Romana, Dominican Republic.

These enterprises suggest the viability of adopting new and creative perspectives on economic restructuring in the postindustrial era. Perspectives that understand that market-centered policies need to take into account sustainability as well as the needs (economic and social) of the working populations. Strategies based on promoting the establishment of the service offices of TNCs will tend to reproduce conditions similar to those of traditional maquiladoras. Promoting a postindustrial strategy that encourages the development of regionally based, small and medium-sized international services and businesses may prove beneficial in the long run by stimulating the development of new industries based on new types of knowledge. In turn, this may result in sustainable growth stimulated by the better prospects for socioeconomic advancement and the generation of additional income and foreign exchange.

This is an alternative vision of development that considers what economists call "positive externalities" as important and necessary components of development policy, rather than relying solely on criteria of maximum profitability as the central determining factor in the formulation of macroeconomic policy. The recent experience of neoliberalism in the Caribbean suggests that a vision of development anchored in market fundamentalism will foster economic regimes in which the key comparative advantages of a country are precisely its social, economic, and environmental disadvantages.

A key goal of any sustainable development policy in the less-developed countries (LDCs) in a postindustrial setting should be to involve private business, the state, and nongovernmental organizations (NGOs) to take advantage of trade liberalization and technological innovation to promote trade and economic linkages among small and medium-sized local and regional businesses. That means expanding the market beyond the bounds of existing North-South trade. In the context of a free trade area, for example, small and medium-sized farmers in the Windward Islands could provide for many of the needs of the tourist resorts in Barbados, Curacao, Antigua, Martinique, Puerto Rico, or even Cuba by establishing a telecommunications-based marketing network. This network could incorporate just-in-time principles to ensure timely delivery of perishable goods to tourist centers. Promoting such a policy would foster new trade while facilitating the process of agricultural diversification of Windward Islands banana growers. Thi s might offset these producers' diminishing access to the European market after the expiration of the Lome Convention in the year 2000, and the complaints of the U.S. government on behalf of U.S. TNCs before the WTO against what it calls preferential treatment for CARICOM bananas in the European market (Pantin et al. 1999).

Increased market demand through telemarketing networks could also stimulate the development of a better Caribbean transportation network. Ocean transportation service costs in the Caribbean are high, especially affecting agricultural products (Yeats 1989, 38-39). The smallness of the insular economies make them marginal clients along the shipping routes. The experience of the Farm to Market Project in Dominica in the 1980s showed the potential for developing a regional marketing network linking small and medium-sized farmers directly with retailers and bulk consumers of agricultural products. [3]

What is needed is management ingenuity and resourcefulness, as well as a supportive policy environment to encourage investment in such new ventures. The ACS is already taking steps to create such a policy environment by creating the program "Uniting the Caribbean by Air and Sea." This program is intended to address the need for more efficient and cost-effective regional transportation by adopting a common transportation policy, promoting technical cooperation, and sharing resources among regional carriers (ACS 1999b, 2-3; 1999c).

CONCLUSIONS

The Caribbean has never been a top priority in the foreign policy of the United States except at times of heightened international conflict. The end of the Cold War and the normalization of trade relations between China and the United States placed the Caribbean farther down on the U.S. foreign policy agenda. In May 2000, seven years after it was first proposed, Congress finally passed and the president approved an expansion of the CBI trade preferences. Yet this measure still falls short of the full NAFTA parity that was sought. The "NAFTAlike" treatment is extended to some products until the year 2008, and is offered to CBI beneficiary countries willing to prepare to become a party to the FTAA (Public Law 280 of 2000, Title II).

The continuing trade liberalization process has seriously eroded the competitiveness of Caribbean economies as manufacturing export platforms. The new proposed economic strategies favor a shift in the axis of economic growth from vertically integrated, transnationally based segment manufacturing to segments of knowledge-intensive industries and services. TNC-controlled tourism, entertainment, and telecommunications services are targeted as the leading sectors of this economic shift. If these changes are successfully implemented, the result will be peripheral postindustrialization; that is, an economic development model that will reproduce the economic asymmetries associated with the core-periphery relation (low wages, low value-added rates, high rates of unemployment and underemployment). Postindustrial technologies and economic strategies, however, could afford the opportunity to formulate alternative policies to overcome the shortcomings of peripheral postindustrialization.

