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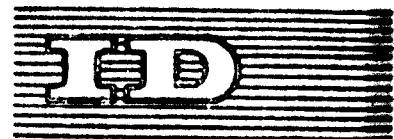
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THE ECONOMIES OF THE SMALLER CARIBBEAN ISLANDS
AND THE PERSPECTIVE FOR THE DEVELOPMENT OF SMALL INDUSTRY^{1/}

by

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INTRODUCTION

The area covered in this study is the Commonwealth Caribbean Lesser Antilles. These are the separately governed territories of St. Kitts-Nevis-Anguilla, Antigua, Montserrat, Dominica, St. Lucia, Grenada and St. Vincent. Some notes are also included on British Honduras (this is referred to as Belize, the name it will receive after independence). There are three other smaller island groups in the Caribbean, the British Virgin Islands (population: 8,500) and the Turks and Caicos Islands (population: 6,700). These small British colonies, now entering the tourist industry have little scope for industry and do not have a problem of unemployment so they are not discussed further. (It should be noted that the Cayman Islands are historically associated with turtle fishing and there have been industries for making shell products and turtle soup).

"Industry" has been defined fairly broadly but with emphasis on manufacturing. As is illustrated in chapter three, industry in these islands is very closely linked with the agricultural and services sector. Tourism, basically a service industry, and now the most important single revenue earner in the region is closely integrated with construction, having created the demand for much recent construction, and is likely to be the focus of demand for many manufactures. The relationship between agriculture and manufacture is also close and it is not always easy to say where the agricultural sector ends and manufacturing begins. It has in fact been customary in some of the statistical studies made in this region to include sugar processing and arrowroot processing plants in the agricultural sector; but in this study we have considered them as manufacturing industries.

The problem of defining what is a small industry must crop up in all areas and it is not necessary that the definition will be the same in all regions. In the territories under review, industries catering for the whole of a very small market are often seen as medium sized or larger industries in the country concerned, whereas in a larger place they would be considered as small industries. A number of such industries exist (see chapter two) and employ from 10 to 30 people. There are a few factories employing from 50 to 300 people - such as might be considered as medium sized in some countries but are large in the context of these small islands. There are only two factories in the area covered by this report, that employ over 500, the sugar factory in St. Kitts and the citrus juice factory in Belize. The latter employs up to 1,300 seasonally.

While some attention has been given to the development of factories of 10 to 30 employees, particular emphasis is given, in this paper, to the really small industry from the single man enterprise to that employing about five workers. In the context of small islands with less than 100,000 inhabitants this can be the only realistic meaning of small industry, and although industrial promotion activities have gathered pace in the last few years the facilities made available have limited application to craftsmen and other small industries. The definition of small industry should however be flexible. The paper is concerned with industries basically in which the size of the firm tends to be small, but the concept of the firm is, in economics a dynamic one, and really small firms can in time become big businesses. In the dynamic context, the paper deals with that stage of development in which the firm is small and it will be demonstrated that growth is often inhibited by lack of organizations to assist such enterprises.

This paper does not cover the larger territories of the Commonwealth Caribbean, Jamaica, Trinidad and Tobago, Barbados and Guyana. While many of the observations made are equally relevant to these countries, others, including the most appropriate definition of what is a small industry may well be different.

I. ECONOMIC BACKGROUND

Population

The populations of the territories under review are estimated for the end of 1972. The figures are derived from the 1970 census and Registrar's returns.

Table 1. Population

Antigua	65,000	St. Kitts-Nevis-Anguilla	52,200
Dominica	72,000	St. Lucia	103,000
Grenada	98,800	St. Vincent	91,000
Montserrat	12,650		

The population is predominantly negro with many mixed negro-white people and small white minorities. There are also some Carib Indians in Dominica and a few Asians engaged in trade. In spite of the cutting off of emigration outlets to the United Kingdom the population is increasing at less than two per cent per annum in the islands, mainly

because of migration. In Belize, however, where the population was estimated to be about 122,000 in 1972, the growth rate is about 2.5 per cent per annum. Plans for economic development must always take into account the likely existence of a brain and talent drain in small island communities in which enterprising young people tend to find horizons limited. Consideration might also be given to schemes which might lure back enterprising nationals of the territories who are living away and have made good elsewhere.

Geography

The land area of the islands is as follows: Antigua with Barbuda 170 square miles; Dominica 305 square miles; Grenada 133 square miles; St. Lucia 238 square miles; St. Kitts-Nevis-Anguilla 152 square miles; Montserrat 38 square miles; St. Vincent 50 square miles. All the islands are mountainous except Antigua which is hilly and Anguilla and Barbuda which are flat. The highest mountains exceed 4,000 feet. Attached administratively to Antigua is Barbuda, with about 1,000 population. St. Vincent administers five inhabited islands of the Grenadines and Grenada, two. The islands lie in the trade wind belt. Rainfall is generally adequate - from 70 to 300 inches - in the mountainous islands but is inadequate for secure and regular agricultural income in Antigua, Barbuda and Anguilla. The islands are part of the Lesser Antilles which also include Martinique and Guadeloupe, Saba, St. Eustatius and St. Martin. There is an active volcano in St. Vincent and this limits the usable land area. The Leeward Islands include St. Kitts, Nevis, Anguilla, Montserrat and Antigua; and the Windward Islands include Dominica, St. Lucia, St. Vincent and Grenada. Belize is situated on the mainland of Central America.

