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 As they trudge back from a morning spent clearing irrigation ditches on the banks of the Demerara River, the exhausted workers from La Bonne Intention, a government-owned sugar estate in Guyana, look like a defeated army. A few miles away in George­town, the down-at-heel capital of Guyana – the the poorest country in what was once known as the British West Indies, trade union leaders talk darkly of treachery.

Two months ago, the European Union announced its intention to cut the price it pays for the sugar produced in Guyana and 17 other poor countries from the Caribbean, Africa and the Pacific by 39 per cent over the next five years, plunging the already depressed industry into even deeper uncertainty.

“We feel that we have been betrayed. We have been telling them and a fearful mood has developed. They see their jobs are at stake,” says Komal Chand, the leader of the union that represents 20,000 Guyanese sugar workers.

At the other end of Across the Caribbean, Peter McConnell, whose family-owned Worthy Park sugar estate is considered to be one of the most efficient in Jamaica, is also anxious, arguing that the cuts will be enough to put the future of his family-owned firm company in doubt. “As things stand, we have two crops left if these cuts go through,” Absolutely no one can survive with this kind of price reduction,” he says.

 The EU price cuts, which could be confirmed in November, would still leave its sugar prices at roughly double the world price. But they could severely damage the industry in the Caribbean. As well as Jamaica and Guyana, Belize could be badly affected, while it could mean the death knell for the smaller sugar sectors in Barbados and Trinidad and Tobago, two other former British Caribbean territories.

Reductions to the EU sugar price are part of a broader market reorganisation demanded by the WTO, World Trade Organisation, which upheld a complaint by Brazil – one of the world’s most efficient sugar producers – that the price support was unfair. EU sugar-beet farmers are also angry at the impending changes.

That the cuts will have such an effect on former British colonies, however, is a bitter irony at a time when the UK is leading international action to help alleviate poverty. Guyana was one of four countries in the Americas to benefit from the debt relief initiative offered by the Group of Eight leading industrial ised nations and championed by Gordon Brown, Britain’s chancellor of the exchequer. But Guyana’s potential benefits from that deal – a reduction of between $8m and $9m in annual debt service – would be swamped by the loss of up to $40m a year in sugar income. Jamaica, the most populous ated English-speaking island in the Caribbean, has a more diversified and prosperous economy but in some rural areas it is equally exposed, as many as 40,000 people still work in the sugar sector. harvest on seven sugar estates.

 Nor is the sugar price cut the only blow to the region’s agricultural exports. The WTO orld Trade Organisation ruled this month against EU plans to protect the Caribbean banana industry. Exports from Jamaica and tiny island states such as Grenada, St Lucia, St Vincent and Dominica are expected to be badly hit.

 In some ways, the final decline of the industries would be no surprise. Caribbean sugar and banana producers have long struggled with adverse economics of scale. More efficient sugar producers growers in Australia, Brazil and Thailand, and banana producers farmers in Latin America, have been able to keep down their production costs through sheer scale. Overall, Whereas Brazil and Australia can produce raw sugar for less than 7 US cents per lb (€124 per tonne), less than half the best rate achieved in the Caribbean. Guyana’s most efficient factories in Berbice can produce sugar at about 18 cents per lb but and costs elsewhere in the Caribbean can be much higher. partly because trades unions have been able to defend much higher wage levels. In some Jamaican state-owned factories, costs are as high as 40 cents per lb, about five times the world price.

 Not surprisingly, production has been falling in many parts of the Caribbean. Four decades ago, Jamaica produced 500,000 tonnes of sugar. Output last year fell to 124,000 tonnes – the worst figure for 60 years.

 Some people argue that the region can easily absorb the loss of the sugar industry as a result because of economic diversification. The Prospects of for Barbados, for example, have been transformed in the last two decades by tourism, property investment and financial services. In ­Trinidad, meanwhile, the a boom in natural gas production has put the now tiny sugar industry in the shade and helped the economy grow at a rate of nearly 6 per cent per a year over the last decade.

 As recently as 1975 fields of swaying sugar cane dominated Barbados’ landscape. But In the last two decades the island Barbados’s prospects have been transformed office development. Ministers defend what remains of the industry as a sophisticated form of gardening, since the plant’s roots help bind the island’s thin top soil.The steady expansion in gas - much of which is sold to the US - has Elsewhere Many islands have tailored their tax and regulatory regimes to try to develop successful offshore financial sectors, which with low taxation regimes and regulatory regimes that have been tailored to attracting capital markets and financial services businesses. The industry has have continued to expand in spite of efforts by the EU and the US to clamp down on suspected money laundering and restrict what they view as potentially harmful tax shelters for their nationals. outlaw these centres. with the number of new mutual funds, offshore banks and new company registrations rising in Anguilla, Barbados, the Cayman islands and the British Virgin Islands.