Although recent developments, such as the Asian financial crisis, the failure of the Clinton administration to get fast track authority for the FTAA, the failure to achieve consensus at the WTO meeting in Seattle, and the trade war between the United States and Europe have dampened the pace of the trade liberalization process, the agenda of trade liberalization continues to move forward. The proponents of market fundamentalism and the leaders of TNCs, international economic organizations, and developed countries argue that what are needed are "technical" adjustments. The Internet web page of the WTO reassures the visitor that the organization is making the corrections and adjusting the perspective.

The heads of six international agencies have agreed on a new approach to improve the delivery of trade-related technical assistance to the least-developed countries, including the launching of an Integrated Framework Trust Fund. [WTO] Director General Mike Moore, who chaired the meeting of the IT, IMF, UNCTAD, UND, the World Bank and the WTO on 6 July 2000 in New York, stressed that "it is time these countries [LDCs] saw more of the positive side of globalization." (WTO 2000)

The international economic milieu continues to evolve along the path of market fundamentalism in the direction of postindustrialization. The process of postindustrial economic restructuring may be full of opportunities for the small economies of the Caribbean; but if the asymmetrical schemes of the past are reproduced, the change will only be in what is produced and traded, while the structure of unequal international exchanges will remain intact.

Aware of this reality, the leadership of the region, through the ACS, CARIFORUM, and CARICOM, is looking for ways to promote an economic strategy that will take advantage of new technologies and know-how to produce viable economic enterprises that could benefit not just economic niches in vertically integrated, transnational commodity and service chains, but also the region's market and socioeconomic needs. Liberalized trade can be seen as an opportunity for sustainable development if it can make possible the creation of a new economic situation that could overcome the traditional patterns of unequal exchange. Innovative thinking and daring actions could result in the creation of an economic space for small and medium-sized producers that could benefit those sectors of the Caribbean population that now rely primarily on the informal economy.

Such an alternative is not easy to implement. The proponents of market fundamentalism insist that the rationality and logic of the firm and the market will determine the path to follow. Privatization, deregulation, and open markets have become the readymade answers to all economic problems. Recent developments and trade rivalries, however have shown that there is still no final consensus on the new economic order. The challenge remains how to envision a paradigm that can foster sustainable development for both developed and less-developed (core and peripheral) countries in the new global economy.

Emilio Pantojas-Garcia is a political sociologist and a senior researcher in the Centro de Investigaciones Sociales, University of Puerto Rico, Rio Piedras. He teaches graduate sociology courses on development strategies in the Caribbean and theories of development and underdevelopment. He wrote Development Strategies as Ideology: Puerto Rico's Export-Led Industrialization Experience (1990); "Los estudios economicos sobre Puerto Rico: una evaluacion critica," in El futuro economico de Puerto Rico, edited by Francisco E. Martinez (1999); and "End-of-the-Century Studies on Puerto Rico's Economy, Politics, and Culture: What Lies Ahead?," Latin American Research Review 35, 3 (2000). He serves on the Editorial Board of the Latin American Research Review.

NOTES I acknowledge the help of Jorge Giovanetti and Benjamin Rivera-Davila, research assistants at the Centro de Investigaciones Sociales, University of Puerto Rico; and the contribution of my colleague James L. Dietz of California State University, Fullerton, who collaborated with me on an earlier stage of this research.

(1.) The term Caribbean throughout this essay refers to the insular Caribbean plus Guyana, Suriname, and Belize. The term Caribbean Basin refers to what the Association of Caribbean States (ACS) designates as the Greater Caribbean, which includes the insular Caribbean, Guyana, Suriname, Mexico, Colombia, Venezuela, and Central America. Most of the data in this essay focus on the countries of the Caribbean Group for Cooperation in Economic Development (CGCED), created by the World Bank in 1977, which includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. The CGCED countries are also gathered in CARIFORUM, which is the Caribbean component of the signatories of the Lome Convention between the European Union and its former colonies in Asia, the Caribbean, and the Pacific (ACP countries).

(2.) Local variations may be added, such as KFC serving rice and beans in Puerto Rico or McDonald's selling vegetable burgers in India (Watson 1997, xvii), but they are produced and delivered within the same productive and managerial structure.

