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The Interaction Effect of Trade Openness and Good Governance on Economic Growth: The Case of the Commonwealth Caribbean Countries

政府善治與貿易開放對經濟成長的相互影響: 以大英國協之加勒比海國家為例

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Abstract

Given their similar characteristics and economic activities, there exists varying differences in the economic growth trends of the Commonwealth Caribbean countries post-independence. What explains this? In trying to answer this puzzle, together with an under researched literature, the author examines the nexus: trade openness, good governance and economic growth in the Commonwealth Caribbean context. The author argues that these factors are essential in explaining and understanding the different economic growth trends amongst the Commonwealth Caribbean countries. It is imperative for underperforming Commonwealth Caribbean countries to increase trade but at the same time improve their governance standings. With an increase in trade, indicating higher inflow of money for the country, good policies and management of money, countries can observe unprecedented economic growth. Using time-series cross-sectional data, the author employs the Fixed Effect model to estimate the effects that trade openness and good governance have on the economies of the twelve Commonwealth Caribbean countries for the period 1972 to 2016. The results strongly support the argument that good governance alongside trade openness do explain the different economic growth patterns observed amongst Commonwealth Caribbean countries post-independence.

Key words: Trade Openness, Good Governance, Economic Growth, Commonwealth Caribbean

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摘要

大英國協於加勒比海地區的諸多國家，分明具備相似的國家特性及經濟活動，在各自獨立之後，經濟發展程度卻大相逕庭。何以解釋此一現象？為揭開謎底，筆者試圖參考目前正值研究的相關文獻，並檢驗兩項相互影響的因素，它們分別為：貿易開放程度，以及政府效能。筆者藉此主張：這兩項因素，對大英國協之加勒比海國家之經濟成長，產生了決定性的影響。為提升這些國家嚴重被低估的經濟表現，當務之急，即是同時增進貿易流量，以及改善政府效能。貿易量提升，也意味著更多的錢潮湧入，此時，良好的政策及財務管理，將有助於帶動前所未有的經濟成長。在數據方面，筆者根據時間序列及橫斷面資料，並採用固定效應模型，統計出自 1972 年至 2016 年，貿易開放程度，以及政府效能，對大英國協之加勒比海十二國的經濟成長產生效應之數據，更進一步論證其假設之正確性。

關鍵字：貿易開放，善治，經濟成長，英國協之加勒比海國家

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List of Acronyms

ACP	African, Caribbean and Pacific Group of States
ACS	Association of Caribbean States
BWI	British West Indies
CASSOS	Caribbean Aviation Safety and Securing Oversight System
CARICOM	Caribbean Community
CCJ	Caribbean Court of Justice
CDEMA	Caribbean Disaster Emergency Management Agency
CARIFTA	Caribbean Free Trade Association
CARIBCAN	Caribbean - Canada
CARIFORUM	Caribbean Forum of African, Caribbean and Pacific Group of States
CSME	CARICOM Single Market and Economy
CIA	Central Intelligence Agency
CPI	Corruption Perception Index
ECD	Eastern Caribbean Dollar
EEC	European Economic Community
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FHS	Freedom House Score
GDP	Gross Domestic Product
GDP/Capita	Gross Domestic Product Per Capita
GNI	Gross National Income
HIC	High-Income Countries
HDI	Human Development Index
ISI	Import Substitution Industrialization
LA	Latin America
LDCs	Less Developed Countries
Log	Logarithm
OLS	Ordinary Least Squares
OECS	Organisation of Eastern Caribbean States

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PCSE	Panel-Corrected Standard Error
PTAs	Preferential Trade Agreements
St.	Saint
SDGs	Sustainable Development Goals
TSCS	Time-Series Cross-Sectional
TA	Trading Agreement
ToC	Treaty of Chaguaramas
UN	United Nations
USA	United States of America
UMIC	Upper-Middle Income Countries
USD	USA Dollar
WEF	West Indies Federation
WB	World Bank
WDI	World Development Indicators
WTO	World Trade Organization

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Chapter One: Introduction

1.1 Background and Motivation

The Commonwealth Caribbean is a term used to refer to twelve independent countries that formed part of the British Empire and are geographically located in the Caribbean region. Belize and Guyana are located in the mainland Caribbean while Antigua and Barbuda, Barbados, The Bahamas, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago are island countries spread across the Caribbean region (see Figure 1, p. 10).

Caribbean leaders are cognizant of the relatively small-sized economies they possess when compared to their neighbouring counterparts, and as such have sought for economic and political regional integration and globalization at large. Integration would ensure cooperation between member states and thus prepare them for a competitive world. Numerous regional integration movements have been formed over the years, some are still in existence while others have failed. The Caribbean Community (CARICOM), Organization of Easter Caribbean States (OECS), the Association of Caribbean States (ACS), and CARICOM Single Market and Economy (CSME) are the largest regional integration associations still in existence in the Caribbean region. The establishment of these regional integration associations has made it easier and convenient for these small countries to trade with larger countries, even access other markets far away from the region. Partnership agreements with the European Union (EU), Canada and the United States of America (USA) amongst others, has indeed brought great benefits to the Commonwealth Caribbean countries which enjoy of Preferential Trade Agreements (PTAs) and enjoy lower tariffs (Panagariya, 2002).

However, when analysing the economic growth trends of Commonwealth Caribbean countries post-independence, there exists large economic growth differences amongst them, despite their close similarities in many aspects. So, what really explains the differences? Answering this question is vital, as the findings would enable governments and policy makers to tackle the root cause through the adoption of better policies and strategies, which would induce sustained economic growth to curb poverty and inequality. It is imperative that leaders in developing countries ensure they possess a sustainable economy, since their continuous huge increases in population will make it difficult for them to guarantee adequate food and nutrition alongside good standard of living to their future

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Figure 1. Map of the Caribbean Region.

Source: Congressional Research Service (p. 2) by J. Hornbeck, (2011), U.S.A.

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generations (United Nations, Department of Economic and Social Affairs, 2017). The eradication of poverty in all its forms around the world is the number one target the United Nations (UN) is pursing through the Sustainable Development Goals (SDGs) under the agenda "Transforming Our World-The 2030 Agenda for Sustainable Development." However, in order to eradicate poverty and all its social complications, a country needs to have a strong and sustainable economy for future generations to come. As stated by the Department of International Development (2008), "Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries."

1.2 A Brief Overview: The Commonwealth Caribbean

The discovery of the "New World" in the sixteenth century was an era of grandeur accomplishment by the European colonizers as they were set to spread their might and influence in the region and the world at large. Since the Spaniards were the first colonizers of the New World, the remaining countries of Great Britain, Denmark, France, Portugal and Netherlands, were scrambling to colonize the unoccupied lands, most of which were islands. As per the British, the Empire managed to colonize various part of North America, which constitutes of present day the USA, Canada and few islands scattered in the Caribbean Region. The Caribbean islands came to be-known collectively as the British West Indies (BWI). For over four hundred years, the British Empire controlled and traded the abundant natural resources of these countries, thus deepening the ties culturally, economically, and politically. By the end of the British Empire in the twentieth century, most territories were gaining their independence.

All Commonwealth Caribbean countries gained their independence between 1962 and 1983. Jamaica was the first country to gain independence in 1962 closely followed by Trinidad and Tobago in that same year while St. Kitts and Nevis was the last country amongst the Commonwealth Caribbean to achieve independence in 1983. These new countries came to be-known collectively as the Commonwealth Caribbean, which is a fraction of a greater body, the Commonwealth of Nations. Today, the Commonwealth Caribbean is composed of twelve developing countries situated in the Latin America (LA) (Belize and Guyana) and the Caribbean (Antigua and Barbuda, Barbados, The Bahamas, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago) regions.

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Table 1. Background Information of the Commonwealth Caribbean Countries

Region/Country	Population (thousands)	Land Area (sq. km)	Year of Indep.	System of Government	Official Language	Climate
The Commonwealth Caribbean	6,651	-	-	-	-	-
Antigua and Barbuda	100	440	1-Nov-1981	Parliamentary (Since Independence)	English	Tropical
Bahamas, The	387	13,880	10-Jul-1973	Parliamentary (Since Independence)	English	Tropical
Barbados	284	430	30-Nov-1966	Parliamentary (Since Independence)	English	Tropical
Belize	359	22,970	21-Sep-1981	Parliamentary (Since Independence)	English	Tropical
Dominica	73	750	3-Nov-1978	Presidential (Since Independence)	English	Tropical
Grenada	107	340	7-Feb-1974	Parliamentary (Since Independence)	English	Tropical
Guyana	769	214,970	26-May-1966	Presidential (Since 1970)	English	Tropical
Jamaica	2,872	10,990	6-Aug-1962	Parliamentary (Since Independence)	English	Tropical
St. Kitts and Nevis	54	260	19-Sep-1983	Parliamentary (Since Independence)	English	Tropical
St. Lucia	177	620	22-Feb-1979	Parliamentary (Since Independence)	English	Tropical
St. Vincent and the Grenadines	109	390	27-Oct-1979	Parliamentary (Since Independence)	English	Tropical
Trinidad and Tobago	1,360	5,130	31-Aug-1962	Presidential (Since 1976)	English	Tropical

Source: Compiled by author.

