

Prospects for Development in Haiti and the Wider Caribbean in the Context of globalisation and trade liberalisation

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\* Organisations listed for identification purposes only.

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## **Introduction**

There are quite a few myths and misconceptions about globalization. As noted by Economist, Deepak Nayyar, the word globalization is used confusingly in two ways: in a positive sense to describe a process of the increasing integration into the world economy and in the normative sense to prescribe a strategy of development based on a rapid integration within the world economy: According to Nayyar, some see this as salvation, while other see it as damnation’.

Undeniably, the economic, political and social restructuring that is accompanying the current economic globalization (meaning: the global integration of trade, investment and finance) process is creating opportunities, upheavals, dislocation, as well as generating changes in the notion of citizenship and governance in the lives of the women and men in Commonwealth Countries. These changes maybe as profoundly disturbing and disrupting as those that came with prior rounds of globalization. These prior rounds created the geopolitical entity called CARICOM, CARIFORUM and ASC.

Whether the current round of ‘globalism and the economic, political and social changes it is generating offer opportunities for new and positive sustainable growth or whether these changes are leading to disenfranchisement and poverty will depend on the ability and willingness of Caribbean citizens and governments to work creatively together to develop strategies, tactics, policies and programs to transcend the limitations of the present models and to promote women’s rights, human dignity and human and social development.

In the current conjuncture the public and economic policies decision of Caribbean nations are increasingly constrained by government commitments to a host of international trade and investment rules. These external dynamics and challenges govern the environment in which Caribbean governments make policy decision around trade, investment as well as define the broad contours of economic development framework. But there is, nonetheless, significant policy discretion about the uses of available financing and internal control of resources. In addition, the way that Caribbean governments define their social and public priorities are grounded on internal dynamics of class, gender and race and the legacy of slavery and colonialism.

### **I. A brief historical overview of the globalization Phenomenon.**

The fact is that for many of us globalization is not a new reality. We have experienced it before even as we continue to experience its transformations today. It has not had a benign impact on our lives. We have certainly lived through at least two phases (what I call pre-modern globalization, late 19<sup>th</sup> century, modern globalization (20<sup>th</sup> century) this phenomenon. Time does not permit a proper historical accounting of the globalization of the world economy I will nonetheless attempt to a brief sketch of the commonalities and differences of different phases of the globalization process. This is because inspite of the current fascination with ‘globalization’ and the emphasis on globalization as a

development strategy, I believe that it is important that we understand that globalization by itself does not ensure poverty eradication, gender equality or ultimately sustainable development. Rather, previous globalization has led to uneven development, skewed social relations and persistent gender biases.

### 1. Pre-Modern Globalization—Colonialism and Imperialism: Conquest

As a historical process globalization is not a new phenomenon but rather it is the continuation of a process that had its roots in the beginning of industrialization and hence capitalism. The necessity for capital to search out cheap labour and cheap raw materials has historically engendered the incorporation of non-capitalism forms into its orbit. This has engendered the expansion of Europe into Africa, Asia and the Americas and the creation of the geopolitical entity, the Caribbean. The driving forces behind that earlier expansion included the search for precious metals and commodities. Later cycle provided the escape value for immigration of excess population (surplus labour) from Europe to the Americas, Brazil, Australia and New Zealand and elsewhere.

The establishment of plantation economies in the Americas led to the Atlantic slave trade and massive movement of cheap labour via indentureship from India and Asia into the New World. The key movers were the various European states in partnerships with private entrepreneurs/adventurers which evolved into state sponsored companies such as the Dutch and British East India Companies. This period also witnessed intensive international rivalry between countries and among state and quasi state entities.

In later periods this international rivalry occurred between wholly owned national corporations and was mediated by their national state of origin. Today, the rivalry is between giant trans (multi) national corporations mediated by multilateral institutions such as the WTO, the OECD, the G-8 and regional trade arrangements (i.e. NAFTA) Today the driving force behind current process of intensifying global interdependence of markets and production processes are technological change for greater and greater labour saving devices as well as the perpetual creation of new products. This is necessary in order to ensure continuing cycles of profitability.

