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**European Community action concerning British and Dutch  
dependent territories in the Lesser Antilles**

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### **Abstract**

The Netherlands and the British Antilles under the initials OCT are dependencies governed by their own land, but which enjoy an internal autonomy. Unlike the French Overseas Departments (DOM), they are not part of the European Community, but only associated to it. This association allows them to enjoy the implementation of the Lomé Convention on a large scale. The mission, assigned to the Community is to promote the economic and social development in the OCT especially in the perspective of the single market. Up to now, Community actions have materialized by the setting up of basis infrastructures and by the development of tourism. In spite of Community incentives, the regional cooperation still remains very marginal in the small islands which are likely to close up. This position is strengthened by their exclusion from the CARICOM because of their special political status, with the notable exception of Montserrat.

Under the initials OCT<sup>(1)</sup> are grouped together islands which are still under home country administration but enjoy an internal autonomy. Some people regard these islands as "confetti d'empire". According to Alain Blérald (1986) "They are the consequence of what one could call a latent colonialism". In fact, these territories, which are more than 500 kms off the nearest continent, are characterized (Table I) by small sizes, low populations, weak economies depending on their home countries, large financial and trade deficits, as well as a high external debt. In the Lesser Antilles, there are six "last remnants" of the British Empire and of the Dutch Kingdom : respectively The British Virgin Islands, Montserrat, Anguilla and St. Maarten, St. Eustache and Saba.<sup>(2)</sup>

Since 1958 the EEC has maintained close links with the Dutch OCT. Since the United Kingdom joined the European Community in 1973, the relationships between the Netherlands and the British West Indies with the ECC have been under management, from 1976, by decision of the European Communities Council regarding the association of the OCT to the EEC. This association gives OCT advantages similar to those which the Lomé

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<sup>(1)</sup> OCT : Overseas Countries and Territories.

<sup>(2)</sup> The Netherlands Antilles are made of five islands (Bonaire, Curacao in the Greater Antilles and St. Maarten, Saba and St. Eustache in the Lesser Antilles) which form an overseas country of the Dutch Kingdom. The island of Aruba was part of the Netherlands Antilles until 1986; it got a special status from then on. The island of St Maarten has the characteristic of being both French in the northern part (St. Martin) and Dutch in the southern one (St Maarten). In addition to the British Virgin Islands, the islands of Anguilla and Montserrat in the Lesser Antilles, the British Antilles are made of the islands of Turks and Caicos as well as the Cayman islands in the Greater Antilles.

Convention offers to the ACP States<sup>(3)</sup>, but with measures for adaptation made necessary by their particular status.<sup>(4)</sup> OCT association to the EEC is renewed every five years by a decision of the Council on proposal from the Commission. The latest decision of association was signed in July 1991<sup>(5)</sup> and will be in effect for a 10 year period (1990-2000) with a financial protocol renewable after a five year-time, according to the fourth Lomé convention.

Comparative table of some components of the British and Dutch Antilles in the Lesser Antilles  
Table 1

	Status/EEC	Area km <sup>2</sup>	Population 1991	Density	GNP per capita. US \$ in 1987	External debt (m. US \$)	Capital	Languages
Anguilla	OCT	91	7200	79	850	4.6 (1989)	The Valley	English
British Virgin Islands	OCT	151	16108	107	8500	22 (1989)	Roadtown	
Montserrat	OCT	102	10639	104	3330	3.4 (1989)	Plymouth	
St Maarten	OCT	34	27000	794	6380 for all the Netherlands Antilles	1151 (1988) for all the Netherlands Antilles	Philipsburg	English and Dutch
St Eustache	OCT	21	1900	90			Oranjestad	
Saba	OCT	13	1130	87			The Bottom	

Sources : FAO. OCDE 1989. Centraal Bureau voor de Statistiek 1990. Caribbean Development Bank 1990. Regional Census Office, 1992.

#### D) FINANCIAL WEIGHT OF THE EEC

The financial weight<sup>(6)</sup> of the European Community in Caribbean OCT, as far as the projects are concerned, represents about 50 % of the public multilateral aid for the development from 1981 to 1987. The United Kingdom and the Netherlands, for their part, control nearly all of the bilateral aid for the same period (with volumes from 30 to 40 times as high as those of the European Community).

These two statements underline the high percentage of aid from the European Community, and the need of a close collaboration between the Community and the OCT "homelands", while the development plans are under progress. Up to now, the projects have always been carried out under the Netherlands and the United Kingdom governmental policies through the European Communities Commission representatives in Barbados for the British OCT and in Curacao for the Dutch OCT as well as through the OCT representatives in London for the British and in Brussels for the Dutch.

<sup>(3)</sup> ACP countries : African, Caribbean and Pacific countries, signatories to the Lomé Convention.

<sup>(4)</sup> About OCT status, see article by Yves Roland-Gosselin (1991)

<sup>(5)</sup> Decision 91/482/EEC of the council entered into effect on September 20 th 1991.

<sup>(6)</sup> For a further detailed analysis about the EEC multilateral aid in OCT and DOM of the Caribbean see François Taglioni (1990).