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Their geographic location together with their historic ties to Great Britain, the Commonwealth Caribbean countries share multiple similarities (See Table 1, p. 12). Sharing the same geographic location enables all countries to share same tropical climatic conditions and similar, with minor variations the "Caribbean culture." The Commonwealth Caribbean countries are considered small size countries since their surface area range from 214, 970 square kilometres - Guyana being the largest, to 260 square kilometres - St. Kitts and Nevis being the smallest. Their small surface area also compliments their small population. The most populous country amongst the Commonwealth Caribbean country is Jamaica with 2.9 million people and the least populous country is St. Kitts and Nevis with .054 million people. English is the official language of all twelve countries and nine Commonwealth Caribbean countries still maintain the same government type as Britain- parliamentary democracy with a Commonwealth Realm. In terms of religion, Christianity continues to be the dominant religion with the most believers and followers in all the Commonwealth Caribbean countries.

1.3 Economic Growth and Development

The introduction of the production and cultivation of sugar cane as an export commodity by Dutch traders in the 16th century marked the birth of trading relations of Commonwealth Caribbean countries to the rest of the world. The following Tables 2, 3 and 4 provide the evolution of the composition of economies of Commonwealth Caribbean countries since 1980.

In Table 2 (p. 14), we can observe the share of agriculture in Gross Domestic Product (GDP) of all Commonwealth Caribbean countries. With the exception of Guyana, since the 1980s, there has been a consistent overall decrease in the share of agriculture in the GDP of countries. In 1980, almost a quarter of Guyana's GDP was composed of agricultural products. Since 1990, agricultural products, mainly rice and sugar, compose a third of Guyana's GDP. Amongst the Commonwealth Caribbean countries, this makes Guyana as the country with the highest shares of agriculture in their GDP. As of 2015, Guyana continued to have the highest agriculture share in their GDP with 34.5% followed by Dominica 16.91% and Belize 14.91%. The main agricultural export in Belize are sugar, banana and citrus, while in Dominica the main agricultural export is banana. The remaining countries have below 9% agriculture share in their GDP with most notable, Trinidad and Tobago and Bahamas having less than 1%. Most of these decreases can be attributed to two reasons. One, many are small island

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Table 2. Share of Agriculture* in GDP (%)

Country	1980	1990	2000	2010	2015
Antigua and Barbuda	3.46	2.05	1.77	1.89	1.93
Bahamas, The	-	2.55	2.85	2.31	0.93
Barbados	-	3.83	2.30	1.47	1.51
Belize	27.44	19.98	17.37	13.22	14.91
Dominica	30.68	25.01	13.32	13.91	16.91
Grenada	18.62	10.56	5.99	5.23	8.67
Guyana	23.35	38.08	31.09	35.62	34.50
Jamaica	-	-	7.04	6.14	7.51
St. Kitts and Nevis	9.94	4.15	1.73	1.59	1.21
St. Lucia	9.98	11.60	5.85	2.53	2.40
St. Vincent and the Grenadines	11.23	16.39	8.57	7.18	7.39
Trinidad and Tobago	-	2.62	1.41	0.54	0.53

**Agriculture includes farming, fishing, hunting, and forestry.*
Source: *World Bank (2018), World Development Indicators.*

countries that have limited arable land and two, this limitation pushes them to diversify their economies and as such explore other venues.

Table 3. Share of Manufacturing* in GDP (%)

Country	1980	1990	2000	2010	2015
Antigua and Barbuda	4.50	2.90	1.81	2.50	3.03
Bahamas, The	-	4.39	5.54	4.03	2.61
Barbados	-	11.58	8.92	6.37	3.81
Belize	23.91	13.09	10.87	14.05	8.25
Dominica	4.80	7.15	7.68	2.86	3.23
Grenada	2.71	5.06	5.26	4.00	3.99
Guyana	12.13	10.31	8.15	45.59	45.93
Jamaica	-	-	10.60	9.01	9.36
St. Kitts and Nevis	10.02	9.36	7.84	10.39	7.70
St. Lucia	8.88	6.63	4.25	3.17	2.40
St. Vincent and the Grenadines	8.58	8.04	5.82	5.70	5.71
Trinidad and Tobago	-	14.04	7.35	6.30	5.96

**Manufacturing includes mining, energy production, and construction.*
Source: *World Bank (2018), World Development Indicators.*

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Unlike agriculture, which played an integral role in the economies of many Commonwealth Caribbean countries even before independence, the manufacturing sector is relatively less. Table 3 (p. 14) shows the manufacturing share in GDP and from here we can observe that in 1980, Belize, Guyana and St. Kitts and Nevis possessed largest share of manufacturing in GDP with 23.91%, 12.13% and 10.02% respectively. In the years that followed 1980, all countries, including Belize, Guyana and St. Kitts and Nevis, saw decreases in the share of manufacturing in GDP. As of 2015, all these countries, with the exception of Guyana, had their share of manufacturing in GDP less than 10%. Manufacturing in Guyana has gained a remarkable 45.93% GDP share making Guyana the country with the largest share of manufacturing in GDP. Gold, bauxite, food processing are the main manufacturing industries in Guyana.

Table 4. Share of Services* in GDP (%)

Country	1980	1990	2000	2010	2015
Antigua and Barbuda	81.81	81.92	82.85	79.32	79.50
Bahamas, The	-	81.04	79.60	81.41	87.84
Barbados	-	75.36	80.06	84.93	88.86
Belize	41.69	57.83	62.06	65.11	68.27
Dominica	48.38	56.38	68.93	71.89	69.59
Grenada	69.86	73.63	73.25	77.73	76.93
Guyana	40.87	37.04	39.88	57.63	58.89
Jamaica	-	-	67.43	72.93	69.68
St. Kitts and Nevis	67.75	67.38	68.21	70.06	70.44
St. Lucia	68.15	72.96	76.77	83.38	84.56
St. Vincent and the Grenadines	69.78	64.65	71.69	73.34	74.44
Trinidad and Tobago	-	50.20	49.10	43.15	59.03

**Services include government activities, communications, transportation, finance, and all other private economic activities that do not produce material goods. Source: World Bank (2018), World Development Indicators.*

As seen in Table 4, the services sector has overtaken the economies of all countries and thus become the chief economic activity of almost all Commonwealth Caribbean countries. Unlike agriculture and manufacturing, the services sector has since portrayed a steady rise since 1980. This increase might be attributed as the Caribbean's rise as a tourist destination. As of 2015, most Commonwealth Caribbean countries have the share of service in their GDP greater than 70%. The increase in the services sector is because many countries

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are venturing into financial services and tourism. Guyana and Trinidad and Tobago are the only countries that have less than 60% share of service in their GDP.

As seen in previous Tables 2, 3 and 4, all Commonwealth Caribbean Countries have grown and diversified their economies to survive in the competing world markets. However, despite having similar economic activities (See Appendix A), there still exist varying degrees in economic growth.

Table 5. GNI per capita and income level as of 2016

(Ranking from lowest to highest GNI)

Country	GNI per capita (USD)	Income Level
Guyana	$4,240	Upper middle income
Belize	$4,360	Upper middle income
Jamaica	$4,630	Upper middle income
St. Vincent and the Grenadines	$6,770	Upper middle income
Dominica	$7,110	Upper middle income
St. Lucia	$8,400	Upper middle income
Grenada	$9,100	Upper middle income
Antigua and Barbuda	$13,560	High-Income
Barbados	$15,210	High-Income
St. Kitts and Nevis	$15,690	High-Income
Trinidad and Tobago	$16,240	High-Income
Bahamas, The	$26,490	High-Income

Source: World Bank (2018), World Development Indicators.

According to the World Bank (WB) (2017), five of the twelve Commonwealth Caribbean countries (Antigua and Barbuda, The Bahamas, Barbados, St. Kitts and Nevis, and Trinidad and Tobago) are High-Income Countries (HIC) while the remaining seven (Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, and St. Vincent and the Grenadines) are Upper-Middle Income Countries (UMIC). The World Bank's classification of HIC means that these countries have a Gross National Income (GNI) per capita of $12,236 USD or more

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and enjoy a large economy, high quality of life, up-to-date technological advancement and best infrastructure amongst others when compared to other countries outside the range. These five countries have gone far beyond in ensuring that they achieve optimum growth and development. (See Table 5, p. 16).

In regards to the GDP per capita, it is no lie that all countries have undoubtedly experienced an increase in the GDP per capita since their independence. For the twelve countries in the study, Table 6 compares their GDP per capita in constant 2010 USD from the year of their independence to the year 2016. Additionally, the table posits the percent change between the years aforementioned.

Table 6. Comparison of GDP per capita at year of Independence to year 2016

(Ranking from lowest to highest GDP per capita in 2016)

Country	Year of Independence	GDP Per Capita at Independence	GDP Per Capita in 2016	Percent Change
Guyana	1966	$ 1,738	$ 3,784	118%
Belize	1981	$ 2,265	$ 4,328	91%
Jamaica	1962	$ 3,788[a]	$ 4,790	26%
St. Vincent and the Grenadines	1979	$ 2,287	$ 6,677	192%
Dominica	1978	$ 2,784	$ 6,881	147%
St. Lucia	1979	$ 3,692	$ 8,152	121%
Grenada	1974	$ 2,946[b]	$ 8,676	195%
Antigua and Barbuda	1981	$ 5,597	$ 13,316	138%
St. Kitts and Nevis	1983	$ 5,227	$ 15,657	200%
Barbados	1966	$ 6,266[c]	$ 16,243	159%
Trinidad and Tobago	1962	$ 5,692	$ 16,259	186%
Bahamas, The	1973	$ 19,435	$ 19,991	3%

Note: GDP per capita in constant 2010 USD

a: Data for the year 1966;

b: Data for the year 1977;

c: Data for the year 1965

Source: World Bank (2018), World Development Indicators (WDI).
Compiled by author.

