

FIFTH ANNUAL SIGNA YORKE MEMORIAL LECTURE

**LOOKING BEYOND THE YEAR 2000:
THE IMPLICATIONS OF DEVELOPMENTS IN BELIZE'S ECONOMY
IN THE 1980'S AND 1990'S**

BY CARLA BARNETT PH.D.

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INTRODUCTION

Tonight I speak to you on the topic: "Looking beyond the year 2000 - the implications of development in Belize's economy in the 1980's and 1990's". I would like to do this by examining, with you, the present structure of the economy of Belize and discuss how we arrived at this juncture. On the basis of this, we can then attempt to understand the challenges of the 21st century.

We should make it clear from the outset that when we speak of "the economy", although we may be talking in abstract terms of production and consumption, investment and saving, diversification and concentration, we also need to bear in mind that we are speaking of the people in society who are producing and consuming, investing and saving and individually contributing to the trends which we, as economists, try to measure, understand and predict.

Economics, after all, is a social science, no matter how strenuously some of us try to insist that it is a "hard" science. As a social science, the principal objective is to understand how the society functions as it produces, consumes, trades, saves for the future, or spends future income by borrowing today. This is the objective - whether we seek this understanding on the micro-level by examining how individuals make decisions about what to consume and how to organize business activity, or on the macro-level by examining how the sum of individual economic decisions are reflected in the overall level of economic activity.

While some seek this understanding of society out of intellectual curiosity, for many the search for this understanding arises out of a desire to seek solutions to the problems of society and a realization that the best solutions come out of rigorous investigation of society. It is in this context, then, of economics as a science of society that I speak to you tonight.

I will divide this lecture into three parts. I will, first of all, examine significant aspects of Belize's economic history for I believe that we must first understand from whence we came, if we are to predict, with any chance of success, where we are going. I will then discuss economic developments in the current period - which I define as beginning in the 1980's. Lastly, I will attempt to

outline the challenges for the rest of the 1990's and beyond the year 2000.

A BRIEF ECONOMIC HISTORY

Since the arrival of the British in the seventeenth century and up to the mid-twentieth century, the economy of Belize was dominated by the export of forest products, - first logwood, then mahogany and chicle. The activities of the British colonizers were geared, not to production but to the acquisition of land and the extraction of its forest resources. The intention was not to engage in settled agricultural production as was undertaken on the plantations of the island colonies of the Caribbean. Nonetheless, like the other British colonies in the Caribbean, the economy of Belize was characterized by the production for export and the location of ownership of the local economy in the metropolitan economy.

The organization of the economy was very simple at that time: all goods for consumption and for input into production were imported and all produce was exported. The profits earned from the extraction of forest resources were also exported or retained abroad. Much of the land in the territory was held idle and undeveloped by the large

landowners who also controlled the imports and exports of the economy. The extraction of forest products was undertaken with little effort at reforestation and agricultural activity was insignificant.

Government policy throughout the crown colonial period spoke of promoting agricultural production either along with or instead of forestry, so as to strengthen and broaden the economic base through the expansion of opportunities. However, a number of factors worked against this possibility. Arguably the two most important of these factors were, one: the landowners and merchants who earned significant profits through forestry operations and the import/export business; and, two: the colonial state through the kind of land and agriculture policies which it sought to implement¹.

With an economy dependent on imports for almost all of its consumption goods and placing all its production on the export market, the role of the middleman was, of necessity, important. In the early days of the settlement, importing and exporting activity was undertaken by the landowners themselves. As the forest industry came to be dominated by a few firms, some forest operators moved fully into commerce and the commercial sector evolved separately from forestry.

Although the uneven distribution of privately owned land was frequently cited² as a major constraint on

agricultural development, there were no serious attempts to change this distribution. Rather, some attempts were made to encourage large landowners to bring idle land into productive use by building roads and railways and by various incentive schemes.

The choice between agriculture and forestry fluctuated with the profitability of forestry and the availability of imported food supplies³. At times the choice was influenced by the belief that the supply of labour was not sufficient to meet the demands of both agriculture and forestry together.⁴ Wherever it was suggested that agriculture and forestry could be developed simultaneously, the need for population settlement schemes involving new immigrants was seen as a prerequisite.