## II) POLITICAL STATUS IN TRANSFORMATION

This collaboration is especially difficult for the Netherlands Antilles which are based on a self-government system combining three levels of power : the Crown of the Netherlands (defence and foreign affairs), a central authority - parliamentary democracy-based in Curacao (police, communication, taxation system, social security, health, education, finance) and a local authority for each island with strong political control and management. The community has to negotiate on two separate levels: *the central* and *the local*. Due to the rigidity of the administration as well as to the turnover of the local and central governments, which occurred in the middle of 1988, only 20 % of scheduled resources in the 6<sup>th</sup> EDF<sup>(7)</sup> were used in March 1990. Still, during the first three months in 1991, this commitment rose to 97 % because of the implementation of an important programme to encourage tourism.

This difficulty in living with three different levels of power is also felt in the various islands which prefer to lose the benefit of a pool of technical and financial assistance, so as to affirm their independence vis a vis the central government, and to make sure that each island maintains its specific functions. It is in that way that Aruba got a special status in 1986 which would have permitted total independence in 1996. However, the Hague and the Aruba political class are backtracking the principle of this independence<sup>(6)</sup>. On the other hand, under strong lobbying of St. Maarten, the Dutch Crown is studying the possibility of decentralizing the Netherlands Antilles vis a vis the Central Government. Two ways are being studied. The first one consists in dividing the Netherlands Antilles into two groups, including Bonaire and Curacao on the one side, and St. Maarten, St. Eustache and Saba on the other side. The second one favours the emergence of an independent status for each one of the five islands (it is closely modeled on the Aruba example). The government in the Hague remains cautious because of its dreadful experience with Suriname and the islands themselves, because of obvious economic interests (substantial aid from Holland and credibility on international market places), do not seem to consider the possibility of a total independence of the Netherlands Antilles. Although the Dutch Crown actually has no direct strategic interests in the Caribbean, its presence there (the Dutch Navy is located in Curacao) contributes to the stability of the region and comforts the United States. A conference on the future status of the Netherlands Antilles, in which the representatives of the five islands and Aruba will take part, will be held in the next future. Before this event, each island will have to make proposals for the constitutional reform. St. Maarten and

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<sup>(7)</sup> 6th EDF : European Development Fund used for the association of OCT to the EEC from 1985 to 1990.

<sup>(6)</sup> On the institutional problems in the Netherlands Antilles see : Fred Constant (1991)

Curacao should, because of their relative economic prosperity, break off their direct ties with the other islands of the Netherlands Antilles<sup>(7)</sup>.

Montserrat's and Anguilla's constitutions were amended by the government of United Kingdom in February 1990. Henceforth, the responsibilities on international and financial affairs will be under the direction of the Governor, appointed by the Queen. This change in the constitution created controversy among political parties in the Lesser Antilles, since the increased power of the Governor is perceived as a step forward in british colonialism.

Furthermore, the POSEIDOM<sup>(8)</sup> plan's goal is to harmonize the regulations in force in the French Overseas Departments (DOM) with those which prevail in the entire community since January 1993, and to set forth a plan of action which will likely improve their own situations: this is why this project is in the Netherlands' best interest. The Netherlands Antilles and the British territories are concerned with the outcome of this Community project. This could be used as an outline on which Caribbean OCT could elaborate, unless a change in their political status occurs.

### III) ACTIONS OF THE EEC

The European Development Fund (EDF) is the focal point of every Community instrument of cooperation, since the financial means necessary for their completion proceed from the fund itself. The EDF receipts come from the EEC member states. The commitments and payments are made as the projects or programs financed by the EDF approach completion . This is one of the reasons of the "flexibleness" of its working.

The assistances of the 6 th EDF (1985-1990) consist of aid called "**scheduled**" or "**unscheduled**". The scheduled aid is constituted of grants and special loans. The grants represent about twice as much as special loans. This proportion is far below the ACP states as a whole, in which 90 % of scheduled aid consists of grants. This difference between ACP and OCT can be explained in part by the fact that OCT receive other bilateral aid from the United Kingdom and the Dutch Kingdom. As far as the OCT are concerned, the scheduled aid represents 70 % of the whole. Its aim is to finance projects and schemes. Unscheduled aid- which is about 30 % - is earmarked for emergency aids, Stabex and Sysmin, risk capital and loaned interest bonus, which are granted by the European

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<sup>(7)</sup> See : Hoefte, R ; Oostindie, G (1991)

<sup>(8)</sup> POSEIDOM : Decision of the Council and the Commission establishing a programme of options specific to the remote and insular nature of the French Overseas Departments. Carried in January 1989.

Investment Bank (EIB) on its own resources. Henceforth, every project involving 7 th EDF resources (1991-1995) will take advantage of grants

Additionally, the EEC offers OCT products an opportunity of exemption from customs duties and taxations on the European Market and that without any quantitative restriction (while maintaining the original restrictions). Moreover, there are special commercial protocols on items such as bananas, rum and sugar, but this does not concern the OCT. One of the main innovations of the new decision of association between the OCT and the EEC allows the OCT to re-export, duty free to the EEC, items they have imported, as long as these products are taxed by a customfee equal to the one in force in the Community (Commun Customs Tariff). At this time, it is difficult to know what impact and consequences of this decision will have on trade exchanges between the OCT and the EEC.

### 1.SCHEDULED AID

The European Communities Commission dispatches programming missions to each island. The conclusions of these missions lead to a report which includes indicative programs of Community aid. These schemes give nothing but trends. The elaboration of these projects is done by the various OCT governments and are checked by the Commission which gives its approval or disapproval.