Similar to the GNI per capita in 2016, Antigua and Barbuda ($13,316), St. Kitts and Nevis ($15,657), Barbados ($16,243), Trinidad and Tobago ($16,259) and The Bahamas

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($19,991) are positioned on the upper top of the list with a GDP per capita in 2016. Conversely, Guyana ($3,784), Belize ($4,328), Jamaica ($4,790), St. Vincent and the Grenadines ($6,677), Dominica ($6,881), St. Lucia ($8,152) and Grenada ($8,676) are positioned on the lower bottom of the list with a GDP per capita in 2016.

As it regards to percent change of GDP per capital from the year of their independence to the year 2016, interestingly most countries have more than doubled their GDP per capita. St. Kitts and Nevis, Grenada, and St. Vincent and the Grenadines have seen the highest percent increase in their GDP per capita with over 190%, while Barbados**,** Jamaica and Belize have experience the lowest percent increases in their GDP per capita since their independence.

The differences in economic patters have greatly affected the development of countries. Table 7 (p. 19) provides and overview of the standings of Commonwealth Caribbean Countries across multiple social indicators. As of 2015, Dominica had the highest infant mortality rate while Antigua and Barbuda had the lowest with 30.20% and 5.30% respectively. In terms of enrolment rate in educational institutions, Dominica had the highest enrolment rate in primary school – 116.01%, St. Vincent and the Grenadines had the highest enrolment rate in secondary school – 106.44% and Grenada had the highest enrolment rate in tertiary school – 91.15%. Almost all countries, with the exception of Guyana, had a life expectancy above 70 years. In terms of unemployment rate, St. Lucia had the highest unemployment rate with 24.10% while Trinidad and Tobago had the lowest with 3.40%. Despite having similar performances in the indicators, the huge disparity comes from the Human Development Index (HDI) ranking. As for 2015, Antigua and Barbuda, The Bahamas, Barbados, and Trinidad and Tobago have the best standings compared to their counterparts as they rank in the top 65 in the HDI rankings amongst 192 countries in the world. All other countries rank lower than 65, with the lowest ranking being Guyana in the 127 position.

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Table 7. Social Indicators for Commonwealth Caribbean Countries

(Figures for 2015 unless otherwise stated)

Country	Infant Mortality Rate (per 1,000 live births)	Primary School Enrolment (% gross)	Secondary School enrolment (% gross)	Tertiary School Enrolment (% gross)	Life expectancy (years)	Unemployment Rate (%)	Human Development Index** Rank
Antigua and Barbuda	5.30	97.05	102.71	16.23*	76.07563	-	62
Bahamas, The	9.00	107.90*	92.63*	-	75.36878	12.00	58
Barbados	11.70	99.71*	101.90*	69.81*	75.6379	11.40	54
Belize	13.40	113.14	80.79	23.29	70.31098	10.00	103
Dominica	30.20	116.01	100.49	-	-	-	96
Grenada	14.20	104.87	99.18	91.15	73.49954	-	79
Guyana	27.60	85.37*	88.64*	13.07*	66.53937	11.70	127
Jamaica	13.60	-	82.11	27.22	75.80668	13.50	94
St. Kitts and Nevis	8.00	82.51	90.39	79.56			74
St. Lucia	12.10	-	85.14	16.77	75.28351	24.10	92
St. Vincent and the Grenadines	15.70	104.52	106.44	-	73.06495	18.20	99
Trinidad and Tobago	17.00	106.16*	-	-	70.58885	3.40	65

**Data for 2010.*

*** Data from United Nations Development Report 2016.* Source: *World Bank (2018), World Development Indicators*

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Table 8 (p. 21) summarizes the similar characteristics that the Commonwealth Caribbean countries share. These similarities are what make the Commonwealth Caribbean countries a peculiar set of countries. All countries are located in the Caribbean region with the same tropical climatic conditions, are past British colonies, gained their independence in the years between 1960 and 1980, have English as their official language, and are CARICOM member states. We can also observe the two differences amongst these countries is the system of government and the population size. Nine countries have a Parliamentary system with a Commonwealth Realm while the remaining three countries have a Presidential system of government. Population size as explained before is relatively the same across all countries, except for Jamaica and Trinidad and Tobago that have over two million and one million people respectively.

In summary, this section provides an overview of the economic growth and development the Commonwealth Caribbean countries have underwent since their independence. We have observed how the composition of the economies and the economic activities of these countries have evolved over the years and how such change have effect their economic growth and development.

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Table 8. Similar characteristics amongst the Commonwealth Caribbean Countries.

(In Alphabetical Order)

Country	British Colony	Independence Period: 1960s-1980s	Parliamentary system; a Commonwealth Realm	English-Official Language	Caribbean Region	Tropical Climate	Population less than 1 million	CARICOM Member
Antigua and Barbuda	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bahamas, The	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Barbados	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Belize	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dominica	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Grenada	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Guyana	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Jamaica	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
St. Kitts and Nevis	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Lucia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Vincent and the Grenadines	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Trinidad and Tobago	Yes	Yes	No	Yes	Yes	Yes	No	Yes

Source: Compiled by author

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1.4 Research Question

Caribbean leaders are cognizant of the relatively small sized economies they possess compared to their neighbouring counterparts, and as such have sought for economic and political regional integration and globalization at large. Integration would ensure cooperation between member states and thus prepare them for a competitive world. To tap into the opportunity, Commonwealth Caribbean Countries have grown and diversified their economies to survive in the competing world markets. Even after various trade agreements in place, similar economies, and so many similar characteristics, there exists varying differences in the economic growth trend amongst Commonwealth Caribbean countries post-independence.

Figure 2 (p. 23) illustrates the different economic growth (in GDP per capita constant 2010 US$) trends experienced by countries starting from 1960 to 2016. As of 2016, St. Kitts and Nevis has a GDP per capita greater $15,000, positioning them at the top of all Commonwealth Caribbean Countries. The Bahamas, Antigua and Barbuda, Barbados and Trinidad and Tobago follow in that order with their GDP per capita greater than $10,000 USD but less than $15, 000 USD. The remaining countries all have less than $10,000 USD GDP per capita. Countries such as Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia ad St. Vincent and the Grenadines have had a rather very slow growth in GDP when compare to their counterparts, which have, experienced steeped increases. The 2007-2008 financial crisis had negative effects on the economies of all Commonwealth Caribbean countries since a downward dip can be observed for that period. However, even after the financial crisis, countries such as Antigua and Barbuda and St. Kitts and Nevis have seen a steady increase in their GDP per capita.

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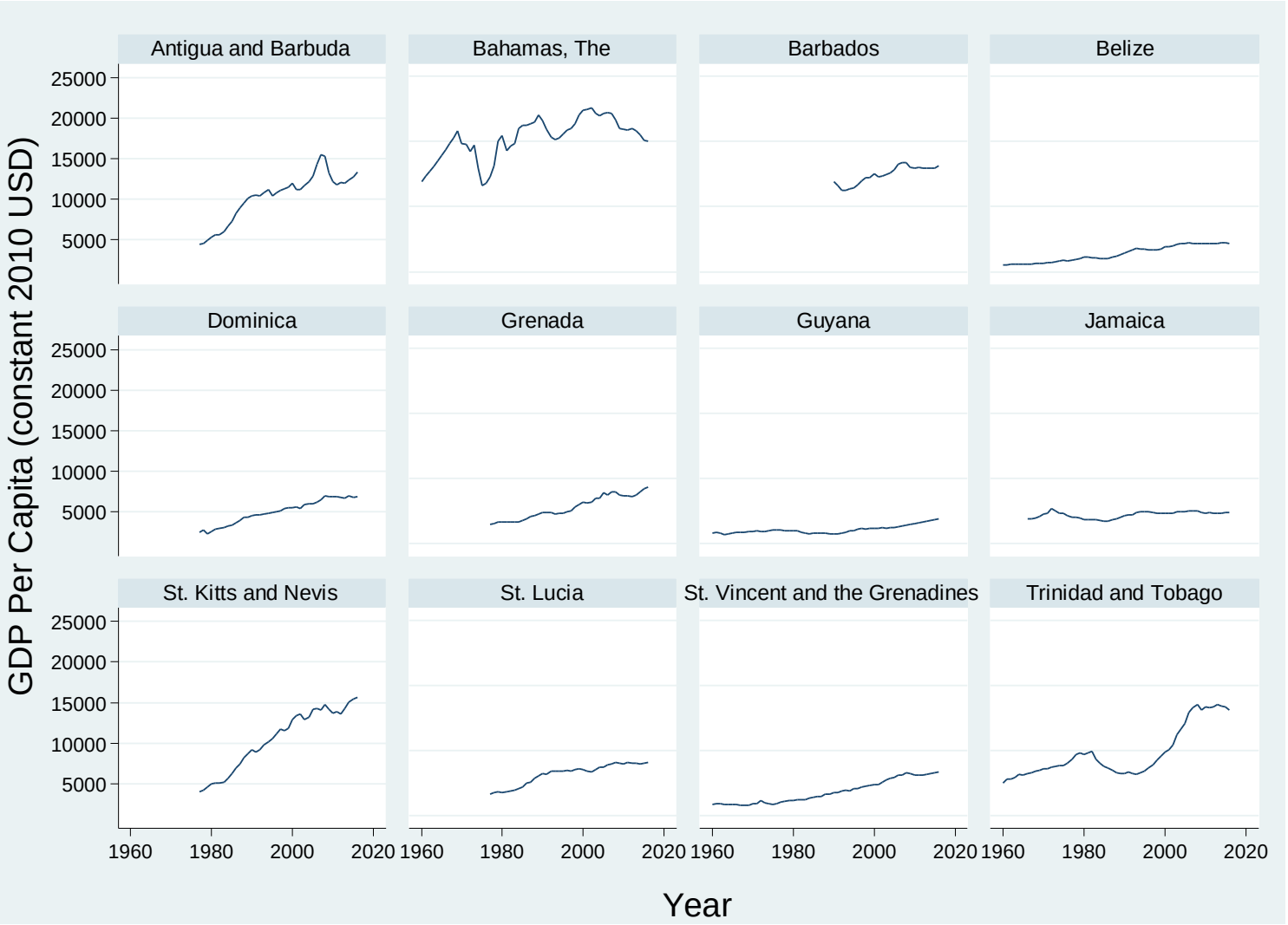