What is endemic to the historical process of globalization is the need for establishing rules and institutions, both global and national to ensure the orderly process of accumulation. These rules are also necessary in order to mitigate and offset the potentially destructive effects of internecine rivalry between countries. Some time this fails and the result is an outbreaks of violence. Such was the case in the mid-nineteen century, where rivalry between the contending European rivals in the scramble for Africa led to the great instability and disorder in the then international political economy. The end result was the Berlin (1865) conference that officially supervised the division of Africa among the major European powers. It could also be argued that this conference helped to stabilize the geographical arrangements among those same powers in the Caribbean region. Thus the Berlin Conference instituted the conditions for a fragile peace, which was disrupted by the first and second world wars.

The Berlin Conference and its legacy forms a re-occurring pattern in the template of globalization. A critical legacy of that era was that the spoils of Africa and the output

from the Caribbean formed part of the material basis of the prosperity ushering the twentieth century. Despite current pre-occupations with the de-materialization production, the need for cheap materials and cheap labour sources is still an enduring feature of the new global economy. Today the need is not to bring the labour to the production process but rather with the flexibilization of production to bring the production to the labour hence there is no need for labour flows. But there is great emphasis on the free flow of capital and services.

## 2. Modern Globalization: Neo-Colonialism & Consolidation Control

Similar to the period leading up to the déttente of 1865, the debacle of the great depression of the 1930's led to a re-assessment of international trade and the creation of the GATT which inspired reductions of tariffs and other barriers to the movement of goods, capital and service. This was reinforced by the re-alignment (transfer) of power from Great Britain (pax Britannia) to the US (pax Americana) which gave birth to the Bretton Woods system of managing the international trade and monetary system. The Bretton Wood Monetary Wood era which lasted from 1944 to roughly 1973 created the International Monetary Fund and the World Bank which worked in partnership with the GATT and the US military industrial complex to ensure the orderly process of the expansion of the market worldwide.

Throughout this period a certain level of social cohesion was maintained, in Northern countries, by the Keynesian consensus<sup>1</sup> which engineered a concord between workers and the business sector to redistribute some of the largesse of capital accumulation in terms of wages and Social welfare program.

Within this framework Northern governments fine-tuned their economies to ensure full employment and provide a social safety net. That the rampant exploitation of the developing countries as well as the labour of certain sectors within OECD economies (notable women and people of color) was key to much of the largesse of capital accumulation was never fully appreciated. However, in the early 1970s, the prices of many commodities critical to industrial production process, such as oil, hithertofore, available in abundance and at cheap prices, rose as many developing countries sought to restructure the terms at which their commodities were sold on the world market. This fact coupled with rising international competition among multinationals in Europe and Japan

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<sup>1</sup> The term Keynesian consensus which underpinned the evolution of the (Welfare State) refers to an understanding between business, labour and government in (primarily the North) which allowed for government intervention in the economy whereby the state attempts to mitigate the most negative effects of the market system, such as unemployment and insufficient income to certain groups through a complex social policy regime which may include different kinds of government income compensation/assistance, income insurance, and social security. The most advanced of such states have elaborate planning systems that utilise macro policies to promote and ensure full employment (see Epstein et al for more on this point.).

and American corporations engendered a slow down in accumulation and the demise of the Bretton Wood System.

### 3. Post Modern Globalization or ‘Colonialism Redux’?

By the mid 1970s’s most OECD countries experienced high inflation and low output growth. This led to strategies by the business sector and government to improve profitability by promoting economic growth. These strategies include: reorganization of tax system to lessen taxes on corporations; a switch in focus from full employment policy to a single-minded focus on containing inflation; cut backs in government social and welfare spending; and de-regulation of financial and labour markets. This was spurred on by revolutions in communication, telecommunication, industrial manufacturing and engineering, as well as, in time management. These forces combined to engender the restructuring of the industrial base of the world economy.

Late twentieth century globalization, which is by far the most comprehensive and the only one not preceded by a global hot war<sup>2</sup>, is occurring in a number of ways and is facilitated simultaneously by a number of mechanisms and processes some of which are common to previous periods and some of which are distinctly different. Some of these mechanisms are obvious and some are not. Typically mechanisms include:

- 1) The presence and functioning of a hegemonic power to oversee the process. As noted above, the US assumed that role from Britain. The US would seem to act in concert with G-7 but the primary military power is still American, albeit it now tries to act in concert with multinational force (such as in the war against Iraq and the recent war in Kossov)
- 2) Agreements that foster orderly exchange of production input and output; for example, the multilateral trade system under the WTO agreement;
- 3) Rules to promote the free flow of capital. See for example, the OECD investment Guidelines, the TRIMS and the abortive attempt to establish a multilateral agreement on investment (MAI).
- 4) Segmented labour market via and international division of labour based on unequal exchange between north and south. Northern countries specialized in manufacturing and exporting high value added and expensive labour while the Southern countries specialize in producing and exporting primary commodities, natural resources using cheap labour and now cheap, primarily female labour in value chain processes.
- 5) Gender division of labour based on patriarchal ideology which systematically confine women’s to the private (domestic) sphere and when necessary

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<sup>2</sup> Many astute observers have pointed out that though there was not a hot war there has been a third world war but it was a silent war. In the words of a Brazilian Trade Unionist, it “is a silent war in which the interest rate is the main weapon.”

incorporate women in the labour force for exploitation at cheap wages of women's special skills.

The specific Characteristics of the post modern globalization regime can be characterized by the following seven trends:

- 1) The internationalization of production (global restructuring)—driven by the flexibilization of production—that allows corporations to locate production sites in different geographic locations where parts of the products are produced then assembled elsewhere for distribution;
- 2) rapid technological change in information, micro, bio and telecommunications technologies –which affects the competitive position of countries and induced a shift from manufacturing towards services and high technology;
- 3) trade liberalization accompanied by attempts to remove all restrictions on foreign direct investment;
- 4) the rise and extreme mobility of financial capital as a global player and its resulting strong influence on national policies; One of the most persistent and pervasive feature of the current globalisation process is the ascendance of finance capital and its ability to promote and ensure adherence to a financial sector liberalization agenda across countries simultaneously as the market for goods and other services are being liberalized.
- 5) the increasing power of transnational corporations;
- 6) the re-structuring of the state (with emphasis on reducing the provision of social welfare, privatization, de-regulation) and increasingly states are ceding more of their power to multilateral frameworks, regional machinery (i.e. WTO, NAFTA, FTAA) and transnational corporations.
- 7) the formation of regional trade and economic blocks across many groups of countries;
- 8) Remittances

In addition there is the increasing emphasis on the privitization of knowledge via TRIPs, the trade in services and information technology, restrictions on the movement of labour.

## **II. Globalization, trade liberalization and Macro policies in Caribbean countries**

I will move quickly to identify the main features of the present round of globalization as they impact the nations of Caribbean. Caribbean states, including Haiti, are involved, compromised and complicit in every aspect of these trends

## II.1 External Dynamics and Challenges

Firstly, many Caribbean nations are integrated in the international production chain through garment and clothing, electronics production in Export processing Zones and data processing in the service sector. The dominant feature of this is the heavy reliance on female labour. Others are linked via the commercialization of agriculture and non-traditional agriculture such as cut flowers with implications for the resource use and control between men and women as well as women's labour.

Secondly, the imperative to be globally competitive is associated with decline in the manufacturing sector (with the consequent loss of jobs (for men) and the rise of the service sector (tied to female labour)—a trend in the Caribbean. This varies greatly between countries and is quite nuanced depending on the type of development strategy being pursued. Increasingly in some countries, women dominate low skill manufacturing in the low wage strategy with men regaining dominance as the economy move into higher valued manufacturing, displacing women.

Thirdly, many nations have, or are undertaking rapid trade liberalization (first initiated under SAP and now accelerated under the WTO). In some CARICOM countries, notably Jamaica, this has had a devastating impact on the agriculture and dairy sectors. In Haiti on rice. The gender, social and environmental implications of this process need to be urgently examined.

Fourthly, some Caribbean nations, including Haiti, are very actively involved in regional trade formation processes: CARICOM, CARIFORM, ACS etc. These activities and involvement all have implications (to varying degree) for engendering changes in national institutional and policy frameworks.

Fifthly, many Caribbean nations such as Haiti's macro economic policies are constrained by the need to meet and abide by the requirements of international financial capital markets, as well as the dictates of bilateral and multilateral developmental assistance. This has implication for the flexibility of macro and social policies to meet national social, justice and human development priorities such as gender equality and poverty eradication.

Sixth, with regard to re-structuring of the state, the primary emphasis of multilateral organisations and donors have been to engender (first through SAP (IMF, World Bank, USAID, and the Inter-American Development Bank funded) the sale of public assets and quasi state entity (privatisation): telephone, utilities etc; reform of the public sector; and local government reform towards more market oriented functioning.