Administration

During the period 1958 to 1961 these islands were each separate member states of the West Indian Federation which also included Trinidad and Tobago, Jamaica and Barbados. After the federation folded up the larger territories gained independence. Attempts were made to federate the Leeward and Windward Islands with Barbados, but when this failed the islands, except Montserrat which remains a colony, attained the status of Associated States with the United Kingdom. Under this arrangement the United Kingdom looks after the defence and foreign affairs of the States by agreement. The States are entitled to go to independence if they wish and Grenada plans to make this move in 1974.

In 1967 Anguilla declared itself separate from the State of St. Kitts-Nevis-Anguilla and has been administered directly from Britain since then. The Associated States and Montserrat, in 1972, formed the East Caribbean Common Market (ECCM) which has a small secretariat in Antigua and which is an integral part of the Caribbean Free Trade Area (CARIFTA). Belize is also a member of CARIFTA. Belize remains a colony; the reason for this being the longstanding territorial claim made by Guatemala to the whole of the land area of Belize, necessitating British defence involvement.

Income and product

Estimates of the Gross Domestic Product have not been made, following acceptable methodology, for some seven to ten years, but some rough estimates suggest that the per capita income ranges from about \$US 200 per head in St. Lucia to about \$US 280 per head in Antigua. Basically there are no great disparities of income within the ECCM area: there are no large cities and few very wealthy people except for a few foreign retirees who derive their income from overseas.

The main economic activities are agriculture and tourism both of which are seasonal. Many people engage in several different activities during the year and significant receipts of household income are still derived from remittances from relatives working overseas. In the Leewardns, long term migration has, to some extent been replaced by short term movements on, for example construction jobs in St. Thomas or Puerto Rico. Thus much income is derived from overseas sources. Plans to promote small industry may need to consider this pattern in which people like to engage in several occupations.

Some recent wage-rates are shown in the table below. These figures, current at December 1972, must be considered as a broad estimate as the price at which labour can be obtained varies even within islands and at different times of the year. The semi-skilled category in the table includes drivers, semi-skilled construction labour and medium office skills; the skilled would include carpenters, mechanics and higher office skills. The rates for women are somewhat lower, but in some islands these differentials are narrowing because of the demand for female labour in tourism.

Table 2. Male Wage Rates. \$US per day

	<u>Unskilled</u>	<u>Semi-skilled</u>	<u>Skilled</u>
Antigua	4.75	5.75	8.00
Dominica	2.25	4.00	7.00
Grenada	2.00	5.00	7.00
Montserrat	2.50	4.00	5.00
St. Kitts	2.75	4.00	5.50
St. Lucia	2.25	3.80	5.00
St. Vincent	3.00	5.00	7.80

Trade and Markets

The islands and Belize belong to the Caribbean Free Trade Area. On August 1st 1973 the More Developed Countries of CARIFTA, Jamaica, Barbados, Guyana, and Trinidad and Tobago formed a common market. The ECCM countries are to join the Caribbean Common Market in mid 1974 and CARIFTA will thus be **superseded**. Other forms of economic integration include a joint shipping service, agricultural agreements, regional vegetable oils and fats agreement and the Caribbean Development Bank (see below). Fiscal incentives to investors are to be harmonised and it has been agreed that the Least Developed Countries will be permitted to offer better terms for tax holidays including up to fifteen years (ten in the More Developed Countries) for income tax and duties on capital goods and raw materials. Pioneer industries are also allowed special concessions in relation to charging of depreciation and carrying forward of loss.

While CARIFTA has tended to diversify the trade of the more developed countries the trade of the least developed countries has continued on basically traditional lines. During the period 1962-1972 exports of merchandise did not increase significantly as did the imports of merchandise. This is shown in the following table.

Table 2. Merchandise Imports and Exports in \$US million. 1962-1972

	1962		1972 (provisional)	
	Imports.cif	Exports.fob	Imports.cif	Exports.fob
Antigua	10.8	2.2	19.0	1.0
Dominica	6.4	3.3	9.7	5.6
Grenada	7.9	2.9	12.9	4.7
Montserrat	1.3	.2	3.3	.2
St. Kitts-N-A	6.0	4.2	9.5	5.0
St. Lucia	8.4	3.3	14.7	5.5
St. Vincent	6.3	2.9	8.2	3.6

The main imports are foodstuffs - particularly flour, rice, tinned foods and milk products - building materials, vehicles and petroleum products. Exports from the Windward Islands are mainly bananas, accounting for 70 per cent of the value of exports from the four islands. Arrowroot starch is exported from St. Vincent, which is the world's largest producer of this starch; and cocoa and spices from Grenada. Citrus is exported from Dominica. The main export of St. Kitts is sugar, accounting for over 85 per cent of exports. Antigua recently ceased to grow sugar. The exports still go mainly to the United Kingdom, but the share of United Kingdom imports is tending to decrease, with more goods coming from the other West Indies including Puerto Rico, Japan and the United States. Low priced meats and dairy products are obtained from New Zealand. The "gap" in the balance of payments is filled by tourist earnings, remittances, capital and recurrent grants and other capital net inflow.