Figure 2. Economic growth of the Commonwealth Caribbean countries, 1960-2016.

Produced by the author using data from The World Bank (2018), World Development Indicators.

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Even after various trade agreements in place (See Table 10, p. 50), similar economic activities (Appendix A), and so many similar characteristics (See Table 8, p. 21), there exists varying differences in the economic growth trends Figure 2 (p. 23) of the Commonwealth Caribbean countries post-independence.

Given their similar characteristics and similarities in their economies, why did these twelve countries all experienced different economic growth patterns? With similar backgrounds together with an under-researched literature, the author's main research question is,

What explains the different degree of economic development trends amongst the twelve Commonwealth Caribbean Countries?

1.5 Thesis Structure

The thesis is organized into five chapters. Chapter One introduces the study by outlining the general background on the topic and the motivation behind the study. It proceeds by elaborating on the peculiarities that bind the Commonwealth Caribbean countries. The researcher also provides a historical overview of the Commonwealth Caribbean Countries pre and post-independence, summary of the evolution of politics of regional economic integration that then led to globalization and an overlook of the economic trend these countries have experienced post-independence. Finally, yet importantly, this chapter outlines the researcher's main research question, the importance and implications of the findings of this research.

Chapter Two provides a review of the literature. Firstly, provides a brief elaboration on the theories of economic growth followed by a summary on the fundamental sources of economic growth and development across all countries. It will then narrow it down by reviewing the existing literature explaining the economic growth patterns of the Caribbean countries and brief discussion about the shortcomings of the above literatures.

Chapter Three will focus on discussing the importance of globalization and trade openness in fostering economic growth and development. The author will further elaborate on his theoretical argument - the interaction effect trade openness and good governance have economic growth and development. It explains why it is imperative that Commonwealth Caribbean Countries and other developing countries observe the benefits obtained through

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the interaction of trade openness and good governance. Why having only one single factor, countries cannot expect to gain many benefits.

Chapter Four introduces the research hypothesis and the empirical methodology employed for the research. It elaborates on the variables used as well as their respective data sources. It concludes by providing some statistical results and a brief discussion on the findings.

Finally, Chapter Five wraps up the thesis by providing a summary of the research topic, the hypothesis and findings. It also includes the implications this study has and provides some policy and future study recommendations.

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Chapter Two: Literature Review

The literature is divided into three sections. The first section provides a brief elaboration on the theories of economic growth starting from the classical period. The subsequent section elaborates on the fundamental sources of economic growth and development. The last section the provides a review of the existing literature on economic growth and development in the Commonwealth Caribbean countries together with the author's critique on how these have failed to answer the research question.

2.1 Theories of Economic Growth

With its origin in the 18th century, the idea that trade openness as an engine for economic growth was first brought about by Adam Smith on his book, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Edwards, 1993). This book gave birth to the Classical Economic Growth Theory at trying to explain economic growth through trade openness, specialization and division of labour. This can be see and explained on *Adam Smith's Virtuous Cycle of Growth*. Smith (1776) argued that the division on labour makes each employee an expert in their own area of production, which in turn makes production run smoothly and saves time and money for a company. With production running smoothly, there is increase in production by over two hundred percent, which then leads to an increase in employee's income. The increase in employee's income would then lead to an increase in its demand, with more disposable income people are able to afford more products. While the demand for the product increases, the company would need to implement and meet the demand by increasing the supply. With a surplus of products, there is an opportunity for international trade. One of the benefit of conducting international trade, Smith argued, would imply more specialization. The gains of specialization would be in the adaptation of newer methods and tools to improve products and services. Overall, international trade would consequently increase profits and contribute to raise welfare and growth of a nation (Smith, Adam, 1776).

In summary, Adam Smith (1776) alongside other classical economists, most notably David Ricardo (1772-1823), argued that increasing specialization together with the division of labour and international free trade, a country will experience accelerated economic growth.

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However, the Great Depression of the 1930s mobilized economists to find other theories for economic development and consequently gave rise to the Neo-Classical Growth Theory.

In 1956, Robert M. Solow's article "*A Contribution to the Theory of Economic Growth*" shed new recommendations on newer ways to enhance economic growth. In this same year, both Solow (1956) and Swan (1956), independently argued that for a country to experience long-run economic growth, the production function needs to be composed of three important factors: labour (population growth), capital (accumulation) and technology (increase in productivity). This economic growth model function came to be-known as The Solow-Swan Model. The Solow-Swan Model: $Y = AF(K, L)$ where Y = Output, K = the stock of capital, L = labour, and A = technology.

International trade would then enable the easy movement of people and money and certainly increase the flow of new and innovative ideas. Producers tend to travel across the globe in search for better facilities and mechanization to improve the quality and efficiency of their products. There is also an exchange of knowledge, both at the technological and research levels. Nelson and Phelps (1966) state that in order to speed up production, managers should adapt new techniques of production. This in turn would make the economy more technologically progressive and bring higher gains to the country's economy. In summary, the neoclassical growth theory states that a nation experiences long economic growth only through an increase in the proportion of GDP invested while at the same time employing innovative technologies to catapult production and consequently the economy.

The new growth theory is similar to the neoclassical growth theory. However, this theory places importance on the development of human capital and assumes that peoples' desire for greater profits brings about economic growth. Economist argue that this theory is about competition amongst the population, rather than amongst businesses. People will compete with each other to stay at the top of the game and this competition will then pressure business for newer and innovated goods and services. At the end of the day, business would need to incorporate innovative technologies to keep up with demand. Thus, increasing productivity and human development through education and higher incomes (Yanikkaya, 2003). This is contrary to the neoclassical growth theory, which claims that business are the ones who should start incorporating newer and innovative technologies.

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2.2 Determinants of Economic Growth and the Commonwealth Caribbean

The varying differences in economic growth and development seen across countries, especially LA and East Asia countries, during the second half of the twentieth century has given rise to a new debate amongst economists. What really explains the different levels of economic growth and development? As stated by Banerjee, Bénabou, and Mookherjee (2006):

> Poor countries, such as those in sub-Saharan Africa, Central America, and South Asia, usually lack functioning markets, have poorly educated populations, and possess outdated or non-existent machinery and technology. These are, however, only proximate causes of poverty, in turn begging the question of why these places don't have better markets, human capital, machinery, and technology. There must be some fundamental causes of poverty leading to these outcomes and, through these channels, to poverty. (p. 19)

In trying to answer this phenomenon, economists have drawn four sources - geography, culture, luck, and institutions, which they classify as the “fundamental sources of economic growth” or the “deep determinants of economic growth” and which they argue are the main explanations in the difference of patterns of growth amongst developed and developing countries. Over the years, they have all been widely debated.

Geography

The geography hypothesis as stated by Banerjee et al. (2006) “maintains that the climate, geography, and ecology of a society's location shape both its technology and the incentives of its inhabitants.” They argue that each one of these components significantly shapes a country’s economy. Depending on their geographic location, countries are forced to adapt agriculture systems which suite their climate. We all know that plants grow and bear fruits depending on the climate they have. With this in place, to increase productivity and trade, farmers will be obliged to adapt new and expensive innovative technologies according to their climate. However, due to the high cost in purchasing and maintaining these technologies, especially in tropical climates, may result in very few farmers adapting them. Consequently, failing to adapt newer innovative technologies would result in failure or low agriculture production.