Colonial agricultural policy tended to promote large scale export production with much less emphasis on small scale food crop production. Government provided support through the development of infrastructure, such as railways and roads, and through the negotiation of access to guaranteed markets.

Both sugar and citrus developed with strong impetus from colonial government policy. The development of the modern sugar industry followed the assignment to Belize of a sugar export quota to Europe under the Commonwealth Sugar Agreement in 1959.⁵ Since the quota was larger than Belize

could fill at the time, the colonial government sought to create the conditions for filling this quota in two ways. One was to bring in Tate and Lyle to play the leading role in sugar cane cultivation and sugar production.⁶ The other was to redistribute land acquired by government from private landowners to small scale cane farmers in the two northern districts.⁷

In the case of citrus, although attempts to produce oranges and grapefruits in the Stann Creek Valley date back to very early in the twentieth century, sustained growth in the industry dates to the 1940's with the activities of the Colonial Development Corporation in establishing new citrus orchards.⁸ In support of this industry, government replaced the railway in the Stann Creek Valley, which had earlier been built to promote banana cultivation by United Fruit Company, with a motorable road from the valley to the wharf.

In contrast, there was a low level of policy support for food production. Aside from establishing the Marketing Board in 1948 to purchase rice and corn, very little else was done. Since food production took place on small farms, it seems logical to conclude that very little was done for small scale food producers.⁹ Over time, many small scale food producers shifted into production of sugar and citrus.

Sugar and citrus production consolidated their hold on the economy during the 1970's. Sugar, in particular, rose

to dominate domestic production and exports in the 1970's. These two industries dominated both agriculture production, through the activities of the farmers, and manufacturing, through the activities of the sugar factories and the citrus processors.

This recounting of the major aspects of Belize's colonial economic history should be telling us several things about the structure of the economy when Belize headed into political independence at the beginning of the 1980's. Among them:

First: Economic activity was based on the production of primary products - i.e.. agriculture or forestry.

Second: The economic base was very narrow. Sugar and citrus production accounted for the largest blocks of domestic production and over 80% of export earnings by 1980. Domestic food production was secondary;

Third: The economy of Belize at the end of the colonial period was heavily dependent on trade. Goods for consumption and for input into production were largely imported and goods produced were exported; and

Fourth: The major export, sugar, was sold either under preferential quotas over which Belizean producers had no control or on the world market where Belizean producers were price takers.

The question is: What changed during the decade of the 1980's and the 1990's so far?

THE DECADE OF THE 1980'S AND THE 1990'S SO FAR

A snapshot of the composition of domestic production¹⁰ in 1981 and 1993 shows that over the 14 years, the contribution of the three categories of activities into which we divide domestic production has not changed significantly.

In 1981 primary activities (that is, agriculture, forestry, fisheries and mining) accounted for 21% of domestic production. In 1993, these same activities accounted for 20%.

Secondary activities (manufacturing, electricity and water supply and construction) accounted for 29% of domestic production in 1981 and 26% in 1993.

The third category of domestic production, services, increased its portion of domestic production from 54% in 1981 to 58% in 1993.

Clearly there have not been significant changes in the general structure of domestic production. There were, however, significant changes within the sectors themselves

as the economy grew and new kinds of activities were initiated. We will examine these changes by dividing 1981-1993 into three periods. The first period is 1981-1985: macro-economic instability and decline. The second period is 1986-1990: stabilization and rapid growth with some diversification. The third period is 1991-1993: slower growth with fiscal stimulus.

Period 1: 1981 to 1985 - Macroeconomic Instability and Decline

At the beginning of the 1980's, the international environment was unfavorable to small open economies such as Belize. The major industrial economies were in deep and prolonged recession and interest and inflation rates were at historically high levels. The weak recovery in the industrialized world in 1984 was short-lived and by 1985 growth in these economies slowed again. With world market prices for commodities such as sugar on the decline, the terms of trade was moving decidedly against the producers of primary products in the developing world.

Mexico, up north, was in deep economic crisis brought on by its heavy debt burden and was about to devalue its currency several times. This would result in the virtual collapse of Belize's re-export trade across the northern border and a rise in undocumented trade with a consequent fall in government revenue from taxes on trade. In Central America, political and economic crisis erupted into civil

unrest and war with the spill-over effects of migrants and refugees seeking peace and the opportunity to work in Belize.