Eight, Debt services act has significant constraints on the policy space for development. The Gleneagles debt initiative covers Haiti (what of HIPC) but this does not include Haiti's half a billion dollar debt to IDB; nor will Haiti see debt cancellation until three or more ears. Haiti will have to implement 'economic reform' (privatization water and

electricity) that will impact negatively on its productive capacity and decrease access to the poor

Haiti debt \$1.4 billion; yearly debt payment: \$60 Million.

Ninth, many Caribbean nations are highly dependent on remittance flows from Diaspora populations. According to the IADB: remittances to LAC were US\$32 billion (2%) of the regions GDP in 2002. Remittances to Haiti come from US, DR, well over \$900 million US\$ per year.

Finally, because of the important imperative of the corporate agenda (especially services such as banking, etc and the drive to secure access to and control of markets) trade liberalization has become an important aspect of current globalization, the WTO is therefore a critical architecture in the globalization process.

WTO-led globalization has implications at the international level for the political participation of 'Small Island Developing States' and the least developed countries in negotiation rounds of multilateral trade agreement such as the proposed millennium round, governance and policy-making. But more importantly for this discussion, it has serious implications for these states' commitment to social cohesion, gender equity, social equity and participatory democracy. Therefore, careful attention must be paid to the gender as well as the social impacts of trade policies.

## II.2 Internal Dynamics and Challenges

The internal dynamics and challenges facing many Caribbean economies, such as Haiti, lie in their transition from a not so complete market economy to a 'free' market economy. While the free market transition process can be directly linked to the current phase of globalisation, there are clearly autonomous trends arising from the structure of the economy and the existing political and social arrangement which are being reinforced both in negative and positive ways by the overlying globalisation process. At least five broad trends can be identified in this regard: 1) restrictive macroeconomic policy orientation/trade reform, 2) structural change in the economy; 3) retrogression in human and social development; 3) rising inequality and fracture in the social fabric of the economy; 4) environmental problems; and 5) an increasing focus by civil society organisations on 1-4) and the response of the political establishment to these efforts. For brevity, I will elaborate on only a few of these.

But first let's deal with what I am identifying as the problem of moving from a 'not so complete transition to a market economy' to a 'free' market economy (along the neo-liberal lines). For much of its independent life many Caribbean nations can be said to be evolving a market economy. However, despite its long experimentation with the market, there is clear evidence of lack of attention to the consideration of micro and meso issues such as infrastructure development to facilitate both the agriculture sector as well as the tourism sector. This also includes attention to transportation system to facilitate production and daily life for the masses of the people especially those in the rural areas and small towns. Additionally, the labour market is not quite dynamic with government,

small, micro and own account activities contributing to a significant share of overall employment. In the case of Haiti, the severe case of the brain drain of educated professionals.

These signals a less than dynamic private sector that would appear to be functionally dependent on the government. This is further fuelled by rigidities and biases in the credit market, in the administration of government regulations and in the overall business environment, which work against small and micro entrepreneurs, who are forced to operate on the margins in the informal sector. But it is precisely this sector which is the most adaptable and creative elements and hence the potential sources of dynamic competitive advantage and growth in the economy.

When this reality is confronted by the drive of the neo-liberal model towards the creation of ‘free market,’ meaning a market where government plays a reduced role, or hands-off economic activity via de-regulation and privatisation there is bound to be tremendous shocks to the economy. In the context of the Caribbean, this has serious implications for the provision of basic social services, adequate transportation system and neglect of institutions/mechanisms of justice and due process.

Socially, the ethos of the free market is epitomised in the mythic rational economic man (REM), driven by individual greed and the maximisation of self-interest, is being imprinted on a society already locked into a pattern of outward orientation, an attenuated notion of citizenship and systematic in-attention to the needs of the poor and vulnerable. I say an attenuated form of citizenship because inter party rivalries have created a citizenship identity based on political party affiliation.

The result of the extreme politicisation of all spheres of life: education, health, justice; food, land, housing, and even environmental issues is such that individuals base their claim on and access to common property resources etc not out of sense of citizenship but out of loyalty to, and expectation of spoils from party leaders and functionaries. The consequent de-humanisation of many sectors of the population is on-going process whereby access to basics such as: education, justice, and health care, or a job becomes a political football.