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On their study Gallup, Sachs, and Mellinger (1999) analysed the role a country's geographic location (land area, location of country (tropics), population (within 100 kilometres of the coast, population within 100 kilometres of the coast or ocean-navigable river, percent of population in landlocked area), and a country's proximity to core markets in Europe etc.) has on the economies (GDP per capita) of 150 countries whose population was greater than 1 million in 1995. They found strong evidence supporting the hypothesis that geography plays an important role in the development of countries. They noted that countries near the tropics, especially countries in Africa and Central America and the Caribbean, are less developed and prone to many challenges. Countries in the Tropics are very distant of advanced economies (Europe) for trading, have high temperatures that challenges agriculture production, have high population growth rates, and are more vulnerable to diseases such as malaria which hinders the healthiness of their population. Therefore, they concluded that:

> Location and climate have large effects on income levels and income growth through their effects on transport costs, disease burdens, and agricultural productivity, among other channels. Geography also seems to affect economic policy choices. Many geographic regions that have not been conducive to modern economic growth have high population densities and are experiencing rapid increases in population. (p. 179)

Rodrik (2002) also contends the importance of latitude and proximity to navigable waters as important components of the geography hypothesis, especially as it relates to access to the water for easy access to other markets for international trade. With the easy movement of people and money, there is certainly an increase in flow of new and innovative ideas. Producers tend to travel across the globe in search of better facilities and mechanization to improve the quality and efficiency of their products. There is also an exchange of knowledge, both at the technological and research levels. Moreover, Rodrik (2002) posits that a country's geographic location "plays a direct and obvious role" in determining a country's income. For countries, whose main dependence is natural resources (agriculture, oil, diamonds, and copper) they need to be competitive on the international market. Thus, the only way to be competitive in the international market is to have high quality natural resources. However, he states, "the quality of natural resources depends on geography."

Rodrik, Subramanian, and Trebbi (2004) further empathized the role geography plays on a country's economic growth and development:

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> Geography is a key determinant of climate, endowment of natural resources, disease burden, transport costs, and diffusion of knowledge and technology from more advance areas. It exerts therefore a strong influence on agriculture productivity and quality of human resources. (p. 132)

Providing a contrary to the geography hypothesis is Acemoglu and Robinson (2013, Chapter 2). Acemoglu and Robinson (2013) state that the geography hypothesis, cannot explain the difference between North and South Korea, Chile and Bolivia or even that of the Nogales. As per these examples, these places both share the same geographical location and climate, but different governments.

Critique:

Does the geography hypothesis explain the economic difference amongst Commonwealth Caribbean countries? I believe the geography hypothesis falls short in answering this question. The geographic location of the Commonwealth Caribbean countries ensure all countries share multiple geographic characteristics. Frist of all, they all share the same type of tropical climate and all are located in the Atlantic Hurricane Belt making all of them prone to hurricanes every year. Severe weather such as drought, excess rain, hurricanes and storms significantly affect the economies of countries, but all these countries are adapting newer and similar technologies to confront these weather phenomena and produce quality goods and services. Secondly, with most countries being islands countries (exception of Belize and Guyana) all other countries share similar type of terrain and land area. Sharing the same type of terrain means that these countries possess abundance of natural resources and minerals. For example, Belize has little mineral resources, but abundance of arable land and beaches that attract tourism, while Jamaica and Trinidad and Tobago possess abundance of mineral resources. Thirdly, located between North American and South America gives the Commonwealth Caribbean countries every advantage to trade with these countries as all Commonwealth Countries have access to navigational water. Belize and Guyana are to benefit the most since both are situated mainland, which gives them access to both land and water trade routes.

With these characteristics and more, we can observe how the geography hypothesis falls short in explaining the different economic growth patterns amongst the Commonwealth Caribbean Countries.

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Culture

Globalization has created a more inter-connected planet enabling easier and faster mobility of people. This inter-connectedness has created a "melting pot" of culture, history, religion, and ideas for 7 billion people. However, despite this inter-connectedness and many external pressures, there are countries and societies that have still maintained their cultures intact. Granato, Inglehart, and Leblang (1996) defined culture as "a system of basic common values that help shape the behaviour of the people in a given society (p. 608)."

The culture hypothesis states that a country's culture (beliefs, preferences and values) rather acts as a catalyst towards economic growth. For example, the values passed on within the family can influence the choice of profession a person may undertake. In the case of a women who has been grown in a very conservative home where the idea is that the "women belongs in the kitchen" greatly hinders her professional development. This then limits her job preferences and thus results as a hindrance which keeps her from embracing a profession she would like to obtain, and rather follows a profession which her family and society think fits her perfectly. Scholars Granato et. al (1996) further supported the culture hypothesis in their study. The argued, "Cultural attitudes toward achievement and thrift have a positive effect on economic growth." Conducting an empirical analysis based on data of 25 countries to measure the correlation between culture and economic growth and using various variables as measurement of culture, they found robust correlation. They stated:

> That is, controlling for human and physical capital investment, poorer nations grow faster than richer nations; (2) investment in human capital (education spending) has a positive and statistically significant effect on subsequent economic growth; and (3) increasing the rate of physical capital accumulation increases a nation's rate of economic growth. (p. 616)

Granato et. al (1996) further elaborated on the findings by arguing that in countries and societies where thrift and savings are encouraged contribute to economic growth. That is, these mechanisms further lead to investment and, a country's economy is highly dependent on investments.

Acemoglu (2008) argues that one of the major difference between cultures is religion. "Differences in religious beliefs across societies are among the clearest examples of cultural differences that may affect economic behaviour (Acemoglu, 2008)." Granato et. al (1996)

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also support this argument by endorsing Weber's (1904-1905) argument that religion plays a role in economic growth through the fuelling of capitalism:

> Protestant Europe manifested a subsequent economic dynamism that moved it far ahead of Catholic Europe. Shifting trade patterns, declining food production in Southern Europe and other factors also contributed to this shift, but the evidence suggests that cultural factors played a major role. Throughout the first 150 years of the Industrial Revolution, industrial development took place almost entirely within the Protestant regions of Europe, and the Protestant portions of the New World. It was only during the second half of the twentieth century that an entrepreneurial outlook emerged in Catholic Europe and in the Far East. Both now show higher rates of economic growth than Protestant Europe. (p. 610)

Studying other cultural factors that influence economic growth, Marini (2004) analysed the role of 'achievement motivation' and 'trust syndrome.' The "achievement motivation" as stated by McClelland (as cited by Marini, 2004) is "wanting to do well, with respect to standards of excellence." They further elaborated that wanting to excel in life pushes people out of their comfort zone to be independent. This idea then leads to economic growth, as the individual grows, so does the economy.

The "trust syndrome" is defined as having trust in the people and society around you. Having their trust and vice versa, promotes economic growth through the implementation of new modern advances. Marini (2004) exemplifies by comparing "traditional societies" versus "modern societies." He states that:

> Traditional societies were neither better nor worse than modern ones, but that the absence of modern technologies led to a 'limited-good' syndrome, where each family, at war with the other, tries to maximize its own material advantage (amoral familism). This restricted range of sociability constitutes an obstacle to economic progress, because economies, to work properly, need trust among impersonal agents. (p. 769)

In his empirical study, Marini (2004) found strong support for his argument that both factors, 'achievement motivation' and 'trust syndrome', are highly correlated with economic growth and as such are necessary for the advancement of economies.

Critique:

However, contrary to the arguments of these scholars, Acemoglu & Robinson (2013) argue that the other cultural elements - religion, value and ethics - are not explanatory

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variables for understanding poverty and inequality and thus explaining the difference in economic growth amongst countries. The authors argue that the culture hypothesis cannot explain the different level of prosperity between the high-income countries of Argentina and Chile versus the low-income countries of Bolivia and Peru. Interestingly, these four countries share the same Spanish-language, Latino culture and to some extent same history (Acemoglu & Robinson, 2013).

Looking at the Commonwealth Caribbean countries, the culture hypothesis cannot hold. Given their historical background, Commonwealth Caribbean countries have very similar culture characteristics. As British Colonies, Commonwealth Caribbean countries share similar colonial histories and all have English as their official language. Additionally, the majority of their populations are Christians and all are composed of diverse races including a small size of indigenous people, giving them similar traditions and believes. To this, it would be deceitful to accept the culture hypothesis in explaining the different economic growth trends amongst Commonwealth Caribbean countries.

Luck

Acemoglu (2008) states that the luck hypothesis as:

> Set of fundamental causes that explain divergent paths of economic performance among otherwise-identical countries, either because some small uncertainty or heterogeneity between them have led to different choices with far-ranging consequences, or because of different selection among multiple equilibria. (p. 110)

Acemoglu (2008) further elaborates that the multiple equilibria countries are faced with and the choices they make, is what explains the different level of economic growth. Despite having similar characteristics, the choice countries take have different economic impacts. For those whose choices had positive impacts, he calls them luck. For example, a country may decide to adopt technology. Those who adapt technology are faced with human and physical investment, which are good for a country's economy.

Calvo and Mendoza (1999) and Spilimbergo (1999) (as cited by Jadresic & Zahler, 2000) hypothesised that Chile's rapid economic growth in the 1990s was due to the luck hypothesis. "This accomplishment was to a large extent the result of a favourable external environment, characterized by abundant capital inflows due to a temporary decline in industrial-country interest rates, and allegedly favourable terms of trade. (p. 1)"

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In their study, analysing the economies of countries after taking into account the polices and external shocks that affect a country's economy, Easterly et al., (1993) found that some countries are really fortunate or "lucky" to experience economic growth despite the shocks. The external shocks countries receive not always positively impacts the economies of countries. "Shocks, especially terms of trade shocks, statistically explain as much of the variance in growth rates over l0-year periods as do country policies (p. 481)."