Public Finance

Customs duty is the main source of government revenue. Administering such small populations is expensive on a per capita basis and government accounts for over 20 per cent of the GDP in most states. Montserrat, Dominica, St. Vincent and Grenada still receive grants-in-aid of recurrent revenue from the United Kingdom although this is a declining proportion of total revenue. Most public capital expenditure has been from external grants although in the case of public utilities efforts have been made to achieve self-financing. The Commonwealth Development Corporation is financially involved with electricity undertakings in several islands. Ports, airports and telecommunications can usually be financed by market rate loans; but roads, hospitals, schools and water supplies have been financed with grants mainly from Britain and Canada. An expensive deep-water harbour in Antigua was financed by the USA import-export Bank on a soft loan basis.

Agriculture

There are both plantations and small farms on most islands but in St. Kitts, practically the whole land area is under plantations, which by the standards of such are small. In the Windwards there are a number of banana plantations but on the whole this is a small farmers crop. St. Vincent and St. Lucia have several large coconut plantations. The standard of small farm agriculture is not high and has been compared unfavourably with that of Martinique and Guadeloupe. Land use is degenerating in many islands as plantation crops decline, and in Antigua, Montserrat, Nevis and parts of St. Lucia, overgrazing and erosion have produced semi-desert conditions. In Dominica excessive ruggedness has limited agriculture, but the estates there are being rehabilitated.

Agriculture is not viewed as a high status occupation and many people engage in farming only when no other work offers. Attempts are being made by Ministries of Agriculture and the Caribbean Development Bank to improve small farming and to establish middle income farms. Traditionally the area produces a wide range of fruits and spices, many of which could be the basis of food industries (see below). Because of the difficulty in achieving a settled farming pattern, particularly in the Leewards, more emphasis is being given to animal husbandry and attempts are being made to check overgrazing and increase yields.

Tourism

Tourism has developed rapidly since the early nineteen sixties and is now the main industry, in terms of income, in Antigua, Montserrat and Nevis, and approaches, in terms of gross earnings, the agricultural exports of Grenada and St. Lucia. Dominica, although ruggedly beautiful, does not have the white sand beaches of the other islands, and so has not attracted so many hotels. The following table gives a broad indication of the level of tourist activity. The figures can be compared with the total population figures in Table 1. to give an indication of the relative size of the transitory population.

Table 4. Tourist visitors 1971 (provisional data)

	<u>Stopover (number)</u>	<u>Cruise ship (number)</u>
Antigua	67,000	22,200
Dominica	3,200	3,800
Grenade	32,000	36,000
Montserrat	9,140	510
St. Kitts-Nevis	17,500	5,450
St. Lucia	34,000	45,000
St. Vincent	15,200	12,500

Hotel accommodation ranges from small guest houses to large luxury hotels. Rates are high by any international standards between Christmas and Easter and in spite of cut summer rates the industry remains seasonal. Tourism provides a market for hand-craft industries, some local food industries and construction and taxi businesses. There is further scope for small industry linked to this market (see below). The area is popular for water sports and yachts can be chartered for cruising between the islands.

Infrastructure

There are no serious infrastructural constraints on industrial development providing industries can be sited near the town where electricity and water can be obtained. Alongside ports have recently been built in all the islands except St. Kitts and Montserrat and all have airports. Electricity supplies are sometimes unreliable but are improving. Industrial sites and factory shells are available in some islands (see below).

Education

The general level is high in relation to standards of the less developed world as a whole but varies considerably and in St. Lucia and Dominica the fact that the indigenous language is a French patois makes for difficulties which seem to have been overcome better in Dominica where most people are literate in two languages, than in St. Lucia. Educational standards are highest in the Leewards but there has been a problem in obtaining technical and commercial skills. In 1970 the United Kingdom Government set up a technical institute in each island and has provided several expatriate teaching staff. The subjects are mechanical, electrical and electronic skills including refrigeration, agricultural engineering, construction skills, hotel skills, and commerce. Construction skills have in fact developed following the hotel building boom and there are many small locally-owned contracting businesses.

II. PRESENT INDUSTRIES

The Local Market

Most of the manufacturing industries in the Leewards and Windwards are of the type that can fulfil the needs of a small market. Thus all the islands, and Belize, have an aerated drinks factory, one or two block making plants and furniture plants or workshops. Six of the seven islands have garment making factories employing from 20 to 67 people and one of the two in Belize employs about 300 people. Five have factories to process coconut oil to the stage of refined oil and soap, the largest employing 80 people. Five have distilleries or liquor factories and (including Belize) mattress factories. Plants for metal gratings, furniture and industrial gases are found in four and three have cigarette and tobacco factories. Apart from three of the garment factories geared to export and tourist trade and some exports of coconut oil, the factories are producing for the local market. Except for those mentioned as being larger they employ under fifty people with the average being about twenty. Employment is sometimes seasonal. By some standards these must be called small industries but in the economic and social setting of these territories they are considered as medium-sized industries.

Export industries

. Industries producing mainly for export are few. There are two electronic assembly plants, one in St. Kitts and the other in Grenada. Components are imported for assembly, the semi-skilled labour in the islands being at lower cost than it would be in the United States or even in Puerto Rico. The work is labour intensive and a factory will employ more than 300 people. It is expected that more of this type of industry will be set up because the general standard of education is such as to enable these skills to be taught. Another "transformation" industry is the oil refinery in Antigua, employing about 310 and importing crude oil and exporting refined petroleum products. Export industries based on local raw material includes the sugar factories in St. Kitts (employing about 700) and Belize, a citrus juice factory, one of two, in Belize which employs up to 1,300 people seasonally, a lime juice plant in Dominica and a straw mat making workshop run by nuns, also in Dominica. There are also factories for processing arrowroot starch in St. Vincent and rice mills in Belize.

