

7 Slipping on a Peel: The Effects of Changing Trade Regimes on the St Lucia Banana Industry

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Background

The countries of the eastern Caribbean, with the exception of St Kitts and Nevis, moved out of the production of sugar on account of the significant decline of the industry during the nineteenth century (ECLAC, 2008). Bananas became the main replacement crop from the 1880s. This was so profitable, particularly for smaller producers, who were mainly women, that it was referred to as ‘green gold’. The impact of the banana industry soon became very visible on the St Lucian landscape, especially in the rural areas. Small farmers were able to purchase land, build decent houses and improve their standard of living.

From 1975, St Lucia received preferential treatment for the sale of its bananas in the UK under the Lomé Convention, a trade and aid agreement between the then European Community (EC) and 71 African, Caribbean and Pacific countries signed in Lomé, Togo. The Convention was designed to provide a new framework for co-operation between the EC and ACP countries – in particular former British, Dutch, Belgian and French colonies. It had two main aspects: (a) it provided for most ACP agricultural and mineral exports to enter the EC free of duty with preferential access based on a quota system for products, such as sugar and beef, in competition with EC agriculture; and (b) the EC committed ECU¹⁴ 3 billion for aid and investment in the ACP countries.

The Convention was renegotiated and renewed three times, culminating in Lomé IV (1990–1999). Two other important mechanisms alongside the Convention were the Stabex and Sysmin schemes, which provided compensatory finance to ACP states to counteract adverse fluctuations in world prices of key agricultural and mineral exports.

Changing trade regimes

With the emergence of the single European market at the end of 1992, the Caribbean’s many smallholder banana farmers argued for the continuation

of their preferential access to traditional markets, notably the UK. They feared that otherwise the EU would be flooded with cheap bananas from Central America, with devastating effects on several Caribbean economies. Negotiations led to the EU agreeing in 1993 to maintain this preferential access until the end of Lomé IV, pending possible negotiation on an extension.

In 1995, however, the US Government petitioned the WTO to investigate whether Lomé IV violated WTO rules. The WTO Dispute Settlement Body ruled in favour of the USA, effectively ending the cross-subsidies that had benefited ACP countries for many years. In June 2000, a new trade and aid agreement was reached between the EU and ACP countries. Signed in Cotonou, Benin, and known as the Cotonou Agreement, this set up a system of trade and co-operation pacts with individual nations.

In the region, the Caribbean Basin Initiative (CBI) – a temporary US programme that came into effect in January 1984 – provided several tariff and trade benefits to many Caribbean and Central American countries. However, once the USA had entered into the North American Free Trade Agreement (NAFTA) with Mexico in 1994, CBI countries lost their advantage relative to Mexico, a major competitor in industries such as textiles and apparel. Another regional agreement was the Caribbean-Canada Trade Agreement (CARIBCAN), also initiated in the 1980s, which was established to promote trade and investment and provide industrial co-operation through the preferential access of duty free goods from the countries of the Commonwealth Caribbean to the Canadian market.

Whatever the agreement – Cotonou, CBI, NAFTA or CARIBCAN – the benefits to the Caribbean have been mediated by the challenge of competing in an increasingly liberalised global market and the requirement of reciprocity imposed by the agreements and decisions of the WTO. There has been a declining trend in the region's agricultural exports since the first EU regime change in 1993.

Impacts on the St Lucian economy

CARICOM banana exporters were the most affected by the regime changes because of the small size of their operations and the high cost of production. Efforts to achieve economic diversification and competitiveness have not had the desired impact due to the significant structural deficiencies of the region's economies. The St Lucia Government's 2001 report to the WTO summarises the economic challenges:

St Lucia has a small domestic market with relatively low levels of economic activity. Because of its small size the country faces structural disadvantages relative to larger economies since it is unable to benefit

from economies of scale which would be essential if it is to be internationally competitive in the production of goods and services. The absence of a natural resource base further compounds the economic difficulties, as economic diversification efforts are stymied and the country is forced to continue to rely on a few economic sectors. The size of the labour force is also constrained by the small population. The inadequate level of labour supply contributes in large measure to the relatively undiversified structure of the economy. This problem is compounded by the paucity of educational opportunities and facilities, the fact that overseas training is expensive and the brain drain of skilled workers from the country. (WTO, 2001)

