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**INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES IN SMALL COUNTRIES  
REVIEW OF THE EXPERIENCE OF SELECTED COUNTRIES**

**Island Economies: Barbados, Cyprus and Mauritius** 1/

prepared by

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During the 1950s, these three islands were Colonies; a free trade policy was followed; only a few industries were granted the tariff protection they needed to get started; there was not much industrial development. Following the achievement of political Independence, (Cyprus in 1960, Barbados in 1966 and Mauritius in 1968), there has been a more vigorous commitment to planned economic growth.

In the 1960s, economic growth was fastest in Cyprus (6.4 per cent); manufacturing output expanded rapidly but the other sectors (including agriculture) did very well and the relative importance of manufacturing's contribution to GDP declined a little. The economies of Barbados (which grew at 4.5 per cent) and Mauritius (which grew at 1.7 per cent) experienced an unfavourable price trend for sugar, their main export crop. Mauritius tried an import-substitution strategy for industrialization from 1963-1969, but with unemployment mounting in 1970 a radical switch to the vigorous promotion of export-processing industries and tourism was made. Barbados started to develop export-processing industries and tourism in the mid 1960s, and achieved some success. It is in the 1970s that these islands expect their new strategy to pay off in terms of full employment and much faster economic growth.

In Cyprus, the high standard of living and rapid growth of other sectors of the economy created a buoyant home market in the 1960s; per capita income doubled to US \$950 in 1970; manufacturing output grew by 8.5 per cent annually (compared with 2 per cent in the 1950s) and by almost 11 per cent in 1971. Export sales were developed in the British market (wine, processed fruit, etc.) and in neighbouring countries (clothes, shoes etc.). The shift to a more export-oriented pattern of industrialization came as a natural response to limited opportunities at home; it relied on the initiative of local entrepreneurs rather than foreign investment; it was supported by the Government but not with strong measures. The re-orientation has therefore been more gradual than in Barbados and Mauritius; but statistics suggest that by 1970 about 20 per cent of manufacturing output (including wine) was exported.

Mauritius concentrated initially mainly on promoting industries to serve the domestic market. Manufacturing output increased by 60 per cent between 1964 and 1970, but the impact on the island's mounting unemployment problem was inadequate. Circumstances, therefore, compelled a radical

change in industrial development strategy and policies. The newly independent Government created an Export Processing Zone in 1970, enacted a very generous set of incentives, and began a vigorous promotion campaign abroad. The declared aim was to create 42,000 new jobs in manufacturing industry by 1980; "for the entire Mauritian labour force to be gainfully employed by the end of the Decade", acknowledged the Development Plan, "the main increase in economic activity must come from manufacturing". And so it has! Up to October 1973, 46 export-oriented enterprises with an employment potential of 13,000 workers had been approved and a further 15,000 jobs are in prospect from applications currently under discussion.

In Barbados, the Industrial Development Corporation started to attract export processing industries in the mid 1960s; opportunities to promote industries to supply the Barbados market (250,000 people) were naturally limited, but they have broadened considerably since the Caribbean Free Trade Association (creating a market of 5 million people) was formed in 1968. In implementing both these approaches, Barbados has to compete with neighbouring countries, some of whom have a larger domestic market and longer-established industries. In relation to its small size, results in Barbados have been encouraging; output and employment in the manufacturing sector increasing by 70 per cent in the 1960s and by a further 33 per cent in the period 1970 to 1972. However, still more rapid progress is needed if 1,500 new jobs are to be created in the manufacturing sector each year up to 1976 so that unemployment (currently 9 per cent) can be eliminated.

The three island economies, then, made considerable progress in the 1960s; but to put their achievements in broader perspective, the experience of Singapore has also been included in Table 1 for comparative purposes. Starting from a small base in 1960, Singapore achieved a six-fold increase in manufacturing output in the 1960s; by 1972 manufacturing output accounted for 23.5 per cent of GNP and annual increases of 20 per cent (as achieved in the last three years) now make a very substantial contribution to raising levels of income. Singapore's experience may have some relevance. <sup>1/</sup>

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<sup>1/</sup> In terms of the value of output (though perhaps not the range of goods produced), the base from which Cyprus starts now is no smaller than was Singapore's in 1960; Mauritius's manufacturing output is already approaching two-thirds of the Singapore level in 1960; and Barbados manufacturing output is one quarter of the Singapore level in 1960.