In addition to these larger concerns there are a number of local craftsmen such as potters, artists, sculptors and wood carvers, but the larger handicraft industries such as mat weaving and silk screen are based mainly on imported design. It is thought that the prevailing type of education in the islands is more likely to favour accuracy in semi-skilled work rather than creative work. It may follow from this that creative workers tend to follow "drop out" patterns embracing extreme movements, drugs or drink as there seems some evidence in the West Indies, although this by no means applies to all creative workers. Small industries also include bakers and makers of confectionery and preserves. Small business talent generally however seems to seek outlets in taxi owning, construction, small guest houses and restaurants and other services rather than in manufacturing. There is a traditional boatbuilding industry which has been on the decline, but which it is thought could be revived using modern techniques (see below).

Current Promotional Activity

The Caribbean Development Bank has taken several active steps for industrial promotion in the islands. It employs a small industries loans officer who identifies projects and possible industrialists. It has been instrumental in forming or rehabilitating Industrial Development Corporations in all the islands, some of which are linked with Agricultural Credit Banks. Funds from the Caribbean Development Bank are channelled through these Corporations to small borrowers as the Bank only lends directly to larger borrowers. Direct loans are also being made to governments for establishing industrial sites and factory shells.

The Caribbean Development Bank has also sponsored a survey of industrial prospects undertaken by the Economist Intelligence Unit and the information for which was collected mainly in the latter part of 1971. The reports are concerned with what, in the small island context, would be viewed as medium or large industries and although the survey was not specifically in relation to outside investors, the reports are worded to emphasize in particular the attraction of outside capital into the area. The reports consider which industries might well be sited in the CARIFTA region with particular reference to those suitable for the least developed countries, but island, East Caribbean Common Market and export markets are considered as well as CARIFTA markets. The reports listed the following industries and drew up prospectuses in relation to them:

<u>Industry</u>	<u>Number likely to be employed per plant</u>
Sports goods	30 to 50
Garments	100 to 165
Jewellery	25
Toys	100
Bicycles	30
Footwear	45
Hardware and cutlery	58
Builder's Hardware	60
Ceramics	118
Domestic electric fittings	220
Leather goods	50
Canning	50

The reports of the Economist Intelligence Unit also considered that most of the industries now operating in the least developed countries could be expanded but listed also some industries which for various reasons would be more likely to seek sites in a more developed country if producing for the CARIFTA market.

As has been noted, it has been agreed between all the Commonwealth Caribbean countries that the least developed countries should be permitted to offer better tax incentives to pioneer industries than the more developed countries. These are likely to be of marginal importance to any firm, taking all location considerations into account, but along with the activities of the Caribbean Development Bank constitute the main regional efforts to promote industry in these islands. The East Caribbean Common Market secretariat has also been on an industrial promotion tour to Canada and is considering various facets of industrialization. It does not appear that there is sufficient discrepancy of income and employment within the East Caribbean Common Market area to justify a specific location or zoning policy in the area itself. Individual governments have also taken action to promote industry and this has included promotion trips, pioneer industries legislation (now to be harmonized), the setting up of industrial sites and factory shells, and special efforts to provide water, power and roads to investors developing on their own sites. There is little in these policies that will be of particular help to the very small industry. Much emphasis is given to the medium or larger industry and considerable emphasis has been on the attraction of outside capital.

III. THE FUTURE OF SMALL INDUSTRY

Regional Promotion

A UNIDO report has recommended that the CARIFTA Industrial Development Unit should have a special branch dealing with the smaller territories. The Economist Intelligence Unit went further and suggested that a distinct least developed country Industrial Promotion Unit be set up. The main functions of this would be: (a) Identification of opportunity; (b) Information; (c) Getting information to potential investors; (d) Negotiation with potential investors; (e) Finance, sites and skills; and (f) Management assistance. Although not exclusively geared to the outside investor, no special mention was made on what the organisation could do to help the small local entrepreneur. Socio-economic background studies may well be required in order to identify these constraints on small entrepreneurship.

Political factors also cannot be ignored. In the West Indies a clear distinction is made between foreign and local investors and there are strong currents of opinion that feel too much economic control still rests in foreign hands. In fact this proportion has increased with the development of tourism in the Leewards and Windwards. What might be seen as a "negative" approach to this is characterized by the wish to prohibit new foreign investment and to east or nationalise that already entrenched. The positive approach might be seen as that to increase the proportion of local ownership by building up indigenous industry including industry that might have scope for a large number of small industrialists as well as those with scope for a few larger firms, but this approach seems to attract little political or academic support. In this paper particular emphasis will be given to socio-economic conditions constraining development of the small indigenous investor and thus to make good, to some extent the omissions of the political analysts on the one hand, and the various economic and bank reports and policy statements on the other, which have given an undue emphasis to the importance of attracting foreign capital. However, there is a lack of the type of background study on local entrepreneurship as is available, for example, in West Africa, and observations are of a somewhat general nature.