Belize entered these unfavorable 1980's having experienced average growth in domestic production of about 5% between 1978 and 1980. The sugar industry, in particular, had earned significant surpluses in the late 1970's. By 1981, however, there were unmistakable signs that there were troubled times ahead. Sugar prices weakened considerably in 1981 and 1982. Therefore, notwithstanding the expansion in production in 1982, earnings from the industry fell substantially in 1982 and leveled off before declining again in 1985.

With the other major export products not performing much better, export earnings fluctuated on a downward trend from \$149 million in 1981 to \$129 million in 1985. The citrus industry was the exception to this dismal performance with earnings almost doubling to \$24 million between 1981 and 1985 as citrus prices increased on the world market.

Domestic production which grew by about 2% in 1981, declined by about 1% in 1982 and 1.5% in 1983. The situation turned around slowly in 1984 but by 1985, domestic production was still growing by less than 1%.

Developments in government finances, labour and unemployment, international trade and payments and the

financial system reflected the downturn in domestic production. A slowdown in revenue collection and a sharp expansion in expenditure on salaries, debt servicing, capital programmes and transfers to statutory corporations, such as the Electricity and Marketing Boards, resulted in government's overall deficit¹¹ rising from about \$1.6 million in 1981 to \$18 million in 1985. Government financed a significant portion of its deficit by borrowing from the domestic system and, as a result, commercial bank loans to government rose from \$4.2 million in 1981 to \$16.7 million in 1985. In fact, during this period, government increased its portion of total loans in the commercial banking system from about 4% to about 12%. Over the same period, borrowing through the issue of Treasury Bills was increased to the statutory limits and the borrowing limits from the Central Bank were exhausted. During this same period, external public debt grew to \$176 million.

Although official labour and unemployment statistics have not been regularly and rigorously collected and published, a survey undertaken in 1984 indicated that the overall unemployment rate was about 14%, with the highest rates being: 24% in the Stann Creek District, 18% in the Toledo District and 16% in the Belize District. Unemployment rates tended to be significantly higher in the urban areas and in all districts female unemployment rates were significantly higher than male unemployment rates.

While no studies which seek to relate unemployment levels to migration rates have been found, there are indications that there was significant employment of immigrants and migrant labour at the same time that there was high unemployment of residents of Belize.

In the financial system, the rate of growth of deposits and credit slowed and the balance of payments deteriorated considerably as imports of goods and services grew faster than exports. This resulted in a steady decline in the Net Official Foreign Reserves from \$20 million in 1981 to -\$5 million in 1985.

These difficulties prompted the adoption of an International Monetary Fund Standby Arrangement in 1985. Government also obtained significant assistance from the United States government through a USAID Economic Stabilization Programme. Under these arrangements, Government undertook to implement policies to strengthen fiscal performance and restore the Official International Reserves position. These policies included fiscal tightening through raising revenue and restraining government expenditure, particularly on social services and tightening in the financial sector through higher interest rates.

Period 2: 1986 to 1990 - Stabilization and Rapid Growth

The IMF Standby Arrangement and the USAID Stabilization Programme framed the developments in the economy during the second period: 1986 to 1990. Over this period the economy stabilized, the balance of payments and international reserves recovered, government's fiscal operations strengthened, inflation declined and domestic production began to expand by unprecedented rates of growth. At the same time, however, the reduction in government expenditure on social services implied a reduction in the quality and quantity of these. The external public debt expanded significantly to \$266 million as government, and the rest of the public sector, borrowed primarily from international financial institution (such as the World Bank) and foreign governments (through, for example, USAID) for balance of payments support and capital projects. The debt service ratio increased to about 7% but at this level remained well below levels in other economies of the Central American and Caribbean region.

In 1985 the economic decline bottomed out. In 1986, domestic production grew by about 3% and continued to grow, on average, 10% per year over the next four years. Growth was experienced in all sectors with new significant areas of activity being initiated.

Growth continued to be led by agricultural activities which, on average, grew by about 7% annually between 1986

and 1990. Sugar export earnings were boosted from \$46 million in 1985 to \$85 million in 1990 by improved prices under quota arrangements. Citrus industry earnings jumped from about \$24 million to \$43 million as production and prices improved. Banana earnings grew from \$7 million to \$20 million over the same period. Total commodity exports expanded from \$129 million in 1985 to \$209 million in 1990.