#### 1.1 The Netherlands Antilles of the Lesser Antilles

Even if the available statistics about the Netherlands Antilles of the Lesser Antilles ( Tables 2 and 3 ) are handled cautiously, they underline the preponderant part of services in the GDP sharings (87.9 %), and in employment (86.6 % average for the three islands).

#### Distribution of GDP by single field of activity at the market price in 1985

Table 2

	Agriculture	Industry of which construction (1)	Services				
			Total	Hotels and restaurants	Government (2)	Financial services	Others
Saba	0.3	11.8 (9.9)	87.9	32.5	12.8	11.7	30.9
St. Eustache							
St. Maarten							

Source: After the Centraal Bureau voor de Statistiek 1990.

Nota: (1) Industry: manufacturing industries; electricity; gas and water; construction.

(2) Teachers are not included.

## Employment sharing (in %) per single field of activity in 1988

Table 3

	Agriculture	Industry of which construction (1)	Services					Unemployment in %
			Total	Hotels, restaurants and trades	Government (2)	Financial services	Others	
Saba	1	18 (15)	81	18	28	2	33	1.6
St. Eustache	2	16 (13)	82	20	30	0	32	10.7
St. Maarten	0.5	12.5 (9)	87	41	6	9	31	8.4
Total	0.4	13 (9.3)	86.6	39.5	8	8.1	31	

Source : After the Centraal Bureau voor de Statistiek 1990

Nota: (1) Industry : manufacturing industries; electricity ; gas and water; construction

(2) Teachers are not included.

If one considers that building activities are mainly linked to tourism, the services share in the economy of the three islands is nearly becoming the only source of employment and national production. Agriculture and fishing are dying because of the small size of the islands, the water shortage (St. Maarten and St. Eustache), the topography (Saba), the unskilled labour force, the risks linked to natural catastrophies and the competition for land use between agriculture and tourism. Thus, these islands import more than 70 % of their foodstuff which generally come from the United States (Miami).

Within the service sector, tourism and public offices are a majority, but vary from island to island. Tourism in St. Eustache and Saba remains low in terms of arrivals, whereas for St. Maarten it represents a dangerous high percentage rate for the economy . In 1990, St. Maarten was the most visited island in the Lesser Antilles just after the American Virgin Islands; Barbados ranks third.

In St. Maarten/St. Martin, more than anywhere else, tourism has completely changed the economy, the society, the territory organisation as well as the landscapes. That is why societal problems such as drug abuse, prostitution or gambling (there are nine casinos on the Dutch side) are becoming more prevalent. St. Maarten has also become the centre of tourism in the Northern Lesser Antilles since it is still providing a great number of excursionists towards Saba, St. Eustache and Anguilla. These islands are somehow handicapped by this high rate of excursionists who generally spend three times less money than those who stay more than 24 hours. Generally speaking, since the tourist sector in the Netherlands Antilles of the Lesser Antilles has sprung up quickly, it suffers from a lack of skilled manpower which involves odd situations such as workers imported from nearby islands, when unemployment remains high ( St. Maarten 8.4 % and St. Eustache 10.7 %).

In Saba and St. Eustache, the government employs ( unlike in St Maarten) more than one third of the working population (if one takes teachers into account). But their tourist development is restrained by harbour, airport and hotel infrastructures shortage. Eventhough Saba has no beach, it offers diving centers of a world-wide reputation.

Without a doubt, within the next few years, tourist activity which brings in currency (Table 6) will continue to play a prominent part in the economy and a major development axis in the Netherlands Antilles of the Lesser Antilles. In that way, the prospects for these islands as a whole financed by the EEC represent 70 % of the tourist infrastructure: roads and airport in St. Eustache, a marina in Saba, as well as technical engineering, promotion and education in these three islands.

However one can see a disinvolvement of the EEC in St. Maarten in the tourist sector, for the reasons given just before, and because of a lack of tourist policy in this island which leads to both an anarchic and unstructured development. There is not anylonger either a "hotel association" in St. Maarten, or an official tourist coordination between the two sides. Finally, the public sector cannot follow the important growth of the private sector due to tourism. In these conditions, the EEC limits its aid to European and Northern American tourist promotions and to the maximization of the room occupation rate (which dropped 20 % in 4 years) during the summer. It also encourages a larger cooperation

St. Martin/St. Maarten and helps creating a tourism training centre in order to avoid an underskilled workforce.

As regards financial services such as offshore international trade centers (banks, insurance, marketing societies, industries...), only the island of St. Maarten has the required conditions for their development, since Saba and St. Eustache have obviously neither the workforce nor the available communication infrastructures. The central government policy is aiming at attracting foreign capital to develop service fees, although the competition from Puerto-Rico, New York and Miami is an important handicap in this matter.

As things stand, one can say that for the future prospects (7th EDF, 1990-1995) the EEC will carry on supporting the role of aiming at developing tourism in the Netherlands Antilles.

## 1.2 The British Antilles of the Lesser Antilles

As for these islands, statistics on population are scarce and unreliable. The last census goes back to the beginning of the '80 s. A new one on the whole Commonwealth Caribbean has been carried out in the spring 1991, but it is still too early to know the results. The reliable data shows, even there, the important share in the service sector, between 70% to 80% of GDP (Table 4) and from 60% to 68% of the workers (Table 5).