Sociological Factors

Many of the local industries to which we referred in chapter two are locally owned. The medium and large manufacturing industries tend to be dominated by certain families who have initially been involved in commerce. These families tend to be white, mixed or Asian. Today there are no specific handicaps placed on a person because of race, but educational advantage and assets tend to perpetuate the dominance of ruling economic groups. If a large number of small businesses is to emerge we should expect them to be operated by the majority or mainly black population. Part of the problem, thus is to break down attitudes based on the idea that industry is the prerogative of certain social groups.

A brief survey was made early in 1973, with the help of some University students on vacation, on constraints on entrepreneurship among the majority group. It was not possible to concentrate on manufacturing industry, only three "manufacturers" were in fact interviewed. These three, who were in preserve-making and handicrafts, produced somewhat erratically to satisfy an immediate need and displayed no particular ambition to set up a growing business. Of greater interest were twenty banana farmers and six construction firms in Grenada and St. Lucia which were selected because they have expanded over the past five years although the proprietors had not started off with any clear educational advantages. Questions, of a general nature were asked to find out reasons for success and main constraints on growth and these gave the following results.

(a) The largely unmeasurable factor of entrepreneurial talent was obviously important as only two of those in the group had a better than average education. Hard work was a component as was management, particularly management of paid labour;

(b) All those interviewed thought lack of education had hampered them. Several mentioned the difficulty of keeping a business without being able to keep accounts. The majority said they would be happy to pay a small fee to a bookkeeper or accountant providing he could help them with costings;

(c) Family background appeared to be quite important. All except two had stable unions and the wives were ambitious to own a better house, household effects, education for the children;

(d) With regard to credit, the entrepreneurs were asked how they obtained the necessary initial funds. Twelve said you must have about \$EC 1,000 and then one could

get short-term loans from banks, etc. All these farmers knew about agricultural credit bank, but only three had made use of long-term loans. The construction firms wanted to see more housing finance systems which would enable the builder to get an advance and save the expense of an overdraft. They all said they would not take on big jobs because of financing problems. For small businesses such as these, working on short-term capital is too expensive and the facilities for long-term capital little understood:

(c) Questions were asked regarding other occupations and there was some difference of opinion on this subject. Several farmers owned and hired out trucks and thought they would not have learned so much about farming if they had not been mobile. Two of the builders said they liked to go and work as labour on a construction job in Puerto Rico from time to time "to see new materials and methods". Generally, the farmers thought you must live on the spot near the crops to be successful.

Although of necessity somewhat limited, these interviews brought home some of the problems facing the small businessman. The lack of businesses of this size - employing up to five, but more often two or three paid workers - in manufacturing might suggest that lack of education or assets limits severely the extent to which small industries can get going in these islands. However, education is not low by the standards of developing countries, and it is apparently not difficult for farmers and truck owners to get hold of the **first** SEC 1,000. There may, in fact be few manufacturing industries in the West Indies for which the economies of scale allow for such small business. The wage rates in the area are considerably above those of Africa and Asia where handicraft industries are able to compete successfully with factory industries, and except for a few luxury items catering for high rate tourism, there may not be a great outlet here. There are, however, traditions of small industry in food manufacture, boat building and building materials. Within these fields there are also openings for medium and larger industry.

It is thus proposed that we consider industry under four broad heads: (1) The agro-based industries; (2) The marine-based industries; (3) The construction-based industries; and (4) The tourist-based industries. Within these broad heads we shall examine what part small industry can play and what can be done to develop it. One of the advantages of considering industry under these specialisms is also that, if technical assistance were to be provided, emphasis could possibly be given to one or two of these complexes, thus enabling more specialist personnel and equipment to be placed in the region.

The Agro-based Industries

The West Indies produces a wide range of agricultural products including some special lines, but in the least developed countries there is not generally sufficient quantity of any one product in the same place to allow for further processing or manufacturing on a factory scale. Where this is possible, as with St. Kitts sugar, the economic size of the factory demands that land use be specialist and problems arise from attempts at diversification.

There are, at the other end of the size scale, many small producers of local foods such as guava-cheese, nutmeg jelly, cassava cake, marmalade, sauces and confectionery which is at present sold usually only within the village communities and does not appear in the tourist hotels or supermarkets because it is considered to be produced in unhygienic conditions. The CARIFTA market imports significant quantities of preserves so there is clear scope for import substitution. Specialities of small producers who might later expand could also be export lines. Assuming that production could be properly inspected, a problem would arise in obtaining low cost packaging, as indeed it does in the larger scale food processing industries. At present the small producers used salvaged jars and bottles of various - often unstated - sizes.

It is not likely that the desired standards of hygiene can be achieved so long as the foods are processed at home. As many of the ingredients are seasonal, it might be worth setting up general purpose kitchens. These could be rented on a short-term basis to grower's groups or individuals to process a crop. These kitchens could range from the simple provision of hot water and boilers with "farmhouse" canning equipment along with the necessary supervision to more sophisticated small factories with plastic packaging sealers. To some extent the general purpose kitchens could also be testing centres, and individuals or groups producing an acceptable product could be given the necessary assistance to set up on their own.

Livestock industries are becoming more important and the Caribbean Development Bank has given some emphasis to these as the decline in plantation crops has made more land become available. The CARIFTA area is a heavy importer of meat and meat products, so there is much scope for import substitution. The manufacturing side of the meat industry has probably not kept pace with the animal husbandry side in development, and there may be scope for some small business in improved meat cutting, tanning and leather work. Other meat industries such as freezing, packing, sausage making are more likely to require larger enterprises.