The St Lucia Ministry of Social Transformation, Culture and Local Government describes the country as an economy in transition. This is primarily the result of the changing global environment and the dramatic impacts that these changes have had on banana export earnings, tourism and manufacturing. The economy remains largely dependent and open, with goods and services (both import and export) contributing significantly to GDP. Foreign exchange earnings come mainly from agriculture and tourism, with a smaller contribution from manufacturing. Most of the goods consumed locally are imported. Exports declined during the past decade from 35 to 17 per cent of GDP, while the provision of services increased from 20 to 35 per cent (*ibid.*).

The St Lucian economy shows significant volatility. The Ministry noted that GDP growth averaged 7 per cent in the 1980s, followed by low rates in the early 1990s (an average of 1.3 per cent between 1993 and 1997), improvements in 1998 (3.07%) and 1999 (3.1%) as a result of growth in construction, tourism and financial services, followed by a downturn in 2000 (0.2%), significant contraction in 2001 (-4.6 per cent) and a marginal recovery in 2002 (0.1%) (*ibid.*).

The Prime Minister and Minister of Finance, Hon. Stephenson King, in his Budget Address for the 2008–2009 financial year, underscored this tendency to volatility indicating that:

... the economy experienced a general slowdown in the growth momentum that had been stimulated by activities associated with Cricket World Cup. Thus from a growth rate of 4.9 per cent in 2006, preliminary estimates indicate that real economic growth decelerated to 0.5 per cent in 2007. (King, 2008)

In addition to being highly vulnerable to weather shocks, the St Lucian economy has been subject to the vagaries of the various trade agreements described above and the consequent shifts in the competitive status of the

country's exports. Between 1992 and 2005, annual export volumes in the banana industry fell from almost 133,000 tonnes to 30,000 tonnes (see Table 7.1). Revenues crashed from US\$71 million to \$31 million, while the number of banana farmers fell from 10,000 in the early 1990s to 1,800 in 2005.

Table 7.1 Banana exports from St Lucia, 1992–2005

Year	Export (tonnes)
1992	132,854
1993	120,127
1994	90,119
1995	103,668
1996	104,805
1997	71,397
1998	73,039
1999	65,196
2000	70,280
2001	34,044
2002	48,029
2003	34,420
2004	42,000 ¹⁵
2005	30,000 ¹⁶

Source: Kairi Consultants Ltd, 2007

Impacts of changes in trade policy on women

Robinson (2001) writes that:

... the recent sharp increases in poverty and unemployment levels experienced by women throughout the Windward Islands are a direct consequence of the decline in the banana industry ... [shown by] research conducted by CAFRA on the impact of new trade agreements on the living conditions of rural women. Respondents to the survey described life as hard and frustrating, indicating that they had found it difficult to survive and raise their children in living conditions that had worsened ... due to the decline of banana cultivation and prices.¹⁷

The Food and Agriculture Organization (FAO) also notes that 'a large majority of banana farmers are women, whose livelihoods are already being affected by this decline, with a sharp increase in poverty and unemployment levels affecting women throughout the Windward Islands' (Garcia, 2006).

Even before the declines in banana exports, however, women in agricul-

ture were at a disadvantage due to gender inequalities in access to productive resources. Robinson (2001) points out that a dominant feature of Caribbean households is that approximately 40 per cent are headed by women who are the sole providers of both economic and material well-being and domestic services to the family. According to ECLAC (2005):

... notwithstanding significant progress in building productive capabilities among women, there remain significant gaps in assuring women's rights to natural and physical capital such as land, water, housing and transportation. Inevitably, there needs to be explicit recognition that the gender division of labour, in rural and agricultural systems in the Caribbean, has implications for women as primary caretakers at both the household and community levels. Relative to men, these multiple roles impact directly on women's time, nutritional status, mobility and morbidity, as well as the capacity to capitalise on potential opportunities for social and economic advancement.