 A steady stream of remittances – repatriated earnings from West Indians living in the US, Canada or Europe – represents a growing contribution to local spending power. In addition, have become more likely to send earnings home to their families with the resulting . Above all, the Caribbean’s proximity to the US has helped nurture a tourism industry that continues to flourish in spite the face of the industry downturn that followed the terrorist attacks in the US of September 11 2001. Operators are confident they can survive measures such as the recently announced Washington’s plan to require Americans to carry passports when they visit Caribbean destinations from next year. A large majority of Americans do not hold a passport. on the twin towers in New York four years ago.

 Although prices for hotels, restaurants and transport are on average between 30 and 50 per cent higher than in the Dominican Republic or Cuba, the two biggest growing tourism markets in the region, operators have been able to appeal to wealthier travellers. Despite such optimism, Even so, the collapse of sugar would hit the British islands hard. The crop commodity has helped bind communities together. As Diane Abbott, a the British Labour MP for Hackney in London, who is of Jamaican origin, puts it: “The crop has a hold over the imagination out of proportion to its economic importance.” Throughout the region, sugar – like coal in Britain before the strikes of 1984 and 1985 – has helped bind communities together. History, partly explains this. After all, the British West Indies developed economically in order to provide sugar for the growing urban population at home. The islands were settled by slaves from Africa and later indentured workers from Asia, whose labour was required to cut to cane. Sugar played a role in the independence movement. The nationalist parties that emerged in the region in the 1930s and 1940s – and came to office in the 1950s and 1960s – were partly based on sugar workers’ trades unions.

And Trade protection, in the form of ­guaranteed prices and markets offered by Britain in the aftermath of the ­second world war, provided the funds for a social welfare system stronger than that in neighbouring Latin American countries, and helping to ed underpin political stability.

Today, in many rural areas, sugar estates and sugar factories – whether privately or state-owned – provide not only jobs but health clinics, social clubs and sports facilities.

In Guyana the social influence of the industry is even greater. Whereas output has fallen elsewhere in the Caribbean in Guyana it has risen over the last 15 years.The state-owned Guyana Sugar Corporation employs more than 20,000 people. The company maintains a network of health clinics and social and sports clubs. is akin to that provided by state-run companies in the former Soviet Union and other communist countries. ““It is a social arm of the government. If sugar disappears, it will have a huge impact,” says Nick Jackson, the corporation’s operations director. at the Guyana Sugar Corporation (Guysuco). ““There is basically nothing else.”

Guyana’s sugar industry also helps pay for an elaborate network of drainage and irrigation that protects the low-lying country from flooding. “The systems are completely integrated with sugar,” said Bharrat Jagdeo, the country’s president, in a recent interview with the Financial Times. “If we didn’t have sugar we would have flooding every year. People don’t understand what it means to our communities.”

 In Jamaica, the government ­estimates that 200,000 people are dependent on the crop. The industry provides health care insurance – many of the 7-8,000 full-time estate workers are members of the Blue Cross plan. Worthy Park, Mr McConnell’s estate, runs a clinic, operates the local fire engine and ­provides facilities for football and cricket leagues.

Politicians across the region fear that joblessness would cause a significant increase in crime. The risk is particularly significant in Guyana and Jamaica, both of which have been rocked by an upsurge in drugs trafficking and gun crime in recent years. The Caribbean is a main trans-shipment point between cocaine production areas in Colombia and dealers in Europe and the US.

 During 2002 and 2003, Guyana was rocked by a surge in violence with shoot-outs between the “black clothes police” and gangs a regular occurrence. “Fallen but not forgotten” reads the memorial stone placed outside the headquarters of the Guyana police force, testament to the fact that the and 28 policemen were killed in gun battles, during those two years was greater more than the total losses sustained in the force’s previous 160-year history.

In Jamaica’s murder rates have risen to more than 20 a week, the fourth highest with violent crime rates that are judged to be third-worst some of the worst in the world. behind Colombia and South Africa. Many of the killings – averaging around 20 per week – are concentrated in the more marginal areas of Kingston and smaller towns, where residents living along side roads barricade access to their homes with tree trunks and rubble. The decline of some sugar areas has led to the growth of “inner-city conditions” in formerly peaceful rural towns, like Maypen and San Marcos ??? , says Gilberto Scott, an adviser to Jamaica’s public security ministry. “Within a 15-mile radius of here, we are the only source of income,” says Mr McConnell in Jamaica. “Without any doubt, most of these uneducated subsistence farmers will resort to [growing] marijuana.”

 Caribbean governments are now trying to see what can be salvaged of the sugar industry. In particular, the region as part of the ACP group of countries, is pressing the EU to allow a longer period of transition to the new price level than the five years on offer. Payments – known in EU jargon as “accompanying measures” – are also being sought to cushion industry restructuring.

 Yet there are doubts about the EU’s commitment to help. Only €40m ($50m) (£27m) is on offer – at least for the first year after the price cut takes effect – and that must be divided among the 18 ACP countries. “They [EU officials] admit it is woefully inadequate,” says Derick Heaven, executive chairman of Jamaica’s Sugar Industry Authority. “We fear that . . . given the propensity for studies the money will simply be used for further studies. We are saying we have been studied to death and we don’t want to be studied again.”