There were a number of traditional industries associated with sugar production. Sugar making on a factory scale for export has died out in all states except St. Kitts and Belize, the reason being mainly that in the hilly islands modern mechanical techniques could not be adopted, and in Antigua, drought, the economies of scale and competition for labour from the tourist and construction industries led to the closing of the sugar factory in 1971. Speciality sugars such as muscovado have thus gone, as has fancy molasses manufacture and the making of liqueurs, an industry, which in some countries started as a small business has not taken root. While the Windwards and Antigua may not be able to produce ordinary sugar to be exported in bulk it is a pity that some of the special lines have not been retained. In the past, bulky packing may have prohibited the export of products in final consumer form, but with plastic packing it may be possible to produce muscovado sugar, molasses and essences by the pound or other small package. It may still not be too late to resurrect one or two of these industries, but since modern technology may be involved, they would be more appropriate for medium or larger firms.

Sea island cotton is another agricultural speciality of this region and hopes have often been expressed that the manufacturing and printing now done in the United Kingdom could be undertaken in the region. The industry is highly integrated in the United Kingdom so that, for instance, a West Indian weaver would not easily be able to obtain yarn nor a hand printer, unbleached cloth. A fully integrated textile industry in the islands would not be economic, but there are various phases in the industry in which small and medium industries might be involved were it not for the monopoly in the United Kingdom. Finished garments if woven, hand-dyed and made up to tourist orders would fetch high prices thus justifying some of the high cost of handicraft or cottage industries. These remarks are based on some scant technical data from Ceylon where a similar long staple cotton is imported and spun, woven and dyed by cottage industries and allowance is made for the higher wage rate in the West Indies. More detailed technical and economic studies would need to be done on the feasibility of hand-spinning, weaving and dyeing this cotton in the region.

The possibilities of the agro-based complex are tabulated below in terms of the suitability of certain industries for different sized enterprises. Existing industries are included where it is thought there is scope for their growth.

Agro-based Industries

<u>Small Industry</u>	<u>Medium Sized Industry</u>	<u>Larger Industry</u>
Preserves	Preserves	Meat processing
Marmalade	Sausage making	Fancy sugars
Juices and essences	Meat processing	Canning
Bakery products	Liqueurs	Leather works
Meat cutting	Fancy sugars	
Leather products		
Spinning		
Weaving		
Cloth printing and dyeing		

The Marine-based Complex

Lack of suitable types of vessel has **severely** hampered the development of a sufficient and reliable supply of fish in the territories. Hotels rely almost entirely on imported fish as the supply of the canoe and sloop fishermen is too unreliable. Although most countries provide fish stores near the waterfront, there are inadequate facilities for inland distribution of fish. In Barbados the supply is better because a medium size local vessel has been developed, but it is even there considered important to move to a larger vessel capable of better refrigeration and which could stay at sea for two or three nights if necessary. There is thus scope for an industry building and fitting out medium-sized trawlers. Wooden hulls are **not** very satisfactory for refrigeration and metal hulls could not easily be built locally, although they could possibly be assembled. Other materials are fibreglass and ferro-cement. The latter is thought to be more appropriate as it permits of a higher degree of customs building. While boats of this kind have been built by amateurs and small operators, it might be desirable to use, at the beginning the product of one of the patentees of the materials for this production under licence. This would enable better insurance conditions to be obtained and would set a better standard to small boat builders who might take up the **medium**. The larger firm could possibly build hulls only and the traditional firms - which are mainly in the Grenadines and Anguilla - could build the superstructure. It could be **hoped** that small cargo ships capable of chilling could also be built to take and the meat products referred to above. At present, the very high freight rates for chillroom and refrigeration cargo hamper severely or, in some cases prevent, a firm producing for distribution in the CARIFTA market. The steps that need to be taken are:

- (a) A feasibility report of ferro-cement boat-building; and if this is positive,
- (b) Negotiation with one of the more professional marine cement firms to set up a local licensee; and (c) To finance local trawler, cargo and tourist boat owners to purchase the vessels through the local credit institutions.

Fishing, while not strictly a UNIDO subject is nowadays bound up with shore based industries, freezing, storing and packing as well as distribution. Once supplies are improved, there would be room for small freezing and distribution outlets in most towns. They could fall under the same system of inspection as is recommended for the agro-based food industries.

There are charter yacht centres in Antigua and Grenada and St. Lucia. Local crafts have developed in sail repairing, metal work, rope work and rigging. However, when a vessel is fitted out with new equipment, it usually goes elsewhere or imports ready made equipment. These industries, particularly sail-making are essentially craft industries and it is thought there may be more scope for local manufacture, perhaps in conjunction with one of the well-known firms in the States or Britain. There is need for a group of small workshops which could be rented to local craftsmen in the main marine centres.

Industries in the marine-based complex can thus be summarized as in the table below. A number of these are service industries but are closely related to the making of vessels and their parts.