Critique:

Does the luck hypothesis explain the different economic growth patterns amongst the Commonwealth Caribbean? Although the luck hypothesis might explain the economic growth in countries such as Trinidad and Tobago that is rich in oil reserves, it does not explain why countries such as Guyana and Jamaica, which are also rich in gold and minerals, are struggling with their economy. While these three countries are fortunate to have natural minerals and oils, only Trinidad and Tobago has a GNI and GDP per capita. If the luck hypothesis were to hold, then we would expect that both Guyana and Jamaica have GNI and GDP per capita. This is not the case. On the contrary, countries such as Antigua and Barbuda, The Bahamas, Barbados, and St. Kitts and Nevis where natural minerals and oil is none existent have experienced significant economic growth, positioning them with a high GNI and GDP per capita. Therefore, it is very optimistic to conclude that the luck hypothesis can explain the different economic growth rate amongst Commonwealth Caribbean countries.

As it relates to external shocks as being the luck and help in explaining the different economic growth rate, this is not the case. On the contrary, as CARICOM and CSME member countries, all countries continue to equally enjoy the benefits of the different preferential trade agreements. And if shocks, like the 2007/2008 world financial crisis, were to repeat itself, this would have a negative impact on the economies of all countries. The economies of all Commonwealth Caribbean Countries were significantly affected. However, even after the shock countries still managed to recuperate. Since the Commonwealth Caribbean countries all form part of the CARICOM and CSME blocks, any trade related shock would be felt across all countries.

Political Institutions

Lastly, yet another important determinant of economic growth are institutions. Acemoglu (2008) defines institutions as "rules, regulations, laws and policies that affect

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economic incentives and thus the incentives to invest in technology, physical capital and human capital (p. 111)."

Acemoglu (2008) further elaborates that institutions act as channels through which economic growth and development be achieved. It is true, that in most, if not all countries, citizens are governed by rules and regulations, which they did not asked for. However, these indifferences amongst the population can function as an engine to bring about reforms and changes that would produce better outcomes. Citizen's willingness to organise and demand reforms so that they are able to prosper. Thus, the role of institutions is to enforce these new reforms. Acemoglu (2008) further reminds us that we must be cognizant that not all reforms would produce good outcomes, but be happy that at least we may have a possibility of a good outcome.

Ogilvie and Carus (2014) state that even parliamentarians influence institutions. They elaborated on the case of England and the important role wealthy parliamentarians played in creating the perfect preconditions for the Industrial Revolution. They further posit that institutions do act as catalysts for economic growth. "Historical evidence suggests strongly that although markets are required for economies to grow, public-order institutions are necessary for markets to function (p. 404)." Ogilvie and Carus (2014) also briefly elaborated on the role of property rights as a mechanism for economic growth. They contend that property rights are the "single most important institutional influence on economic growth at least since medieval times (p. 405)."

Focusing on the Commonwealth Caribbean countries, does the British colonial rule explain the different ecnomic growth patterns? What are the long term effects of the British colonial rule on the institutions and ecnomic development of Commonwealth Caribbean post-independence? Acemoglu, Johnson, and Robinson (2001) and Kohli (2009) have all tried to answer this question. On their study Acemoglu, Johnson, and Robinson (2001) analysed the effect European colonizers had on institutions of their previous colonies across the world. They theorized the idea of inclusive and extractive institutions.

Inclusive institutions or governments are more likely to be economically successful, as states would care for its citizens' welfare. This means that inclusive institutions and government will invest more in public goods such as education and health amongst others. They stated that "countries with better "institutions," more secure property rights, and less distortionary policies will invest more in physical and human capital, and will use these

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factors more efficiently to achieve a greater level of income (p. 1369).” Through this, investment would then uplift the economic standards of the country as a whole. Inclusiveness is measured through the degree of democracy, popular participation of government, or protection of human rights. Extractive institutions, on the other hand, are less concerned about the welfare of the society, but rather interested in self-gain, i.e. extracting the state’s wealth for personal benefits.

Kohli (2009) theorizes the idea of state capacity. Kohli (2009) argues that state capacity is the single most important legacy colonizers had for former colonies. It all depends how much colonies invested in state capacity and how much of that investment former colonies still maintained after independence.

Critique:

Putting it on the Commonwealth Caribbean perspective. We have observed that all Commonwealth Caribbean countries, with the exception Dominica who adopted a Parliamentary Republic system, adopted the same type of government as the British – Parliamentary Democracy with a Commonwealth Realm. This indicates that Government type had little to no influence on the economic growth patterns. However, it may be the leaders chosen that influence the differences. The following chapter would elaborate more on how good governance influences economic growth.

2.3 Explaining economic growth patterns of Commonwealth Caribbean countries

Despite being the first place where the Europeans landed in the fifteenth century and “Discover the New World”, the Caribbean Region is comprised of newly independent countries. Most countries in the Caribbean region gained independence in the twentieth century, while a few territories are still under control of other countries. Being newly independent, these countries and territories are faced with countless challenges. However, some countries have and continue to perform economically better than others do. What explain this phenomenon? In answering this question, scholars have proposed various reasons.

By way of approach, Ramkissoon (2002) analysed ten factors which he thinks might explain the different economic performance of fifteen Caribbean countries. These factors are geography, the degree of vulnerability, natural resources, openness, economic structure, workers’ remittances, culture and social coherence, independence, endogenous policy, and

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political stability (Ramkissoon, 2002). Comparing their initial GDP per capita to that of their GDP per capita in the year 2000, Ramkissoon (2002) found that the microstates of Bahamas, Barbados, Antigua and Barbuda and St. Kitts and Nevis out-performed their neighbours. Openness to international trade, economic structure (tourism and offshore-finance), political stability, endogenous policy and culture and societal cohesion were attributed to be the major factors contributing to the economic difference amongst the fifteen countries.

Employing time-series and comparative static estimations, Fuentes, Melgarejo, and Mercer-Blackman, (2015) also tried to investigate empirically the reason behind the different economic growth trends amongst six Caribbean countries - The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. Fuentes, J. et al., (2015) were cognizant that the size of a country determines its economic development, the larger the land size the better. However, the study found that despite being small size countries, these countries can offset the negative effects by employing a combination of two factors: good domestic policies (low inflation and fiscal surplus) and greater openness (trade or financial). As per the general question, what explains the uneven performance of the economies (using GDP per capita) of these six countries? The author attributed them to the employment of three important factors: domestic policies, high indebtedness, and outside shocks (e.g., oil price changes or main trading partners' tourism demand).

Using time-series and comparative static estimations, Fuentes, J. et al., (2015) found that the major explanation to the different economic growth pattern was due to the combination of three factors: domestic policies, high indebtedness, and outside shocks (e.g., oil price changes or main trading partners' tourism demand).

Kida (2006) was also baffled by the puzzle and tried to get some answers. In her study, she reviewed the economic performance of the twelve Commonwealth Caribbean countries from 1987-2004. The study showed that thanks to the services sector, the economy of the Caribbean countries significantly grew between 1978 and 2004. Furthermore, it states that the rise of the services sector (with the exception of Guyana), which is an important portion of their GDP, led to the significant shrink in the agriculture sector. Interestingly, Suriname saw a huge rise in both sectors. However, Kida (2006) notes that in the Caribbean "productivity growth has declined and the underlying determinants of productivity have deteriorated (p. 28)." To cope with low productivity, Kida (2006) suggest for these countries to do three things:

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1. For individual countries in the region to bring their public finances under control,
2. Remove barriers to competition, and
3. Eliminating distortions to further aid in the improvement of competitiveness

Furthermore, Kida (2006) explains that these three recommendations have proven useful for some Caribbean countries. Kida (2006) closes the report by supporting the idea of regional cooperation amongst nations as this would only "lower barriers to the rest of the world; reduce business costs, and increase competition and efficiency in the region (p. 28)."

Although scholars are trying to get an answer for the different economic growth trends amongst Commonwealth Caribbean countries, many of the existing literature has three main shortcomings. One, most studies do not concentrate only on the twelve Commonwealth Caribbean countries. They either study some of the countries (Fuentes, J. et al., 2015) or they study the twelve plus other countries (Ramkissoon, 2002). In study carried out by Fuentes, J. et al., (2015), one of the downfall of this research is that it only analysed the economies of six Caribbean countries. This represents less than half of the total number of Caribbean countries. Ramkissoon (2002) studied fifteen countries, where he added the Commonwealth Caribbean Countries and Haiti, Dominican Republic and Surname. Although they are geographically situated region in the Caribbean region, they can be considered outliers amongst the other countries because these countries vary significantly in terms of surface area size, population size, official language, and their former colonizers.