Moreover, gender-based disparities in the agricultural sector have been exacerbated by an emphasis on the expansion of the large-scale production of export commodities such as bananas:

Such systems of commodity production have proved discriminatory to women in agriculture. In addition, policy initiatives have tended to emphasise the generation and transfer of technologies suited to better endowed regions, large commercial enterprises and the export agriculture subsector. The link between technology transfer and gender, though not sufficiently evaluated, is recognised to have impacted negatively on women's capacity to participate and benefit equitably from mainstream agricultural development pursuits in the Caribbean. (ECLAC, 2005)

Measures taken to help women deal with policy changes

Measures to mitigate the effects of the declining banana industry have focused on promoting economic diversification and reducing poverty.

Social Recovery Programme

One of the major interventions by the Government was the Social Recovery Programme. This was financed by funds from a Special Framework of Assistance (SFA) established by the EC in 1992 to provide technical and financial assistance to banana farmers from ACP countries to assist them to adapt to the new market conditions.

The programme supported interventions at four distinct levels:

- Competitiveness within the banana sector;
- Diversification within the agricultural sector;
- Broader economic diversification outside of agriculture;
- Social adjustments linked to the contraction of the banana sector.

St Lucia was among the first countries in the Windward Islands to qualify for financial assistance, and the Social Recovery Programme was a crucial component of the SFA there. It started in 1999 and lasted for five years. Costing approximately EC\$40 million,¹⁸ its focus was on adult education, housing and sanitation, reproductive health care, recreation and sports activity, child protection measures, care of older persons, skills training, land reform and community empowerment activities. Rural women, children and older persons were specifically targeted (Flood-Beaubrun, 2000).

While no evaluation of the Programme, including no gender impact analysis, has been identified, a House of Commons report (2006a) refers to the SFA that funded the programme as ‘... a tale of unadulterated woe’ and a ‘sorry saga’; in another report (2006b) it described how: ‘At the first ever International Banana Conference in 2004, the Minister (with oversight responsibility) said, “poorly designed projects and rigid Commission procedures regarding disbursements were flagged as factors contributing to this failure”’.

Further, the House of Commons reports indicate that the SFA allocated relatively small sums overall. As only a percentage of these funds was earmarked for social recovery, it is reasonable to conclude that only a small dent could be made on the structural and systemic problems.

St Lucia Rural Enterprise Project

Interventions by the international community have included the International Fund for Agricultural Development’s (IFAD) St Lucia Rural Enterprise Project (1996–2003) (IFAD, 2007). This project, which was co-funded by the Caribbean Development Bank, sought to reduce the over-reliance of farmers on the banana industry and mitigate the risk of worsening terms of trade for bananas. Livestock development was promoted as an option for diversification, especially for resource-poor households that already relied on livestock as a source of income and nutrition. The demand for livestock products was expected to increase, and there was already ample scope for import substitution. The project encouraged farmers to serve not only the local market but also the tourist, regional and extra-regional market.

Project activities targeted rural resource-poor households that met the following criteria:

- Farm families on marginal land not exceeding five acres (at least 50 per cent of the income of these families should be derived from agriculture or related activities);
- Landless farmers who rear livestock;
- Rural woman-headed households and women farmers;
- Unemployed/underemployed youth;
- Rural households in which the annual per capita income falls below EC\$3,000.¹⁹

In its mid-term evaluation of the project, IFAD noted that about 1,497 households would directly benefit from the production component, 923 of which were headed by women; within this total, 765 rural households would benefit directly from livestock interventions. IFAD reports that the total project cost was US\$3.9 million. Livestock costs made up 14 per cent of this. The project was to operate nationwide; however, up to the point of the 2002 review, the focus was confined to an area in the south of the country, particularly for the community development and credit activities. Moreover, the review suggests that its overall impact to that point was minimal (see Box 7.1).