### Distribution of GDP( in %) by each activity sector at factor cost in 1987

Table 4

	Agriculture	Industry of which construction	Services				
			Total	Hotels and restaurants	Government	Financial services	Others
Anguilla	7	17 (12)	76	22	17	14	23
Montserrat	4	26 (14)	70	4	9	22	35
British Virgin Islands	4	15 (8)	81	23	12	24	22

Sources : After Caribbean Development Bank 1989 in Montserrat and Anguilla; 1988 in the British Virgin Islands.  
OECS: digest of trade statistics 1988.

### Distribution of Employment (in %) by activity sector

Table 5

	Agriculture	Industry	Total	Services			Unemployment
				Hotels, restaurants	Financial services	Others	
Anguilla in 1989 (1)	8	14	68	Unknown	Unknown	Unknown	1%
Montserrat in 1987 (2)	9.6	31	59.4	1.7	3.3	43.4	2%
British Virgin Islands	Unknown	Unknown	Unknown				

Sources: (1) Authors's estimation according to Anguilla Planning manager's interview in January 1991.

(2) After Montserrat statistics Office. Digest of statistics 1988.

Like in the Netherlands Antilles, services in the British Antilles of the Lesser Antilles economy, are the main sources of employment and national product. On the contrary, fishing and agriculture are more dynamic (especially in terms of employment). The main agricultural production is concentrated in food manufacture and in the breeding sector. In spite of a slight increase during the past few years, linked to tourist demand, the agricultural sector is still very weak : water shortage for irrigation in Anguilla, hurricane Hugo (1989) caused huge damage in Montserrat, cheaper imports of foods to the British Virgin Islands. To remedy the lack of a skilled labour force and to bring a better matched technology to a food producing agriculture, the EEC established in 1975 the Caribbean Agricultural Research and Development Institute (CARDI ) which deals with the islands of Montserrat and Anguilla (as well all the ACP countries of the Caribbean).

In these three islands, even the fishing sector suffers from a lack of skilled manpower as well as from insufficient fish units. Obviously, renewing this sector is linked to the use of an up to date technology, the improvement in trade and in commercial outlets, as well as the possible use of deep-freezing. The Law of the sea (1982) which provides the control of 200 miles around the islands, as well as the rise in local demand which is linked to the important growth in the number of tourists, should boost the sector within the next few years. Although the development of fishing is part of the EEC/OCT cooperation fields

(Title III articles 30 to 33 of the decision of association (1991) of the OCT to the EEC) no specific aid project has been started yet.

As far as industry is concerned, Montserrat is the most active island in employment (31% of the working manpower in 1987). This sector is for the main part dominated by eight manufacturing industries (such as light fixtures, electronics, clothes...). However, in 1989, hurricane Hugo caused a heavy fall in the island exports because of the damage to factories. These losses in exports have been made good by a rise in re-construction industries. In Anguilla and the British Virgin Islands, industry is less important and it is reduced to some manufacturing units. Obviously, the small size of the islands, and its implication in terms of handicaps and lack of raw material, represents as many brakes to industrial development. At present, the repercussions on the economy consist chiefly in the absorption of the workforce. Being fully aware of these numerous obstacles, the EEC has preferred to speculate on the development of the most powerful sector : services.

Within the British Antilles of the Lesser Antilles, tourism as well as financial services are the pillar of the economy. Tourism figures show various situations depending on the islands. The number of tourists in the British Virgin Islands, even if it can't be compared to St. Maarten's, remains high, whereas in Anguilla and Montserrat, the width scale is slightly the same as in Saba and St. Eustache.

These differences are to be found again in the distribution of the GDP (in %). In Montserrat, hotel activities represent only 4% of the GDP. This can be explained by a tourist policy focused on luxury tourism in detached rental houses, in order to save the island from mass-tourism; in any case the airport can't take big transport planes. An improvement in this infrastructure is still thought of so as to take night planes for the American connection via Puerto-Rico (at the present time American passengers have to pass through Antigua). In Anguilla, the insufficient capacity of the airport is compensated by tourist boat excursions from St. Martin. Montserrat and Anguilla are determined to set a high standard tourism level even if their tourist policy is not always clearly defined, and sooner or later, Anguilla will improve its hotel accommodation.

Table 6 allows some general comparisons about tourism in OCT of the Lesser Antilles. In these islands, tourists are mainly coming from North America, except St. Eustache where more than 50% of the tourists are West Indian. This island, indeed, does not have the typical charm (few open-air activities, restricted number of beaches, and an unscenic natural environment) which should attract this kind of customers. The low rate of European tourism is due to the distance, the lack of direct flights coming from European capitals and the unknown nature of the islands in Europe. Schemes to promote European tourism, in particular financed by the EEC, should reduce this tendency in the coming years. St.

Maarten is an exception, since St. Martin, the French part, attracts numerous tourists from the metropolis.

Tourism indicators in OCT of the Lesser Antilles.  
Table 6

	Estimate of tourists expenditure in 1990 (million of US \$)	Number of rooms			Origin of tourists in 1990	
		1980	1985	1990	Northern American	European
Anguilla	29.3	150	461	741	63%	10%
British Virgin Islands	132.1	309	848	1121	69%	7%
Montserrat	10.6	131	233	233 (1989)	48% (1988)	13%
Saba	5 (1988)	50	50	90	60% (1988)	20%
St. Eustache	5.3 (1988)	90	90	102	12%	18%
St. Maarten	300	1670	2300	3400	55%	24%

Sources : Caribbean Tourism Organisation, 1990. Caribbean Development Bank, 1990. Saba Tourist Office.  
Montserrat Statistics Office.