Two, there is a lack of empirical evidence to support their argument. Although Ramkissoon (2002) analysed ten factors which he thinks can explain the economic difference amongst the fifteen countries, there are a few short comings in this study. Even though he concludes with a list of five factors which explains their economic difference, there was a lack of empirical analysis to support his conclusion. He is aware of this shortfall as he states, "The method of analysis used here does not allow for the isolation of the most significant explanatory factors which econometric analysis would help provide (p. 30)."

Three, contradicting arguments and findings. The answers in explaining the different economic growth amongst the countries varies significantly. Ramkissoon (2002) found that the microstates of Bahamas, Barbados, Antigua and Barbuda and St. Kitts and Nevis out-performed their neighbours. Openness to international trade, economic structure (tourism and offshore-finance), political stability, endogenous policy and culture and societal cohesion were attributed to be the major factors contributing to the economic difference amongst the

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fifteen countries. Using time-series and comparative static estimations, Fuentes, J. et al., (2015) found that the major explanation to the different economic growth pattern in the six countries was due to the combination of three factors: domestic policies, high indebtedness, and outside shocks (e.g., oil price changes or main trading partners' tourism demand). Kida's (2006) study was a very comprehensive study as it analysed various factors and included the twelve Commonwealth Countries. Additionally, Kida (2006) analysed various years, which gave a broader scope of the study. However, a downfall of this study is that the research had already pre-defined the major constraint in the study-productivity and competitiveness. Because of this, the author focused her studies more on these two factors and paid little attention to the other factors. With this, an empirical study necessitates to fill in the gap at finding a more definitive answer with provide empirical evidence of what explains the different economic growth trends amongst the twelve Commonwealth Caribbean countries .

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Chapter Three: Trade openness, Good Governance and Economic Growth

In this chapter, the author reviews the existing literature and analyses the role of globalization and trade openness on economic growth and development. He continues by providing a review of the existing literature on the role good governance plays on economic growth. In the last section, the author states and elaborates on its research argument-the nexus of trade openness, good governance and economic growth and development. It explains why it is imperative that Commonwealth Caribbean Countries and other developing countries observe the benefits obtained through the interaction of trade openness and good governance. Why having only one single factor, countries cannot expect to gain many benefits.

3.1 Trade openness and economic growth

Although many economists agree that the impact trade openness has on the economy of countries is important, especially in explaining the positive economic performance in small economies (Ramkissoon, 2002), the relationship of trade openness and economic growth is still a highly debated topic. This growing debate amongst economists stems mainly on the varying difference in economic growth seen in different regions of the world. As Yanikkaya (2003) stated “the phenomenal differences among the growth rates of the East Asian, the Latin American, and Sub-Saharan African countries over the last several decades have stimulated a renewed interest in the effects of trade policies on growth.”

In Latin America, the fifties and sixties was a period marked with the introduction of Import Substitution Industrialization (ISI) as a new economic growth strategy. ISI, despite having a positive impact on its introduction, economic gains declined as the years went by. This then lead economists to be sceptical about the future success of this new strategy in solving their country’s economic problems (Baer, 1972). In this same period, East Asian nations were adopting export-promotion policies to aid in the economic development of their countries. Interestingly, East Asian countries developed fast in this second half of the twentieth century. While LA countries adopted ISI and were reaping relatively lower growth rates, East Asian countries always consistently outperformed them (Yanikkaya, 2003).

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The ambiguity of the term "openness to international trade" or simply "trade openness" has also given rise to a new debate amongst economists, especially as it relates to the definition and measurement. As stated by Yanikkaya (2003) "Probably due to the difficulty in measuring openness, different researchers have used many different measured to examine the effects of trade openness on economic growth (p. 60)." Harrison (1996) mentions that trade openness could be synonymous to the idea of neutrality. He stated:

> The concept of openness, applied to trade policy, could be synonymous with the idea of neutrality. Neutrality means that incentives are neutral between saving a unit of foreign exchange through import substitution and earning a unit of foreign exchange through exports. Clearly, a highly export oriented economy may not be neutral in this sense, particularly if it shifts incentives in favour of export production through instruments such as export subsidies. It is also possible for a regime to be neutral on average, and yet intervene in specific sectors. A good measure of trade policy would capture differences between neutral, inward oriented, and export-promoting regimes. (p. 420)

Contrary to Harrison's idea, many economists' (Frankel & Romer, 1999; Irwin & Terviö, 2002) state that a country's trade openness is the ratio of trade to GDP (Yanikkaya, 2003). The main critique other economists have towards this ratio is the problem of indigeneity. Economists argue that this method of trade openness might come about because of the policy measured that countries implement and which are not solely taken into account during the measurement. However, due to the lack of policy information on most countries, economists rely on this method.

There is a growing literature on the nexus of trade openness and economic growth. Many economists (Dollar & Kraay, 2004; Edwards, 1998; Harrison, 1995; Yanikkaya, 2003) argue that trade openness fosters economic growth which in turn leads to economic development. Economic growth, as defined in most economic books, is an increase in the capacity of a country's economy to produce goods and services compared from one period to another. Most economists measure economic growth using either the nominal or the real GDP of countries.

The creation of the internet in the 1960's has revolutionized our way of living, trading has consequently spurred globalization beyond our imagination. Globalization, as defined by Friedman (2000),

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> It is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before -- in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before (p. 9).

Globalization has brought a more inter-connected planet, easier and faster mobility of people and a rapid increase in economic activity. Scholars (Gartzke, 2007; Levy, 2012; Weede, 2004) agree that free trade is a key driver for economic growth and an important component of globalization. From access to new markets, to increase productivity, sales, profits, specialization, innovation, technology transfer, to Foreign Direct Investments, these are some of the many ways that trade, aided by globalization, acts as a catalyst for economic growth (Dollar & Kraay, 2004; Edwards, 1998; Harrison, 1995; Yanikkaya, 2003). The subsequent paragraphs will provide an elaboration on how these changes positively influence economic growth and development.

Access to new markets. Access to newer markets and materials means an increase in demand, thus increase in commercial opportunities. This would enable a country to become more competitive in the international arena resulting in integration. With the help of integration into the global markets, countries tend to gain access to newer markets and materials through the removal of unnecessary barriers to enhance faster growth and easy facilitation of trade amongst nations. With an increase in demand, there would certainly be a need in an increase in productivity.

Increased productivity, sales and profits. With the increase in production, a country increases its imports and exports. Both the public and private sectors play key roles in keeping up with the increase productivity. The private sector ensures the maintenance and building of newer commercial opportunities to keep up with its competitors (Edwards, 1998). On the other hand, the public sector ensures that they can keep up with the demand of the private sector. Therefore, both sectors, together with the government working hand in hand, will propel the country in fostering and maintaining a high standard and sustainable economy, guided by good trade principles and policies

Efficient specialization. International trade tends to adopt different features in different countries, at different horizons, and in response to different shocks (Sanches, 2007). With the easy movement of people and money, there is certainly an increase in flow of new and innovative ideas. Producers tend to travel across the globe in search for better facilities

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and mechanization to improve the quality and efficiency of their products. There is also an exchange of knowledge, both at the technological and research levels. Additionally, an increase in commercial activities means that there is demand for increasing the human capital resulting in the creation of newer and stable jobs, increase in wages and thus improvement of living standards for everyone (R. J. Barro, 1991).

Spread of innovation and technology. Economist Kuznets (1973) warns that it is imperative to take a closer look at innovation and productivity growth at a country level. Kuznets (1973) emphasizes that economic growth would only be possible with "advancing technology and the institutional and ideological adjustments that it demands." Nelson and Phelps (1966) state that in order to speed up production, managers should adapt new techniques of production. This in turn would make the economy more technologically progressive and bring higher gains to the country's economy (Pigka-Balanika, n.d.). People will compete with each other to stay at the top of the game and this competition will then pressure business for newer and innovated goods and services. At the end of the day, business would need to incorporate innovative technologies to keep up with demand. Thus, increasing productivity and human development through education and higher incomes (Yanikkaya, 2003).

Roquez-Diaz and Escot (2018) posit:

> Trade provides access to technological advances thus facilitating technological transfer and spill overs, and access to new markets and competition to encourage innovation and development in R&D, it facilitates more investment and productivity growth (p. 661).

Lower prices and more choices to choose from. Both consumer and producers would have a variety of choices to choose from and at competitive prices. This is good for a country, as consumers will put pressure on producers to produce goods and services of quality standards. Producers will not be able to manipulate the prices and the qualities as consumers would have a wider variety of choices to choose from. If producers were hesitant to be in-line with the quality requirements of their goods and services, they would be greatly affect by the negative support from consumers.

Foreign Direct Investment (FDI). Trade and integration also brings about an increase in investment. Either domestically or internationally, investment has been vital in the development of economies (Pigka-Balanika, n.d.). Countries securely invest and reap the benefits in the near future. Thus ensuring the survival of their economy in the event of a

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financial crisis. Overall, trade and investment lead countries to have stronger ties amongst each other and thus contributing to a peaceful and stable world. Domestic or foreign investment, either through the purchase of stocks, shares, real estate etc. and the issue of bonds are secure ways in which a country can save and reap future benefits. Investment is a key pillar of successful economic growth and development in developing countries — partly because the very essence of economic development is the rapid and efficient transfer and cross-border adoption of "best practices" (Klein, Aaron, Hadjimichael, 2001).