The export-oriented strategy of development followed by these countries has helped bring their economy to a state where full employment and a higher standard of living are in prospect. Since there are usually limits to the expansion of agricultural output on an island, circumstances forced the adoption of strategies aimed at selling a growing volume of goods and services to other countries and in particular to industrialized centres. To the extent that they have been successful, the standard of living in these island economies has received a definite boost from outside.

However, as latecomers to industrial development, the development of export-oriented industries has been no easy task. Markets have had to be found; products have had to satisfy high standards and frequently changing fashions. The meeting can therefore usefully consider what type of export industries these islands have been able to promote and how they promoted them. More specifically discussion might focus on the following issues.

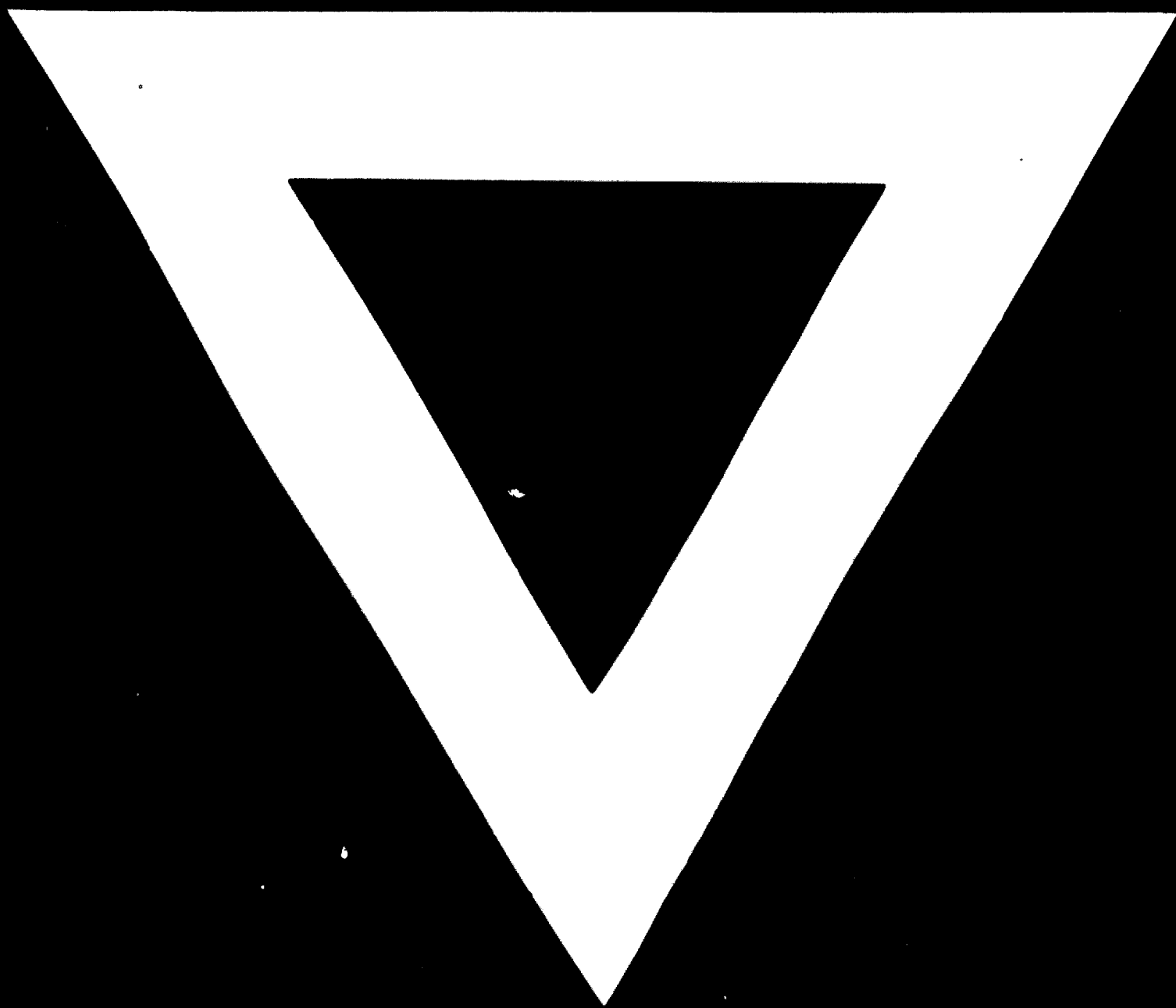
- (1) What factors must be taken into account in selecting the type of export-oriented industry that each island can aim to establish in the 1970s? Does the different level of incomes (per capita GNP in 1970 was US \$950 in Cyprus, US \$570 in Barbados and US \$240 in Mauritius) account for the fact that more foreign enterprises have been willing to subcontract labour-intensive manufacturing operations to Mauritius and Barbados than to Cyprus?
- (2) The package of incentives offered by the three countries have been generous (Mauritius) and more modest (Barbados and Cyprus). Is it these incentives, the promotional effort as a whole, or other factors that have had most influence on the successful promotion of export industries?
- (3) Mauritius and Barbados have established an export processing zone and/or a bonded factory system; Cyprus has not so far emphasized this approach. Some difficulties are likely to arise as the export-processing industries (i) increase purchases from local suppliers and (ii) wish to sell part of their output on the domestic market. What factors should decide when it is appropriate for a country (a) to establish bonded factories and/or export-processing zones or (b) to follow a policy that makes the whole island an "export-processing zone" like Hong Kong?
- (4) What steps should be taken to remove the likely constraints (management skills, labour skills, technical skills, financing, etc.) on the achievement of much more rapid industrial progress in the 1970s with manufacturing output rising 15 per cent to 20 per cent per annum?