This period saw a major transformation in the organization of production of the major agricultural exports. In the sugar industry, Tate and Lyle withdrew totally from the production side of the industry while maintaining an interest in the marketing side.

Citrus producers began to make significant investments in establishing new citrus groves to take advantage of the duty free access into the United States which citrus concentrate from Belize would enjoy under the Caribbean Basin Initiative implemented in 1981. Citrus groves, for the first time, began to be established on a commercial scale outside of the Stann Creek Valley, particularly in the Cayo District.

In the banana industry, there was significant consolidation as the larger producers bought out many of the smaller producers and also established new banana plantations. Much of the labour utilized in the expansion

of the citrus and banana industries during this period was migrant, originating across the western border.

There were also the beginnings of what we call non-traditional activities on a relatively large scale. The more significant of these were shrimp farming and papaya production.

Growth in secondary activities [manufacturing, electricity and water and construction] was also significant. The expansion in manufacturing, at an annual average rate of about 6%, reflected mainly, but not totally, the expansion in citrus processing. There were also increases in small manufacturing and beverage production. Among the secondary activities, however, construction, with annual average of about 17% between 1986 and 1990, saw the strongest rates of growth. This growth reflects the expansion or construction of major hotels in Belize as well as a notable rise in home construction, particularly in the newly expanding urban areas.

It was in the services sector, however, that significant transformation occurred. Average annual growth in the sector was about 10% during the period, with growth peaking at 13% in 1989. Growth was particularly strong in the areas of "trade, restaurants and hotels", "transport and communications" and "finance and insurance".

Growth in "trade, restaurants and hotels" reflects the significant rise in tourist arrivals from about 40,000 to about 100,000 over the period as Belize began to establish itself as an eco-tourism destination.

The expansion in transport and communication at an average annual rate of 16% reflects increases in travel abroad by Belizeans, shipping services and telecommunications services. Finance and insurance services also grew significantly during this period and, although this growth was somewhat erratic, it reflected the expansion of domestic and offshore financial services.

As domestic production recovered during this period, so did government finances, international trade and payments and the financial system. Government recorded an overall surplus on its operations every year between 1987 and 1990, inclusive. The surplus was particularly large in 1988 when the first phase of the privatization of Belize Telecommunications Limited was implemented and a significant addition to capital revenue was recorded as a result.

The balance of payments moved into surplus in 1985 and remained so until 1990. This reflected not only strong improvements in export earnings but also significant inflows under loan and aid programmes, and private sector foreign direct investment. Net Official International Reserves rose to \$130 million at the end of 1990.

Deposits and credit in the system grew sharply in this period and changed significantly in character. Whereas between 1981 and 1985 private sector deposit growth was slow, the rate of increase accelerated sharply between 1986 and 1990. Public sector deposits also grew in this period as the operations of the Social Security Board yielded substantial surpluses which were largely placed in the banking system. On the credit side, government reduced its loans from the commercial banking system significantly after 1985. At the same time, large deposits, amounting to \$23 million at the end of 1990, were held with the Central Bank.

In the area of labour and unemployment, however, there were mixed results as a significant portion of the expansion of the domestic economy bypassed local labour in favour of lower-wage migrant or immigrant labour.. Migrant labour was used heavily in the expansion of citrus and banana production and replaced some labour in the sugar industry of the north. Migrant and immigrant labour was also used in the expanding construction sector. Therefore, although formal studies have not been done to affirm this assertion, there is evidence to suggest that the rapid growth experienced between 1986 and 1990 did not filter throughout the economy.

Period 3: 1991 to 1993 - Slower Growth with Fiscal Stimulus

In the early 1990's the world economy was once again in prolonged recession. In Belize, after experiencing macroeconomic instability and decline between 1981 and 1985; and stabilization and rapid growth between 1986 and 1990, the economy shifted gears again in 1991. Growth slowed and the government injected significant funds into the system to stimulate activity.

Arguably, the high rates of growth experienced between 1986 and 1990 were not sustainable and, in the medium to long term, would have resulted in rising inflation. From average growth in excess of 10% annually between 1986 and 1990, domestic production grew on average by about 5% between 1991 and 1993. In other economies, this rate of growth would have been welcome. In Belize, however, with such rapid growth rates up to 1990, the slowdown was more notable than the fact that reasonable growth rates were still being experienced.