The Marine-based Complex

Small Industries

Trawling
Boat building
Fish distribution
Yacht repair crafts
Shell and coral
crafts

Medium sized Industries

Trawling
Marine transportation
Boat building
Fish processing
Sail-making

Larger Industries

Trawling and shrimping
Shipbuilding
Fish processing

The Construction-based Complex

There are already plants for making concrete blocks in all the territories, and in most small industries making metal grills and furniture and wooden furniture. They are locally owned and often employ from three to six people although one or two of the furniture factories are larger.

Most of the islands have good building stone and in Antigua and Grenada exceptionally good limestones abound. Equipment is needed to quarry and block this stone, and if carried out on the lines say, of some of the smaller Italian marble quarries, this would be a small or medium industry. In St. Kitts, the sugar factory is making building board from bagasse and it is possible that other materials such as banana fibre could be used. Some experiments are in progress to make twine and bags from banana fibre, but for technical reasons these fibre industries may be medium to large businesses.

Dominica is partially covered with a virgin forest of gommier, a marketable hardwood. Recently the last of a line of firms, set out to extract and process this timber has folded up. It seems that the excessive ruggedness of the island has defied even the most modern machines from extracting the logs. This seems to point to the need to consider smaller technology such as pit saws or modern similar equipment which could plank the logs in situ, and thus make extraction easier. Several reports on this industry have been written but all seem to be based on large-scale technology and the opportunity for smaller technology needs investigating.

The Economist Intelligence Unit report noted builders hardware as a possible industry. This has been classified below as a larger industry.

The Construction-based Complex

Small Industry

Metal grills
Furniture
Stone cutting
Concrete blocks
Carving
Pit saws

Medium Sized Industry

Metal works
Stone quarrying
Furniture
Household plastics

Larger Industry

Builders hardware
Stone quarrying
Plastic goods

The Tourist-based Complex

A number of these industries have already been listed under the agro-based and marine-based handicraft and food industries. Construction also is closely allied with tourism so that it is not proposed to tabulate the tourist-based industries separately. Besides the handicraft industries already mentioned - mats, straw goods, textiles, printing, leatherwork and woodwork there are others such as bead work of which the raw material is seeds, and pottery. It cannot be said that the design is of a specially

high standard although some of the products are unusual. There would seem to be scope for expansion particularly in textile printing and garments. Many of the products made in West Africa, such as the tie-dye and embroidered shirts are very popular with the local population and the machine embroidery of shirts and dresses as well as batik and tie-dye could be done, as it is in West Africa in the home or in small factories.

In Belize, wood carving is done on a scale not found in the islands, as is work in shell and turtle shell. The design is good on the whole in regard to the Belize woodwork. For shellwork, shell-cutting machinery would need to be introduced into the islands, and buttons could probably be made if the shell is suitable and a small enough machine is available for craft production. They could not compete with plastic on a factory scale.

IV. SUGGESTED ACTION FOR PROMOTING SMALL INDUSTRY

Factory space

The present schemes for making available industrial sites or factory shells do not cater for the small man working on his own or with from one to five assistants. A new kind of premises is needed if it can be shown that businesses of this type are economic. Two types of workshop are required; (a) For more or less permanently employed small industries; and (b) For seasonal and casual small industries. The former could be in a group of several small workshops in which power, water and possibly storage space could be shared. The latter catering for the casual worker or group would include the general purpose kitchens (see above) and studios or group workshops for handicraft workers, artists, etc. most of whom would not utilize the facilities full time. If such workshops could be combined with marketing assistance, the products could be upgraded and sold on a commission basis to cover the overheads of the workshop. In some islands, small industries need assistance to obtain power and water lines to their own premises.

The factory shells and industrial sites now being provided may be suitable for some small industries, particularly those with good possibilities for expansion, but it is clear that other facilities along the above lines are needed for craftsmen and other very small industries.

Industrial Organization

In some developing countries, efforts have been made to form small industrialists into co-operatives, but these have not been successful in many fields in the West Indies because of multiple occupations and individualist attitudes. For many, the ordinary small unincorporated firm is the best organization.

It seems, however, that insufficient attention has been given to the limited company form of organization which is likely to be relevant when two or several people join together to form a small firm. Any organization set up to promote small industry should be able to supply a suggested articles of incorporation, advice on bookkeeping and legal matters. For medium and larger firms, public company forms of organization would also assist in obtaining more local participation in industry. For smaller firms, registered partnerships may also be suitable.

Management

An advisory organization should also be able to give advice on management, labour relations, marketing and bookkeeping. It would also be desirable to promote small local bookkeeping firms who, with special training, could undertake the bookkeeping of several firms for a modest fee. Marketing is a more permanent function of small industries promotion than establishment, but where possible, marketing assistance should go along with the other activities.

Credit

Recent developments associated with the Caribbean Development Bank and local Industrial Development Corporations have been discussed above. Again, these arrangements do not cater very well for businesses at the lower end of the size range. The arrangements aim to provide long-term capital to medium or larger business, although in cases where small business requires long-term capital, it could be available under these schemes.

The need of the craftsman, and other small industry such as preserves, is however more often for working capital to enable him to purchase materials and to live until the product is sold. This is also true of the boatbuilder if he is building for the market and not for his own use. No schemes provide working capital and small industries cannot obtain a loan by giving a lien on the product as can, for instance, rice or banana farmers. If there were to be a central organization for marketing, it would

be easier to set up a scheme for short-term lending which could be recouped on the sale of the product. Some of the small industries listed might well benefit from the long-term credit arrangements now being made available. They are sawmills, stone-cutters, trawler operators and food processors. Any type of small business may need buildings; but the **group** workshops as suggested above would cover this need better than loans in many cases.