In the same way, Saba and St. Eustache which require a 20 minutes flight from St. Maarten, represent a "walk" which tourists enjoy owing to the dramatic landing (Saba). The number of rooms and accommodations has risen steeply (apart from St. Eustache) during the past 10 years. Anguilla, the British Virgin Islands and St. Maarten have scored the highest increases. Investments in hotel building come almost totally from North America and Europe. Estimated tourist expenditure does not represent tourism net income because visitors needs have to be subtracted (goods and services imports only useful to tourism). Only a part of these expenditures is going to the states' funds (airport taxes, residence taxes.....). The remainder runs the economy mainly by creating jobs and importing currencies. However, since the inhabitants do not feel inclined to profit by tourism, they behave in a mistrusting, even unfriendly way, towards tourists. This is aggravated by the weak social balance in these islands.

In the British Virgin Islands, the economic contribution from the financial centers, mainly offshore, is the most outstanding. In 1988 alone, more than 7.000 companies have set up their head office there (+ 11.000 in 1989), turning the British Virgin Islands into one of the first offshore centers in the Caribbean (with the Cayman Islands and the Bahamas). For the government, offshore centers' direct income come from the annual licence fee paid by the companies. In the beginning of 1989, more than 250 offshore Banks were in Montserrat, which represented substantial incomes for the government. Since the financial scandal which shook the island in 1989<sup>(9)</sup>, the number of these banks dropped to 29 (in the beginning of 1991). Fifteen are also in Anguilla. Because of these problems, the British government has amended the Montserrat and Anguilla Constitutions, so that the

<sup>(9)</sup> See Caribbean Insight (London) of April and July 1989 and of January 1990.

responsibility of international financial affairs should belong to the Governor. This change should re-establish the confidence of the international financial world and should gradually allow a recovery in the number of licences.

Within the framework of the aid scheduled by the EEC, the community projects for the 6th EDF are widely focused on basic infrastructure: roads for Anguilla, water management in the British Virgin Islands and rehabilitation of Plymouth harbour, in Montserrat, which has been ruined by the hurricane Hugo. For this project, a common financing by the EEC, CDB (Caribbean Development Bank) and CIDA (Canadian International Development Agency) is scheduled. All these projects are linked to the tourist development, directly or indirectly. It is indeed in this field that the EEC is quite capable of taking part in the economic growth of the islands, while respecting the government developing projects.

The 6th EDF percentage commitment of funds in the British Islands of the Lesser Antilles is very weak. This points out the problem of the EDF administration: in the future, easier proceedings should be studied in order to get quicker payments.

## **2. Unscheduled aid**

### 2.1 European Investment Bank (EIB)

European Investment Bank (EIB) manages loans itself as well as risk capital coming from EDF resources. The loans are kept for investments which are likely to have a sufficient economic and financial profit. Risk capital is granted in the form of shareholding. It is a type of financial aid which closely fits the OCT economic situation. Both loans and risk capitals take part in the development of small and medium sized private enterprises (SMEs) and industry, as well as tourism and basic infrastructure.

### 2.2 Emergency Aid

Montserrat Island and the British Virgin Islands were heavily damaged by hurricane Hugo (respectively, 74 and 120 millions dollars of damage). The European community emergency aid played its part well, since essential supplies (500,000 ECU) have been quickly dispatched to the disaster location (1 million ECU for the whole Caribbean, apart from the French Departments).

## 2.3 Stabex and Sysmin

Both Stabex and Sysmin, which are the exported supplies income reduction compensating mechanisms, were not used under the 6th EDF in OCT of the Lesser Antilles. Indeed, these islands have no raw material covered by these mechanisms. It might be useful, in the future, to reduce the appropriation of the OCT in the Caribbean, to benefit aid programmes, for instance.

### 3. Trade exchanges

Trade exchanges statistical data have to be regarded cautiously. Both availability and reliability of the sources are imperfect for various reasons: numerous national accounting systems do exist, which effect the data's coherence ; currencies units change depending on the islands: for the Lesser Antilles area only, the US dollar, the Eastern Caribbean dollar, the Dutch Florin, the Dutch Antilles's and the Ecu have to be handled ; within the trade exchanges, the share of some service fees classed as invisible do not appear ; calendar years do not always correspond with fiscal years ; lastly, since political unification is inclined to make an aggregate of geographical entities, it is quite hard to get reliable statistics on the Netherlands Antilles islands, if you consider them separately. This is because the present political pattern is inclined to an economic unification. It is noticeable that, as soon as Aruba got a special status (1986), information about it became both much more numerous and accurate.

We are going to make a concise analysis of the trade exchanges in each islands of this study. The first statement is the weakness of these islands' exports: in 1988, they rank from 1.2 million of US \$ for Anguilla to 3.8 for the British Virgin Islands (2.2 for Montserrat). Details about the exports to Saba, St. Eustache and St. Maarten are unknown, but in any case they must be very weak since the main share of exports of the Netherlands Antilles is made of oil- refining products from Curacao. The weakness in exports added to huge imports, explain the trade deficit in these islands (However, these results must be qualified).