Moderated growth was recorded in all major categories of activities. Growth in primary activities slowed from an annual average of 10% in the preceding four years to about 5% between 1991 and 1993. Among primary activities, growth in agricultural production slowed to 3%, from 7% in the previous period, reflecting the inconsistent performance of the citrus industry, as it faced fluctuating production and prices, and the effects of disease on the banana industry.

The sugar industry, still the single major earner of foreign exchange, experienced stable production levels, although earnings fluctuated somewhat along with market prices.

Fisheries production, however, grew consistently during the period, averaging 18% annually as compared with 3% in the previous period. Moreover, there was a decided shift away from lobster and sea shrimps towards farmed shrimp as the major source of fisheries export earnings. In fact, by 1993, farmed shrimp had surpassed lobster tails as a foreign exchange earner.

Among secondary activities, construction and manufacturing slowed, but expansion in electricity and water supply accounted for the significant growth which occurred in the sector. Rural electrification and water supply projects undertaken by government in this period were the sources of this expansion.

Growth in the services sector slowed in this period with expansion in transport and communication being the major impetus. This development reflects the performance of the telecommunications industry as well as travel and transportation activities. Indications are that tourism arrivals continued to grow in this period although there appears to have been a slowdown in 1991 which is attributable to the slowdown in the world economy.

Notable, during this period, government operations recorded a decline in the overall surplus to about \$2. million in 1991 and an overall deficit of about \$50 million 1992 and \$49 million in 1993.¹² On the revenue side, growth in tax revenue slowed considerably, while significant capital revenue was recorded from the second phase of the privatization of the Belize Telecommunications Limited and the first phase of the privatization of the Belize Electricity Limited. On the expenditure side, growth in wages and salaries and capital projects was high.

Government financed its deficit by drawing down on foreign funded project loans and by borrowing from the domestic financial system. External public debt totalled \$318 million of 1993 and there was a decided shift away from official sources to suppliers' credit which rose from \$4 million at the end of 1990 to \$32 million at the end of 1993. This resulted in a significant increase in the cost of loans and in future debt servicing requirements.

There were important developments in the financial system during this period. Growth in deposits and money supply slowed for the three consecutive years of this period. With growth in private sector deposits on average increasing, the slowdown in deposit growth reflects the performance of public sector deposits as both government and Social Security Board slowed their rate of accumulation of deposits in 1992 and reduced their deposits in 1993 to

finance investment and expenditure. The decline in government deposits in the commercial banks occurred, notwithstanding the shift of government deposits from the Central Bank into the commercial banking system.

On the credit side, there was significant expansion in 1991 and 1992 as credit to both the private and public sector increased. This increase, however, was weighted towards the public sector as government changed its position from that of a net lender of finances to the system [in an amount of \$19 million at the end of 1990] to a net borrower of resources from the system [in an amount of \$66 million at the end of 1993]. This expansion in net credit to government resulted from increased borrowings from the Central Bank and the reduction in deposits at both the Central Bank and the commercial banks.

Official International Reserves peaked in early 1991 at about \$150 million. Since then, the combined effects of increased domestic financing of the fiscal deficit and the continued growth in imports has been a decline in Official Reserves to about \$77 million at the end of 1993. Late in 1993, liquidity requirements in the financial system were tightened to support the International Reserve position which has since stabilized at around \$72 million.

The question we pose again is: What has changed during the 1980's and the 1990's so far?

First: Is economic activity still based on the production of primary products? Yes, but there has been some diversification into non-traditional products and aquaculture.

Second: Is the economic base still very narrow with sugar and citrus accounting for the largest blocks of domestic production and export earnings? Is domestic food production still secondary? Yes these are both true, although there are now significant other sources of foreign exchange earnings.

Third: Is the economy of Belize still heavily dependent on trade, with goods for consumption and for input into production being largely imported and goods produced exported. Absolutely, this is true.

Four: Are the major exports still sold either under preferential arrangements over which Belizean producers have no control or on the world market where Belizean producers were price takers. Yes, this continues to be true.

THE CHALLENGES AS WE MOVE TOWARDS THE 21ST CENTURY

It is clear, therefore, that although Belize's export base widened somewhat during the 1980's, at the end of the

decade, Belize still depended heavily on a narrowly defined group of agricultural commodities for its foreign exchange earnings.