Development Banks do not usually provide working capital and that provided by the commercial banks is often too dear. This problem is thus one that needs careful assessment.

Training

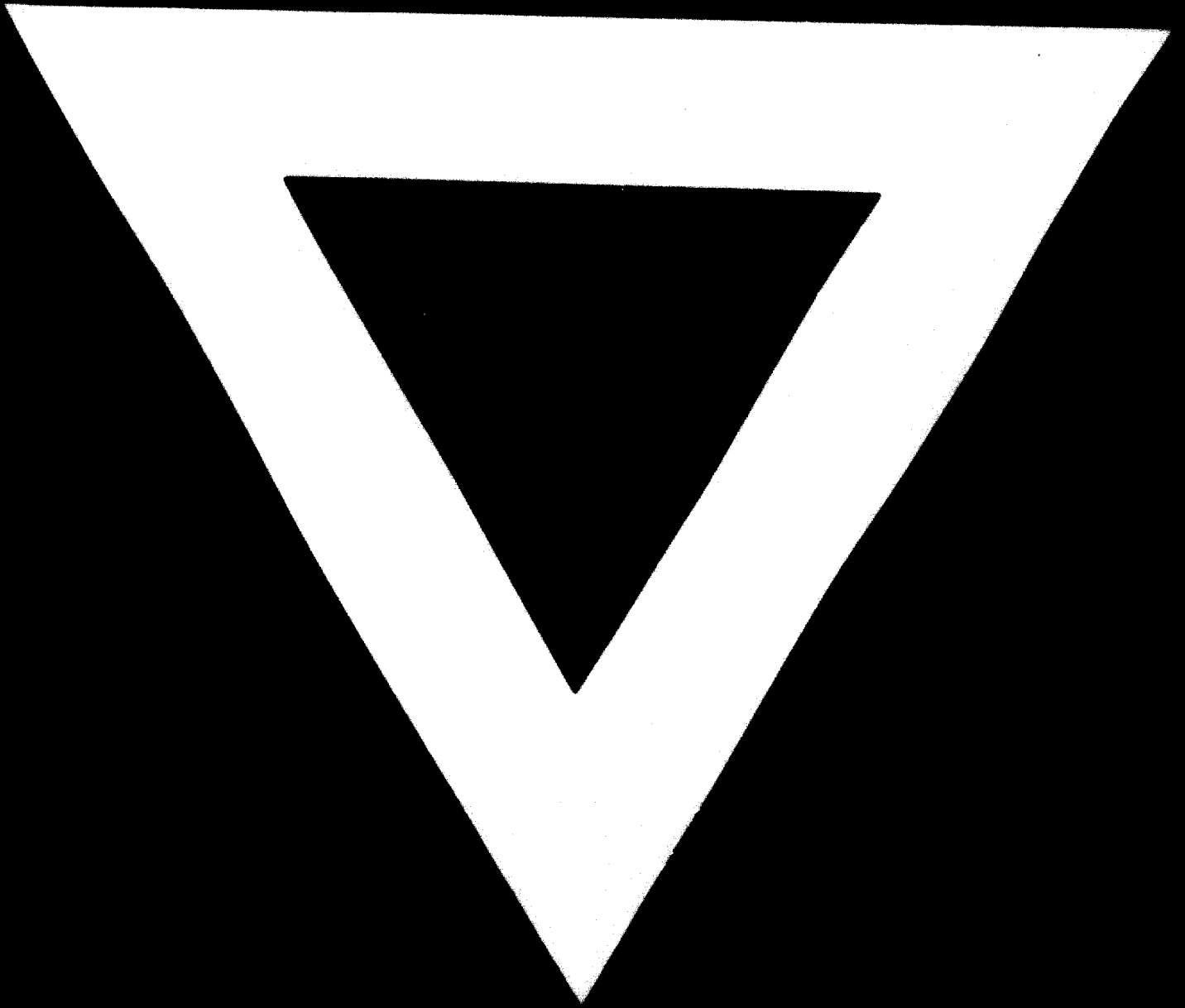
For the smaller industry, the opportunity for supervised experimentation is the best form of training and few of these entrepreneurs could benefit from overseas courses, although there may be exceptions to this when new techniques are to be introduced. Apart from the skills associated with the business, training in simple bookkeeping seems to be the greatest need.

A Small Industries Promotion Organization

Within the general framework of the organization proposed by the Economist Intelligence Unit, there may be scope for a small industries unit catering for the needs of the craftsman and other very small industries, which as has been shown in this paper are somewhat different from the medium and larger businesses in their needs. Further problems are created by the fragmentation of the area, it being a group of islands. Advisers working for small industry need to be in constant contact with the entrepreneurs and this may need in some cases to be almost on a daily basis. It might be better if advisors concentrated on one or two islands, but this may be difficult politically. If the governments would appoint a small industries officer, who would be a local person, the work of any technical assistance advisors could be done mainly through such officers.

Concentration on one or two specialisms, as set out in chapter three would enable the organization to employ more specialist staff albeit over a narrower field. It is thought that specialism may be desirable also for the reason that it would help to promote that type of industry which has a **place** for a large number of small firms and to provide them with the better standard of services.





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