Thus, in Anguilla exports consist of salt and lobster productions to St. Maarten/St Martin. The imports growth (from the United States) is linked to the tourist development which involves a growth in construction activities as well as in the import of quality foods. The situation is quite the same in the British Virgin Islands which export (1988) rum, sand, fruit and fish products, whereas imports from the United States, Puerto-Rico and the American Virgin Islands are widely linked to building activities, everyday consumer goods

and oil products. The important boost in tourism in the British Virgin Islands partly explains the growth in trade gap. Montserrat's case does illustrate the economic questionability of these small islands, short of raw materials and whose foreign trade is limited to some products with unreliable outlets. Thus Montserrat, during a short period, saw its first export product to the United States, currently of electronics components, collapse in 1988, due to light fixtures which didn't exist before. In the same way, plastic bag production was only profitable from 1981 to 1984. Even here, Montserrat imports remain linked to tourist development. Since 1989, they underwrite the damage undergone during hurricane Hugo.

For the Netherlands Antilles, exports in oil refining products (coming from Curacao) represented more than 95% of the total amount of their exports in 1987. Among the 5% which remain, the share of Saba, St. Eustache and St. Maarten is negligible, and this is also true for exports.

In 1988, the EEC development's general management tried to number the preferential advantage<sup>(10)</sup> ACP countries enjoy within their exchanges with the EEC over the period 1981-1985. The operation consisted in calculating, for each ACP, the percentage of goods which enjoy a preferential access beneath its total exports in the EEC. Was to be determined, on the one hand, the amount of preferences compared with the Common Customs Tariff (CCT) implemented towards the developed countries and on the other hand, the amount compared with the Generalised System of Preferences (GSP, implemented towards the developing countries which are not member states of Lomé). This latest operation represents the advantages made by the trade agreements of the Lomé Convention. The conclusions (Sutton 1991) about Caribbean ACP show that these countries enjoy an average 90% preference rate on their exports to the EEC (for the whole ACP, the average is 30% with several differences). Apart from sugar and banana protocols<sup>(11)</sup>, the exports advantages in untraditional products to the EEC remain very weak.

OCT of the Lesser Antilles do not produce either bananas or sugar, and since their exports volume is extremely low, they do not benefit from the Lomé Convention trade agreements. Although no exports statistics from Anguilla and the British Virgin Islands to the Community are now available, it is obvious that these latest do not actually represent anything. Regarding the Netherlands Antilles and Montserrat, statistics speak for themselves (Table 7) : a very low share in their production is exported to the community,

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<sup>(10)</sup> The results of this work have been published in *Le Courrier des Etats ACP*, n° 109. Brussels 1988. pp. 5-10. One can find the main data analysis about Caribbean ACP in the article by Paul Sutton (1991), pp. 99-107.

<sup>(11)</sup> The protocol dealing with bananas allows some EEC member states (France and Great Britain) to give ACP States' bananas an important share in their market. These exports in ACP bananas are 20 % duty free which concerns other producers (particularly those from Southern America).

The advantage for the countries which enjoy the sugar protocol is that they are sure of exporting defined quantities of sugar at guaranteed prices on the Common Market.

whereas the United States are their own natural market. As for the imports, the EEC is much more present because of the islands' special relationships with Great Britain and the Netherlands. In 1989, Venezuela provided the Netherlands Antilles with crude oil for the oil-refinery in Curacao, which allowed it to become their first supplier.

Lesser Antilles OCT foreign trade with the EEC, compared with their first customer or supplier.

Table 7

		Exports		Imports	
		To the EEC	First customer	From the EEC	First supplier
Netherlands Antilles	1988	7.20%	47% United States	27.20%	39% United States
	1989	12.40%	40% United States	16.90%	42.7% Venezuela
Montserrat	1986	3.60%	84% United States	26.30%	37% United States
	1987	1.50%	90% United States	23.40%	31% United States

Sources: Montserrat Statistical Unit, 1989. Eurostat 1990.

#### IV) REGIONAL COOPERATION AND INTEGRATION

A quick review of various cooperation programmes allows to put the Lomé Convention in the Caribbean Cooperation context in a better way. Regional organisations are to be distinguished here : those which aim at economic and political integration ; trade mechanisms which are engineering programs for economic and trade development, the rules of which are set by the money lender only ; the Lomé Convention which is a treaty negotiated between lessors and payees with moral and legal reciprocity guarantees.

##### 1- Regional cooperation political organisations

**CARICOM** which includes *Caribbean Community* and *Caribbean Common Market*, is situated between the purely economic association and the political union (located in Georgetown, Guyana). The treaty implementing CARICOM was signed on July 4th 1973 in Chaguaramas (Trinidad). Thirteen states are gathered under it : twelve English-speaking ACP countries and one OCT (Montserrat). The dispersion and distance (3,500 Kms), of this small size territories, do not make concrete integration any easier. Moreover, as Lestrade (1987) explains " a large part of our collective wisdom has been wasted in the setting of institutions and implementing of hasty solutions to problems which are only the signs of serious underlying realities. Caribbean Community still has to clarify its economic objectives..." Some 130 entities generated by the CARICOM implementation have been either created by the CARICOM itself or by institutions, associations, etc.... Up to now,

CARICOM has not had any significant results. Worse yet, intra-CARICOM exchanges are dropping (587 million of US \$ in 1981, 250 in 1988). So CARICOM seems to be an illustration of the splitting up of the Lesser Antilles which limits the opportunities in coordinating. Yet, CARICOM's target is to be a federate centre for the integration of other non English speaking countries (nevertheless Dutch OCT are only observers). A CARICOM regional integration widening seems difficult when its members' freedom of movement from one island to another is still regulated.