If we look at the destination of our exports, we also see that our markets are not only narrowly defined¹³, but they are also heavily protected by various trading agreements which guarantee prices which are significantly higher than market prices.¹⁴ If these preferential arrangements were removed, many of our producers would not be able to survive.

Fundamentally, therefore, although there has been significant growth in the services sector - especially tourism, finance and telecommunications; and although there has been significant diversification within agriculture, through the recovery in the production of traditional crops such as bananas and citrus and the successful introduction of non-traditional crops such as papayas, the economy of Belize remains open and vulnerable.

On the broadest level and in the long run, the economy is vulnerable to the fluctuating performance of the world economy particularly, the industrial economies, where the bulk of our exports are sold at prices our producers cannot affect and from where all of our imports come with the inflation rates of the industrial economies built in. On a

narrower level and in the short run, the economy remains vulnerable to fluctuations in fiscal operations.

This is to say that, whereas, there is not much that we can do to change our relationship with the international economy in the long run, we can influence our own economic performance, both negatively and positively, by fiscal operations in the short run.

Globalization

The real challenge to us is to successfully insert ourselves, with all our historical baggage, into a world economy caught up in a process globalization which is taking place through international financial integration and technological advancement.

As we move towards the 21st century, the global framework within which Belize operates is not to be expected to become any more favorable than it was in the early 1980' or than it is now. There is an acceleration in the development or revitalization of regional cooperation agreements on trade such NAFTA in North America, MERCOSUR in South America, the European Single Market. Even the CARICOM Single Market is under discussion at this time.

The impetus for regionalism lies in the fact that by creating a larger area in which commodities, capital and labour circulate freely, a common market releases industry

from the constraints of trade barriers and economic nationalism. Producers are better able to access cheaper inputs into production and sell to a larger market. We, therefore, need to see globalization as the process by which the "windows of opportunity" are widened beyond the limits of the national economy as producers seek greater choices in sources of labour, capital and technology, and new markets for their output.

Financial/Capital Market Development

Integration of financial markets in the developing and industrial economies is fundamental to the process of globalization. Barriers to capital movements are being dismantled as fast as they are being circumvented through the use of new and improved telecommunications technology.

At the same time there is a shift in the pattern of global financial flows towards private capital flows in the form of securities.¹⁵ The implication is that countries in the game of attracting foreign investment need to develop their domestic capital markets in order to be able to compete for available private sector funding. It also means, however, that developing countries, as they seek investment financing through securities markets development, become increasingly vulnerable to a highly integrated capital market which facilitates rapid and frequent

movements of large sums of money in search of the best returns.

Technological Advancement

The pace of technological change is boosting the pace of globalization in this era, taking the revolution in information processing to unprecedented heights. There is immediate access to information on developments around the world as they take place. Therefore the range of factors influencing decisions at the micro level is constantly widening. Production technologies and consumption patterns are being transformed ever more rapidly. In Belize, although we are keeping up with global changes in consumption patterns, we are not necessarily keeping up on the production side and are in danger of being left further behind if we do not become more integrated in the ongoing technological revolution.

We face these challenges in a world where the dominant economic tradition has fashioned a set of policies which are often presented as the solution to our problems. These policies generally fall under the headings of "liberalizing the economy to take advantage of the efficiency of the free market forces" and "broadening the export base". Although these policies are generally rational and necessary, they have to be implemented with great care.

Economic Liberalization

At this juncture there is a general acceptance across the globe, of the "free market" as the preferred approach to socioeconomic development. As we move in this direction, however, we need to ensure that the necessary conditions for the efficient operation of the market do exist. In the language of economics, this means that there must be large numbers of buyers and sellers and free access to full information which is vital to decision-making in the market. In the absence of these conditions, the invisible hand will not work.

After more than 170 years of conventional economic wisdom that there is a net benefit to be derived from free trade, economists in the advanced industrial economies are finding that it is really not that simple. In the United States, this conclusion comes from the realization that free trade bears much of the blame for an unprecedented surge in income inequality between the most- and the least- educated halves of the U.S. work force in the 1980's.¹⁶ As low-paying and low-skilled jobs moved overseas, fewer high paying high skilled jobs were created. This realization has prompted policy makers to divert attention to the problem of ensuring that the benefits of free trade are more evenly spread.