*Restrictive macroeconomic policy orientation and economic reform.* Currently macro economic policy is driven by the single-minded focus on containing inflation (recently there has been a renewed emphasis on balancing the budget). Thus it would appear that macro economic policy has systematically ignored the micro and meso foundations. Balancing the budget in a stagnant economy foreshadows significant social as well as economic costs in terms of unemployment and the ability of the poor to adequately feed and clothes themselves. The empirical evidence from SAPs in Jamaica shows that economic reform and attempts to reduce government budget deficit, when focused primarily on reduction in government spending, as opposed to widen the tax base, or improving the efficiency of the tax system, have tremendous implications for the living standards of the poor, the majority of whom are women.

Threats to living standards have the effect of heightening tensions around issues of class, race and gender. These tensions tend to find expression in terms of crime, violence, domestic violence, abuse and rape of women and girls.

### **III. The Gender Effects of Globalization and Trade Liberalization in the Caribbean**

A gender analysis approach to globalization and trade liberalization must seek to identify the key mechanisms and pathways through which g/l impact women and men differently in terms of social burden, earnings, employment, poverty, survival and wealth generating strategies. Emphasis is placed on how trade liberalization impacts gender differentiated roles, gender-based constraints, women's time and access and control of resources. In this framework a critical emphasis is also placed on the collection and analysis of gender disaggregated data.

### **IV. Summary and reflections**

Though globalisation and liberalisation create an atmosphere whereby, through a plethora of trade agreements (NAFTA, FTAA, WTOA etc), governments' decisions are increasingly externally constrained, there is still wide scope for government to act. Caribbean governments, like other governments, have significant scope for discretion in the exercise of national policy and in the management and control of national resources.

Thus governments have a duty to play an effective role in promoting and ensuring an enabling environment where all citizens can exercise their rights as citizens to create meaningful opportunities that allow for the development and use of human potential and capacity in the service of the community. However, this points to the need for a national vision of, and consensus and commitment to that vision, of what a good society is or should be? What are critical elements that must be in place? And how key institutions ought to function in order to ensure such a society.

In order for countries, such as Haiti and the rest of the Caribbean, to be able to promote sustainable gender sensitive human development at the international level there needs to be:

- Selectivity in liberalisation of trade, investment and labour markets that balances the rights of children, women and men and even the nation state against the pecuniary aspects of global economic competition.
- Debt cancellation and debt write-offs as a minimum necessary step to promoting sustainable human and gender sensitive development
- Capital controls on the movement of international capital, including a process of 'financial disarmament' (Damodaram): a freeze or extensive tightening of speculative instruments, couple with an expansionary but prudent macroeconomic policy approach as a minimum necessary condition to promote sustainable growth and human development world-wide. In this regard we agree with J. Bhagwati that "...it

is a lot of humbug to say that without free portfolio capital mobility somehow the world cannot function and growth will collapse”.

- International supervisory mechanisms to oversee the international movement of capital and regulate the allocation of credit. In this regard we agree with the views of Soros that the private market is inefficient in the international allocation of capital and support the sentiments of R. Mc Kinnon who wrote that “paradoxically, a de-regulated financial system may need more supervision than one that is subjected to extensive administrative controls and government intervention”.

At the national and regional levels the Haitian and other Caribbean governments should:

- strive to maintain strategic use of investment, finance and trade including domestic content requirement, universal service provision and special programs for vulnerable groups. They should also encourage development of local firms and entrepreneurs through measures such as preferences and tax breaks to local investors, farmers and women entrepreneurs.
- Prioritise the social sector for public financing and refrain from opening this sector to unbridled privatisation. Some sectors should be restricted to the entry of foreign investment. Particular attention must be paid in order to ensure that they are not switching from public monopoly to inefficient private monopoly which will eventual result in increased cost and lack of some vital services to citizens, especially the poor.
- Retain the rights to institute requirements on foreign investment in order to protect the balance of payment and meet the foreign exchange needs of the economy. These include resort to local content requirement, import restrictions, conditions on profit repatriation and retained earnings and listing on local stock exchange; and 2) Furthermore each state needs to undertake policy to promote and nurture local enterprise, enhance domestic savings and foster investment focusing improving the social and economic circumstances of women, the most marginalized and excluded sectors based on race, ethnicity and indigenous peoples.