(3.) Farm to Market was an NGO that promoted direct marketing of products for Eastern Caribbean small and medium-sized farmers. I learned of this project in 1987 from Atherton Martin, its former director (see also McAfee 1991, 159). In 1991, I participated with Martin in developing a proposal for a marketing network based in Portsmouth, Dominica, following the principles of the Farm to Market Project. It was deemed a viable and economically profitable venture by a San Juan-based Citibank vice president who evaluated it.

REFERENCES

Aponte-Garcia, Maribel, and Carlos A. Alvarez-Swihart. 1998. Integracion y "globalizacion": una mirada critica desde el Caribe y America Latina, Unpublished ms. Centro de Investigaciones Sociales, Universidad de Puerto Rico.

Applebaum, Richard P., and Gary Gereffi. 1994. Power and Profits in the Apparel Commodity Chain. In Bonacich 1994. 42-62.

Association of Caribbean States (ACS). 1999a. Declaration for the Establishment of the Sustainable Tourism Zone of the Caribbean. Second Summit of Heads of State and/or Government of the States, Countries and Territories of the Association of Caribbean States. Santo Domingo de Guzman, Dominican Republic, 16-17 April. [less than]http://www.acs-aec.org/Summit/English/DecSTZ_eng.htm[grea than] (18 May 2000).

-----. 1999b. Plan of Action. Second Summit of Heads of State and/or Government of the Association of Caribbean States. Santo Domingo de Guzman, Dominican Republic, 16-17 April. [less than]http://www.acs-aec.org/Summit/English/Plan.sng.htm[greater than] (18 May 2000).

-----. 1999c. Declaration of Santo Domingo. Second Summit of Heads of State and/or Government of the States, Countries and Territories of the Association of Caribbean States. Santo Domingo de Guzman, Dominican

Trade Liberalization and Peripheral Postindustrialization in the Caribbean.

Republic, 16-17 April. [less than]http://www.acs-aec.org/Summit/English/Declaration eng.htm[greater than] (18 May 2000).

Banco Interamericano de Desarrollo (BID). 1999. Integracion y comercio en America. Nota Periodica. Departmento de Integracion y Programas Regionales. Washington, DC: BID.

Bonacich, Edna, ed. 1994. Global Production: The Apparel Industry in the Pacific Rim. Philadelphia: Temple University Press.

Bonacich, Edna, and David V. Waller. 1994. Mapping a Global Industry: Apparel Production in the Pacific Rim Triangle. In Bonacich 1994. 21-41.

Business Latin America (BLA). 1991a. Mexico's MNC Drug Firms Give Nod to Patent Reform. March 11: 73-78.

-----. 1991b. Mexican Copyright Law Aids Software, Sound, Recordings. August 5: 249-50.

Caribbean Forum of ACP States (CARIFORUM). 1998. The Statement of Santo Domingo; The Caribbean Encounter: Towards the 21st Century. [less than]http://www.presidencia.gov.do/boletines/220898/statsodgo.htm[greater than] (August 27).

Ceara-Hatton, Miguel. 1997. El Caribe Insular en la dinamica de la integracion hemisferica. Paper presented at the 5th Conference of the Association of Caribbean Economists, Havana, 30 November-2 December.

-----. 1998. The Role of the Association of Caribbean States in Promoting Economic Integration Within the Great [sic] Caribbean. Port of Spain: Association of Caribbean States, February 4.

Caribbean/Latin America Action (C/LAA). 1997. 1998 Caribbean Basin Profile. Washington, DC: C/LAA.

Dietz, James L. 1985. Export-Enclave Economies, International Corporations and Development. Journal of Economic Issues 19 (June): 513-27.

Dietz, James L., and Emilio Pantojas-Garcia. 1994. Neoliberal Policies and Caribbean Development: From the CBI to the North American Free Trade Agreement. 21st Century Policy Review 2, 1-2 (Spring): 17-40.

Free Trade Area of the Americas (FTAA). Negotiating Group on Services. 2000. Press communique. 7th Meeting. Miami, May 30-June 2. [less than]http://www.ftaa-alca.org/ngroups/press/ngssvco7e.asp[greater than] (12 June 2000).

Garson, Barbara. 1989. The Electronic Sweat Shop. How Computers are Transforming the Office of the Future into the Factory of the Past. Paperback ed. New York: Viking Penguin.

Griffith, Ivelaw L. 1995. The Money Laundering Dilemma in the Caribbean. Cuadernos de Trabajo 4. Institute of Caribbean Studies, University of Puerto Rico, Rio Piedras.