Broaden the Export Base

We should aim to broaden the export base and increase productivity not only in agricultural production but also in the rest of the economy. Whereas in the past we seem to have been more concerned with increasing production to take advantage of protected markets, as we move into the 21st century we need to increase productivity to reduce our dependence on them.

In choosing production methods we must take into consideration that Belize is not a low labour cost economy. To seek to hinge our future development on industries which require cheap labour, such as garments and free zone manufacturing and other kinds of labour intensive industries, is implicitly to assume that lower-cost labour will be imported, or that the society can bear the strain of declining living standards.

Successful broadening of the export base requires not only identifying those commodities which we can produce competitively and engaging in extensive and appropriate marketing activity; it also requires improving human resources through education and training; improving the management of human resources; and acquiring and properly utilizing the best available and appropriate technology.

Finally, we need to see development as an ongoing process of expanding opportunities within the society and of

broadening choice for both producers and consumers. In addition, we need to see economic development, which in a very fundamental sense arises from the struggle between humankind and nature, as an attempt to ensure that the society we leave for our children is at the very least as good as the one we inherited from our parents.

Notes

¹These themes are well developed in Bolland, 1971, Bolland and Shoman, 1971 and Barnett 1992.

²See, for example: Pim, 1934, British Honduras Financial and Economic Position, pp 126-127; Wright et. al, 1959, Land in British Honduras, Report of the British Honduras Land Use Survey Team, pp. 262 - 265; Durrant, 1965, A development Plan for British Honduras, pp 2 - 4; Economic Commission on Latin America, 1975, Basic Issues of Belize's Agricultural Development Policy, pp. 1 - 3.

³The 1917 Agricultural Commission, for example, was established during war-induced scarcity, to investigate the possibility of increasing domestic food production. This Commission found that "the scarcity of Foodstuffs (sic) grown in the Colony has existed for many years" and that "the inhabitants have been and are dependent for the major portion of their foodstuffs on imported articles". Report of Agricultural Commission, 1917.

⁴ "The supply of agricultural labour is exceedingly inadequate to meet the demand" ... "The planting interest is not sufficiently strong to combine for the purpose of importing labour and the wood-cutting interests do not care to encourage planting in the absorption of the labour of the colony in such a capacity." 1888 Handbook p.197-8.

⁵ Department of Agriculture, Sugar Cane Production in British Honduras, 1960-64.

⁶ Consultants Report, Keller, Arthur G., The Sugar Industry of British Honduras and its Investment Potentialities.

⁷Tate and Lyle, built its first sugar factory in Belize and acquired large land holdings for the planting of cane to supply a significant portion of its needs. In a little over a decade, this company stopped growing sugarcane, which it found to be unprofitable.

⁸The Colonial Development Corporation disposed of its orchards in the 1950's to one of the two companies which grew to dominate the citrus industry. Colonial Secretariat, Colonial Development Corporation in British Honduras, 1955.

⁹While the extension services provided by the Agriculture Department may be cited as an exception, the limited budget of the Department constrained its contribution. Report of Progress in the Development and Welfare of British Honduras, 1948 - 1954, pp. 6 - 10.

¹⁰Domestic production is defined as Gross Domestic Product (GDP) at factor cost in constant 1984 prices. The source of the data is the Central Statistical Office, Government of Belize.

¹¹The overall deficit excludes Capital III projects which are funded by foreign loans and grants.

¹²Government's fiscal year runs from April to December, although the analysis can be done, as it is here, on a calendar year basis. On a fiscal year basis, an overall deficit was recorded in fiscal years 1991/92 and 1992/93. An overall deficit is also expected to be recorded in 1993/94.

¹³Over 80% of domestic exports go to the US and the UK.

¹⁴In 1990. for example, it is estimated the average price per ton of sugar sold to the US under quota arrangements was 1.6 times higher than the US market price while the price per ton sold to the UK/EEC under the ACP-EEC Lome Convention arrangements were 1.5 times higher than the world market price.

¹⁵International Monetary Fund, "Determinants and Systemic Consequences of International Capital Flows", Occasional Paper 77, March 1991.

¹⁶Business Week August 10, 1992

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