The most positive outcomes were in marketing and micro-enterprise development. Ecotourism activities were developed, and 528 people benefited from a fund that supported micro-enterprises in several types of economic activities. New outlets were developed for the output of the production component. Farmer associations, as well as private businesses, have been assisted in the development of trade links, and many initiatives have been undertaken to promote local produce and provide market information.

Lessons learned

The magnitude of the problem of increased poverty and vulnerability caused by the decline in agricultural output and trade requires interventions that are based on accurate baseline data. These should be carefully disaggregated in order to allow for appropriate planning and design and effective delivery, and specifically differentiated to measure the impact on the lives of vulnerable target groups.

The two interventions included here illustrate the following weaknesses in economic and social policy planning and implementation:

- Insufficient evidence-based project planning and design;
- Comparatively low levels of financial investment;

- Weak capacity of state institutions for absorbing project resources and delivering services in a timely and efficacious manner;
- Weak monitoring and evaluation systems and limited measurable impact assessment;
- Absence of a systemic plan and scale-up strategy;
- Lack of integration of projects into a national policy framework.

On this last point, an area where such an integrated policy and programmatic approach could make a significant difference to the prospects for small farmers is in improving linkages between tourism and agriculture. The Caribbean Policy Development Centre (2008: 13) notes that:

... seasonality of both crop production in agriculture and tourism's requirements intensifies the case for information systems that correlate visitor arrivals (demand) with harvest schedules (supply), given the lack of storage and processing facilities, tenure and land-use patterns, and a general absence of a business approach to agricultural production and marketing among small farmers.

The report by ECLAC (2005) cited earlier provides insight into some of the key lessons in relation to gender and agriculture. It notes that for most CARICOM countries, the disadvantages of smallness and extreme openness mean that external shocks have an almost instantaneous impact on the micro-economy of households. The reconfiguration of imperatives in this regard affects the decision-making framework not only at international, regional and national levels but also, as importantly, at the level of communities and households.

The report notes that interventions to address the impacts of trade liberalisation tend to be gender blind, failing to take into account such realities as women's limited access to requisite resources and their almost exclusive responsibility for social reproduction, which fetters their potential capacity to take advantage of emerging opportunities in the formal market.

The report rightly recommends more rational and even-handed policy formulation and implementation processes that take due account of gender asymmetries within the economy and the need for due recognition of unpaid work, the care economy, the informal sector and subsistence production that characterise the role of women in rural and agricultural systems throughout the Caribbean.

Box 7.1 Limitations of the St Lucia Rural Enterprise Project

The project relied heavily on the performance of extension services and of other public organisations. Despite the training received by extension officers, staff morale and commitment were low, and little energy was spent on the project. Eventually, the Project Management Unit succeeded in getting the Ministry of Agriculture to assign extension officers to work directly with the project, thus improving the project-beneficiary interface.

Overall, the project struggled with serious delays at the beginning, especially in its production component. There were delays in the implementation of the livestock component. Pure-bred animals were imported, and the infrastructure for the animal breeding programme was completed. The dispersal schemes, with the exception of rabbit rearing, were delayed at first but were eventually initiated.

The plant propagation programme was delayed, but it was expected to deliver benefits before the end of the project's life. Micro-irrigation was even less successful and any tangible benefits were uncertain. The results of the research and extension programmes did not meet expectations. Despite the setbacks, production under the project increased and it is projected to cover the needs of the local market in the near future. Expansion in export markets was underway at the time of the mid-term review.

The performance of the credit component was poor. Staff performance, particularly that of the credit officer, was problematic. Reporting was inadequate and loan delinquency high. Few loans (7.5%) were directed towards livestock development. The loan delinquency rates were far higher than expected at appraisal, albeit lower among women, among whom the average loan size was larger than it was among men.

Impact was limited. Training in business skills was provided to 130 beneficiaries, and as many jobs were created.

Source: IFAD, 2007

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Service Liberalisation