The Caribbean Development Bank : **CDB** was founded in 1969, its headquarters is located in Barbados. It is a financial institution with a regional vocation (yet, several foreign countries participate). It mainly aims at playing a great part in the economic boost as well as in the economic integration between the member states. As far as it can, it takes part in the economic integration between the states. The bank funds are mainly used for the financing of development projects in the countries which are eligible. Moreover, CDB provides valuable statistics, because unique, about British OCT and the regional English speaking countries as a whole.

The Organisation of Eastern Caribbean States : **OECS**, (headquarters St. Lucia), established in June 1981, gathers seven of the less developed countries in the area. It offers the advantage and also the drawback of gathering islands which have similar development problems. "Advantage, because it is possible to tackle the problems in a collective way, in a useful and less expensive way; drawback, because the countries are very poor and the means to share are very weak" (Lestrade 1987). The underlying idea in creating the OECS was a political union which should strengthen the economic cohesion. In fact, this new attempt to a political union led to a failure : national regards have swept away goodwill. For the time being, both a common currency ( the East Caribbean dollar) and few cooperation projects do remain. However, unification attempts do exist more than ever.

The Eastern Caribbean Central Bank : **ECCB**, the headquarters of which is in St. Kitts, was established in October 1983. It is the OECS members' central bank. It is mainly aiming at making its members' currency stability easier and at issuing common currency.

## **2. Northern American trade mechanisms**

The Caribbean Basin Initiative : **CBI** implemented on January 1<sup>st</sup>, 1984 deals with 23 caribbean and Central American states. The whole caribbean ACP countries (with the exception of Suriname), the Netherlands OCT and two British OCT (Montserrat and the

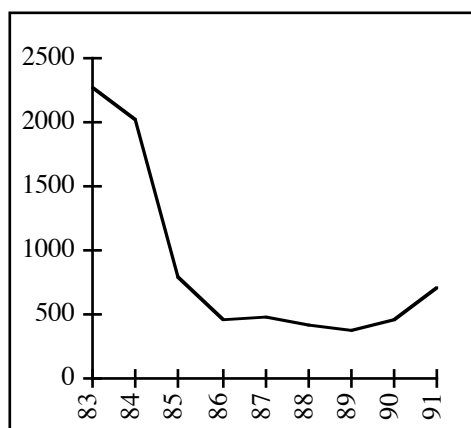


British Virgin Islands) are integrated in it. Without going into further details, one can say that the CBI brings the beneficiary states the following advantages:

- full exemption of customs taxes and fees for exported products towards the USA (except textile, oil and leather products), however with severe origination regulations,
- financial aid,
- substantial financial and taxes incentives for investments made in the Caribbean Basin.

The main results achieved by the CBI are disappointing for the Lesser Antilles OCT : no jobs have been created by the 936 funds programme, little if any direct investment, and the financial aid for projects is hard to evaluate. As far as its trade is concerned, CBI has no positive results for these islands since the Netherlands Antilles exports to the United States (Table 8) dropped from 6 to 1 between 1983 and 1990. This decrease, for a large part, is due to the closing down of the Largo Refining plant in Aruba, as well as to a big slow down of the Curacao's plant. Up to 1984, oil refining products represented 98 % of their exports, of which 55 % were assigned to the American Market.

Netherlands Antilles exports to the U.S.A, 1983-1990  
(million of US \$)  
Table 8



Source : Official Statistics of the US Department of Commerce.  
Aruba included until 1985. Curacao and Bonaire included from 1983 to 1991.

For the same year 1984, it is interesting to observe that the Netherlands Antilles' exports to the USA were equivalent to about 25% of the whole CBI member states' exports to the USA. Since the mid '80s, the Netherlands Antilles cannot make a profit with the American giant from a trade point of view. In the same way, the British Antilles benefit from the CBI in only a very marginal way : their exports towards the USA are both very weak and irregular. Generally speaking, CBI is not fitted to the small islands with low exports.

**CARIBCAN.** Since June 1986, the Canadian government set an aid and assistance schedule aimed at boosting the economic and trade development in the Caribbean Commonwealth countries. This decision deals with twelve English speaking ACP countries and with the British OCT as a whole. Now, in its trade clause CARIBCAN represents only a very low interest for the Lesser Antilles OCT. First and foremost, it is a support structure which must strengthen economic relationships between Canada and the Commonwealth of the Caribbean. On the contrary, CARIBCAN's Development Public Aid programme, run by the Canadian International Development Agency (CIDA) helps in financing projects in OCT point by point.

The following table (Table 9) allows us to appreciate the membership of the various OCT to the cooperation institutions as well as to the trade mechanisms. The Netherlands Antilles are not members of CARICOM, OECS and CARIBCAN. The situation is quite different in the British OCT of the Lesser Antilles, since they are beneficiaries of the CBI (except Anguilla), the CARIBCAN, and they can claim Caribbean Development Bank (CDB) aids. Moreover, Montserrat belongs to CARICOM and OECS.

Membership of the Lesser Antilles OCT to the cooperation institutions and to the trade mechanisms.