 Jamaica’s government wants the sugar industry to diversify away from raw sugar and into by-products such as ethanol, rum and refined sugar, as well as using bagasse – waste material produced when cane is crushed – to generate electricity. Karl James, chairman of the Caribbean Sugar Association, is optimistic that Jamaica can take advantage of an ethanol export quota allowed under the Caribbean Basin ­Initiative, a series of temporary trade concessions extended by the US in the 1980s. But within the industry there is some scepticism. With the high production costs at Jamaica’s five government-owned sugar factories, are up to five times greater than those in Brazil or Australia, there seems little chance that those factories can survive without subsidy.

Mr McConnell at Worthy Park has already diversified. to a large extent. His factory is largely powered on bagasse during the harvest and earlier this year he invested $8m in opened a new rum distillery. But faced by the price cuts, He says his main prospect of increasing productivity is to buy land and increase the amount of sugar cane that his factory processes. Alternative crops such as bananas, citrus fruits and pineapples have already been tried without any long-term success. “Any crop can be produced in Australia, the US or Brazil and they’ll be able to under-price us,” he adds.says.

 In Guyana, Mr Jackson at Guysuco is more optimistic. Guyana’s lower wage rates and greater availability of land means that the industry’s costs there are lower. more competitive. When a new sugar factory financed with $167m in soft loans from China, the Caribbean Development Bank and the World Bank comes on stream, those costs could fall further. Ironically, Guyana could also be helped by the industry’s failure in the rest of the Caribbean, since this would – under the terms of the Caribbean’s own free trade area – allow Guyanese sugar protected access to the internal Caribbean market. Given the Very high per-capita consumption levels of sugar in the region make that is prospect attractive.

 Even so, it may be unattainable. high levels of absenteeism and chronic shortages of managers are undermining Mr Jackson’s efforts to step up productivity. Last year the industry lost 50,000 man-days through unofficial strikes, and 143 of the 270 senior staff employed six years ago have quit Guyana, mainly to take up work in the US.

“There is a general malaise in the industry. People believe the industry is going to close, so they say, ‘What’s the point?’ ” says Mr Jackson. “The belief of people is that it isn’t going to be a success.”

**British business and political interest wanes**

Historic ties with Britain ought to help the Caribbean’s ability to defend its interests in London. For centuries, the island states were synonymous with sugar and rum. Migration from there has created the UK’s second biggest ethnic minority. Hundreds of thousands of Britons have taken holidays in Barbados and Jamaica. Yet the Caribbean has been unsuccessful in influencing British public opinion or getting its voice heard in government.

This weakness in part reflects the dilution of UK business interests in the region. Companies such as Cable Wireless in telecommunications, De La Rue for banknote printing, Diageo in drinks and British American Tobacco retain a significant presence. But, over the last 20 years, many other companies have shifted towards bigger and less fragmented markets.

“We used to get 30 to 40 blue-chip British companies round the table,” says David Jessop, who has been director of the Caribbean Council, a London-based lobby organisation that represents the region’s interests, since the late 1970s. “But the powerhouses of the British economy are no longer in the region.”

In addition, although five British MPs have Caribbean backgrounds, only one – Labour’s Diane Abbott – has regularly raised Caribbean issues in parliament. Derick Heaven, chairman of Jamaica’s Sugar Industry Authority, who also served as his country’s ambassador to Britain for five years during the 1990s, says community organisation is strong but focuses on social events – so attempts by the Jamaican government to organise its diaspora to lobby politically on behalf of the region’s interests have made little progress.

 Ms Abbott, whose parents came to Britain from Jamaica in the 1950s, says the UK’s south Asian communities, by contrast, have a strong political profile and have proved adept at lobbying MPs on issues of concern. “As a government we took a position on Kashmir because constituents lobbied their MPs,” she says.

Ms Abbott is critical of Caribbean diplomats in the UK for doing little to mobilise support, saying: “The type of people who work in the foreign service look down on people like bus drivers. These diplomats wanted to keep their distance.”

 In addition, Caribbean interests have fallen victim to trends within the Labour party, where politicians had nurtured close links with Caribbean counterparts such as Norman Manley of Jamaica and Sir Grantley Adams of Barbados, who had led the region’s nationalist movement. The newer generation of Labour politicians lacks this interest. For them, the British Caribbean community is part of a core working-class support base for a party that has come to pay more attention to attracting socially mobile voters. Local Labour organisations had measured carefully the inroads the party made with middle-class voters but “didn’t even keep figures of the voting patterns of the black community”, says Ms Abbott.

Meanwhile, the Foreign Office looks more at thematic issues such as terrorism, security and drugs at the expense of a country-focused approach – meaning fewer staff have expertise on the Caribbean. Indeed, campaigners think the Caribbean’s economic problems would get more attention if these connections were emphasised. Ms Abbott says that a “rising tide of gun crime in London is absolutely tied in to what is happening in the Caribbean”.

So far, though, the case has not been made strongly enough. “We just haven’t been able to make these links clear,” says Trevor Munroe, a senator in Jamaica’s governing People’s National party.