ISLAND ECONOMIES  
Some comparative statistics

		Barbados	Cyprus	Mauritius	Singapore
1. Population (thousands)	1970	250	620	830	2070
2. GNP per capita (US \$)	1970	570	950	240	970
3. GNP (US \$ millions)	1970	150	590	200	1900
4. Increase in population (per cent, per year)	1960-70	1.1	1.1	2.4	2.4
5. Increase in GNP per capita (per cent, per year)	1960-70	3.4	5.3	-0.7	5.2
6. Growth of GNP (approx.) (per cent, per year)	1960-70	4.5	6.4	1.7	7.6
7. Index of manufacturing output (1960 = 100)	1970	172	230	200*	615
8. Value added in the manufacturing sector (US \$ millions)	1960	6.5	23.5*	18.0*	62
	1970	11.0	55.0	36.0	181
	1972	14.5	60.0	45.0*	560
9. Sector contributions to total GDP (per cent) in 1970	Manufacturing	11.4	13.0	15.6	20.0
	Agriculture	14.5	19.0	14.3	3.0
	Oil	-	-	-	-
	Mining	-	5.0	-	-
10. Exports of manufactured goods (US \$ millions)	1960	1.4	6.8		53.0
	1970	5.0	23.4	1.9	245.0 (1969)
	1972	8.8	35.6	4.3	
11. Proportion of manufacturing output exported	1972	15*	20*	5*	40*
12. Employment in manufacturing sector (thousands)	1960		31.4	9.0*	27.4
	1970		33.2	18.0	126.3
	1972		35.0	21.0*	146.3 (1971)
13. Number of manufacturing enterprises employing more than 100 workers more than 10 workers	1972		28		275 (1971)
			551		1855 (1971)

\* indicates estimate made by UNIDO Secretariat

Sources: 1-6 World Bank Atlas 1972  
7-13 Papers describing experience of individual countries and other sources selected by UNIDO Secretariat



**30.8.74**