Grinspun, Ricardo, and Robert Kreklewich. 1994. Consolidating Neoliberal Reforms: Free Trade as a Conditioning Framework. Studies in Political Economy 43 (Spring): 33-61.

Jacobsen, John K. 1989. Peripheral "Postindustrialization": Ideology, High Technology and Dependent Development. In A Changing International Division of Labor, ed. James A. Caporaso. Boulder: Lynne Rienner. 91-122.

Love, Joseph L. 1980. Raul Prebisch and the Origins of the Doctrine of Unequal Exchange. Latin American Research Review 15, 3 (Fall): 45-72.

McAfee, Kathy. 1991. Storm Signals: Structural Adjustment and Development Alternatives in the Caribbean. London: Zed Press.

Mead, Walter Russell. 1992. Bushism Found: A Second-Term Agenda Hidden in Trade Agreements. Harper's (September): 37-45.

Mullings, Beverley. 1998. Jamaica's Information Processing Services: Neoliberal Niche or Structural Limitation. In Globalization and Neoliberalism: The Caribbean Context, ed. Thomas Klak. Lanham: Rowman and Littlefield. 135-54.

Negron-Diaz, Santos. 1998. Analisis de la literatura sobre la situacion de la sociedad postindustrial. Special Project for the Puerto Rican Chapter of the Rome Club, Department of Economics, University of Puerto Rico, Rio Piedras.

Pantin, Denis, Wayne Sandiford, and Michael Henry. 1999. Cake, Mama Coca or ?: Alternatives Facing the Caribbean Banana Industry in Light of the April 1999 World Trade Organization's Ruling on the European Union's Banana Regime and Lessons for the Caribbean in the Seattle Round of Trade Negotiations. Paper presented at the Annual Meeting of Association of Caribbean Economists, Martinique, November 7-10.

Pantojas-Garcia, Emilio. 1990. Development Strategies as

Trade Liberalization and Peripheral Postindustrialization in the Caribbean.

Ideology: Puerto Rico's Export-led Industrialization Experience. Boulder: Lynne Rienner.

Rodriguez, Octavio. 1980. La teoria del subdesarrollo de la CEPAL. Mexico City: Siglo Veintiuno.

Summit of the Americas. 1994. Declaration of Principles. [less than]http://www.americas.fiu.edu/summit/Agreements/zdope.txt[greater than] (24 January 1998).

-----. 1998. Declaration of Santiago. [less than]http://www.americas.fiu.edu/documents/980504a.htm[greater than] (7 May).

Tradewatch Newsletter. 2000. WTO Members Move Forward in Services Negotiations. June 7.

United Nations Commission on Trade and Development (UNCTAD). Division on Investment, Technology, and Enterprise Development. 1997. World Investment Report 1997: Transnational Corporations, Market Structure and Competition Policy. Overview. Transnational Corporations 6, 2 (August): 127-69.

United States. General Accounting Office (GAO). 1988. Caribbean Basin Initiative: Impact on Selected Countries. NSIAD-88-177. Washington, DC: GAO.

U.S. International Trade Commission (USITC). 1992. Report on the Impact of the Caribbean Basin Economic Recovery Act on US. Industries and Consumers. 7th Report, 1991. Publication no. 2553. Washington, DC: USITC.

-----. 1996. Annual Statistical Report on US. Imports of Textiles and Apparel: 1995. Publication no. 2987. Washington, DC: USITC.

Watson, James L., ed. 1997. Golden Arches East: McDonald's in East Asia. Stanford: Stanford University Press.

West Indian Commission. 1994. Time for Action: Report of the West Indian Commission. 2d ed. Kingston, Jamaica: University of the West Indies Press.

Wilson, Patricia A. 1992. Exports and Local Development: Mexico's New Maquiladoras. Austin: University of Texas Press.

World Bank. Caribbean Division. 1994. Coping with Changes in the External Environment. Report no. 12821 LAC. Washington, DC: World Bank.

-----. 1996. Prospects for Service Exports from the English-Speaking Caribbean. Report no. 15301 CRG. Washington, DC: World Bank.

World Trade Organization (WTO). 2000. New Approach to Helping LDC Trade Agreed. [less than]http://www.wto.org/[greater than] (11 July).

Yeats, Alexander J. 1989. Do Caribbean Exporters Pay Higher Freight Costs? World Bank Discussion Papers, 62. Washington, DC: World Bank.