Table 9

	British OCT	Dutch OCT
<b>Intra regional cooperation political organisations</b>		
CARICOM	Montserrat	Observers
CDB	Montserrat Anguilla British Virgin Islands	None
OECS	Montserrat British Virgin Islands (observers)	None
ECCB	Montserrat Anguilla	None
<b>Extra-regional trade machanisms</b>		
CARIBCAN	Montserrat Anguilla British Virgin Islands	None
CBI	Montserrat British Virgin Islands	Saba St.Eustache St.Maarten
LOME	Montserrat Anguilla British Virgin Islands	Saba St. Eustache St. Maarten

### 3. Regional cooperation conceived by the EEC

The EEC asset, in wishing to promote and develop regional cooperation (which is part of its programme of scheduled aid) is to situate itself beyond institutions with too much political and ideological inclination (such as CARICOM and OECS). However, the intra-regional cooperation is difficult to realize in the British and Dutch Antilles. Generally speaking, "Every man for himself" does remain the rule. St. Martin is an exception since an actual cooperation already exists, favoured by the particular geography of this island which is French in the North and Dutch in the South. The limited surface of the island, 80 Km<sup>2</sup>, and an off duty zone common status bound the meaning of the border to an amusing line left by history, highly stimulating a pool of infrastructure and resources. Besides, there is only one hospital - on the French side- and only one international airport, on the Dutch one and the most common currency used is the US dollar.

Since OCT in the Lesser Antilles have no agreement with CARICOM, except Montserrat, they lose the benefit of a collective cooperation policy. Still, real cooperation opportunities exist<sup>(12)</sup> and the financial means exist : EDF for ACP and OCT (72 million ECU under Lomé III) as well as structural funds for French Overseas Departments (DOM). The recent French effort, written in the De Gouttes (1990) report and realised through the inter-ministerial funds creation, encourages cooperation between DOM and OECS countries. For this, a census of the possible cooperation fields has been carried out, new financial means are released (regional cooperation specific funds), and an inter-ministerial delegate has been nominated. A French agent represents France in the EEC concerning relationships between DOM/OCT/ACP. It is too early yet to draw up any evaluation of this initiative and a boost is necessary to set up concrete projects.

The EEC earmarked the Netherlands Antilles and Aruba to receive an amount of 4.1 million ECU (2.6 in the form of grants and 1.5 in the form of special loans) for regional cooperation under the 6th EDF. In fact, apart from the taking part of those islands in trade demonstrations (in 1987,1988,1989,1990), no cooperation project had seen the light and nothing seems to be forecasted within the next months. Thus, the EEC financial commitment is very weak.

For the whole Caribbean British OCT (Turks, Caicos and Cayman islands included) the EEC allocation for the regional cooperation amounts to 1.5 million ECU (1 in the form of grants and 0.5 in the form of special loans). The total amount of this subsidiary has already been incurred and even overtaken. These commitments have been made, as in the Netherlands Antilles, in taking part in trade demonstrations, and in projects (Tourism,

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<sup>(12)</sup> Some already work : the best example is perhaps the Caribbean Tourism Organisation in Barbados. It gathers all the Caribbean countries and produces directories, statistics and publications.

University of the West Indies, Training for Services, Export Development Programme.....), involving the close English speaking ACP members of CARICOM or (and) OECS. Until now regional cooperation in the Lesser Antilles is considered as a bilateral relationship between OCT depending on the same state or still between British OCT and English speaking ACP belonging to a similar historical community.

The burden of history, combined with rivalries, personal interests as well as particularisms are making regional cooperation between OCT, ACP and DOM very difficult . Worsening economic dependencies and new international domination will perhaps boost cooperation and economic integration in the future. Still, a political unification solution does not seem realistic in the Lesser Antilles. Too many ideological and physical compulsions prevent it. On the contrary, a pragmatic approach step by step, as conceived by the EEC, can give some results.

The Indian Ocean Commission which has been working since 1983, and which gathers four ACP states and the Reunion island is a good example of what can be done in regional cooperation. Within a few years, this committee gained recognition on the international scale for it proved capable of conceiving and running projects.

## **CONCLUSION**

The community action in the OCT is understood as a complement or a contribution to the British and Dutch national actions. The additional aspect of EDF interventions, with the funds which the concerned member states have at their disposal, for the approved programmes, must not lead to a reduction in the global aid volume. The commission is trying to deal with this.

The impact of the EEC projects on the OCT development does not lend itself to analysis and evaluations easily. Thus, the boost in the tourist sector, which represents in the short term a solution to revive the unsteady economies, may have unforeseeable consequences and interactions in the long run. The development in the services sector may allow the OCT to diversify their economy. The field seems to be favourable but it may lead to a reconversion of the labourforce and an acquisition of know-how.

The European Community is the proof of the benefits which can be the consequences of a narrow cooperation between member states. The cooperation development in the Caribbean area goes through the creation of a new regional instance which would gather the actions of the zone as a whole (such as ACP, OCT and DOM). This new organisation would become the interlocutor of the European Community and of the

other lateral and multilateral groups. Its action would be beyond the present CARICOM which only gathers twelve Caribbean states and one OCT (Montserrat)

The Community trade advantages are currently without effect for the OCT which produces marginally and are turned towards the United States which are their natural geographical partnership.

The renewal of association, in 1991, between the OCT and the EEC brings improvements notably in the commercial field and adapts the innovation of Lomé IV (debt, private sector, environment....) to the specific demands of all the OCT which, under a common name, present unavoidable diversities

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