In summary, trade removes the constraints placed on growth by the domestic market (Keane, 2011). Trade has a multiplier effect on a country's economy. Meyn (2008) summarizes the benefits of trade openness by stating,

> An open trade regime is a prerequisite for economic growth because it increases domestic competition, attracts investment, promotes diffusion of technology, stimulates co-operation and learning processes and leads to economies of scale (p. 517).

3.2 Good governance and economic growth

We can all agree that in every country's upcoming government election, all running slates throw their ideas and enthusiasm of growing and uplifting a country's economy. There is no doubt that every country's economy is being steered by their respective leaders and government officials in office (Jones & Olken, 2005). Through monetary and fiscal policies, a country's government is responsible of ensuring that they provide facilities for their citizens. Citizens anticipate that their elected officials will keep their campaign promises, but in many countries, this is not the case. To this, the following questions arise: How does the quality of governance influence economic growth? and How are our leaders failing us? This section tries to answer those questions by elaborating in the ways in which bad governance inhibits the continuous growth and prosperity of a country.

The WB (2007) defines governance as:

> The traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them (p. 6).

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How can a country ensure that they have good governance? The answer is simple, by good leaders that are interested in bringing about good results to the general population. This sounds very straightforward, however; it has many obstacles.

The selectorate theory, as proposed by Bueno de Mesquita et al. (2003) in their book, *The Logic of Political Survival*, provides an elaborate explanation and argument on the effects of poor governance which then lead some countries to experience successful economic growth and why others do not. This theory engulfs all the previous arguments and supplements it by adding that regardless of government type, there still exists corruption and that the general population is the looser. The selectorate theory states that two factors, namely the *selectorate (S)* and the *winning coalition (W)* are key components that have direct effect on the governing of a country. Bueno de Mesquita et al. (2003) define the *selectorate (S)* as "the set of people whose endowment include the qualities and characteristics institutionally required to choose a government's leadership and necessary for gaining access to private benefits doled out by government's leadership" and the *winning coalition (W)* as "a subset of the selectorate of sufficient size such that the subsets' support endows the leadership with political power over the remainder of the selectorate as we all as over the disenfranchised members of society."

From taxing and spending decisions to leadership turnover and from social welfare to institutional change, these two actors, together with leaders, directly influence a country's development (Bueno de Mesquita et al., 2003).

Bueno de Mesquita et al. (2003) contend that a leader, with the aid of their winning coalition will do anything to retain power. With the incumbent leader in power, the winning coalition is greatly reaping higher gains compared to the general population. As a result, and in order to continue reaping the gains for a longer time, it is imperative for the winning coalition to ensure their leader remains in office. To this, Bueno de Mesquita et al. (2003) argue that the winning coalition will do anything within their reach. Consequently, the winning coalition will continue to push and influence their leader to pursue three set of decisions. Bueno de Mesquita et al. (2003) posit:

> First, they (incumbent political leaders) choose a tax rate that generates government revenue and that influences how hard people work. Second, they spend he revenue raised in a manner designed to keep incumbents in office, particularly by sustaining

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> support among members of their winning coalition. Finally, they provide various mixes of public and private goods (p.8).

With these policies, even if the incumbent leader and government are making decisions with little benefits to the general population, the selectorate is influenced to re-elect the incumbent leader to office. The cycle continues: the winning coalition and leaders are both winners, while the general population pay the price.

With their leader in office, the winning coalition will encourage corruption and leaders will endorse corruption as a reward for their loyal support. The selectorate theory suggests three ways this endorsement takes place: firstly, by providing private goods to winning, coalition. Secondly, by granting the right to winning coalition to expropriate resources for themselves, and lastly, through kleptocracy. Kleptocracy affects the revenues an expenditure of a country in various ways. These revenues can be used for the growth and development of a country's social welfare programs and poverty reduction strategies. Figure 3 (p. 47), *Core Predictions of the Selectorate Theory* summarizes the selectorate model.

In terms of the system of government and regime types, Bueno de Mesquita et al. (2003) state that in autocratic regimes, a small winning coalition will exist and thus leaders will rely on the usage of private goods to satisfy them. In democratic regimes, on the other hand, with a larger winning coalition, leaders use public goods to satisfy themselves.

In summary, the selectorate theory does blame the form of government together with the selectorate and winning coalition in each country for electing and maintaining a leader that thinks only for the betterment of the winning coalition rather than the betterment of the entire country. The political institutions together with our leaders make inadequate decisions for the welfare of the country, which then leads to the disparities in economic growth patterns in some countries.

Acemoglu & Robinson (2013) provide a similar argument to the selectorate theory. They posit that the ignorance of our leaders impedes economic growth: "world inequality exists because our rulers do not know how to make poor countries rich (p.63)." The authors state that some economists blame colonizers for the struggles developing countries are faced with. However, they argue that during the colonization period, these countries or areas did

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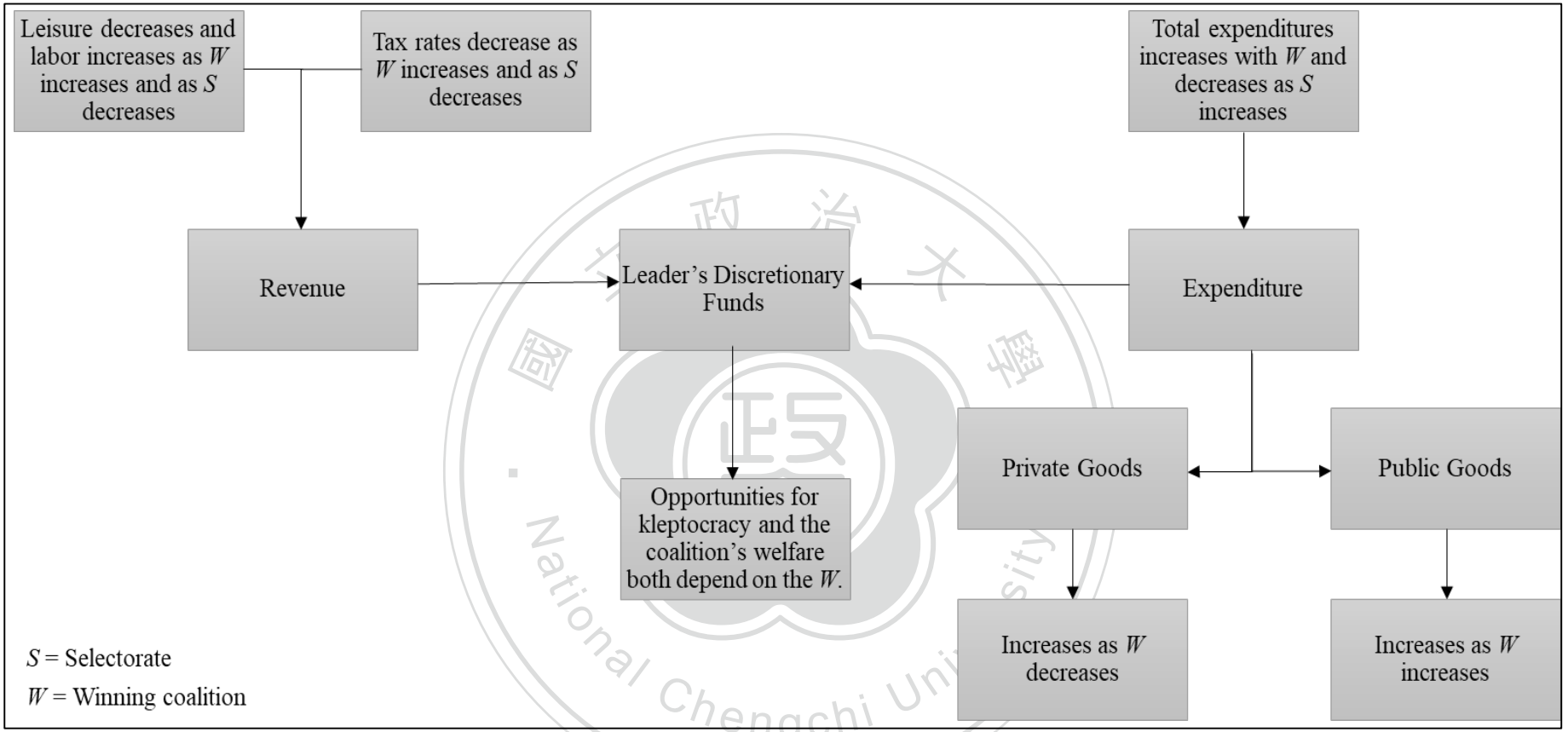

Figure 3. Core Predictions of the Selectorate Theory

Source: From The Logic of Political Survival (p. 130), by B. Bueno de Mesquita, A. Simth, R. Siverson and J. Morrow, 2005, Cambridge Massachusetts: MIT Press. Copyright 2003 by Massachusetts Institute of Technology.

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experience significant development. After their independence, however, because of ignorance, per se, on behalf of their country's leaders, they discontinued the implementation of such strategies, both old and new, which colonizer had in place. The most suitable example of this is the huge disparities amongst neighbouring countries of Mexico and United States.

Scholars Drury, Krieckhaus, & Lusztig (2011) went a little further in analysing the corruption amongst regime type (democratic versus non-democratic) and how they influence economic growth. The results did show substantial support for corruption hindering economic growth in non-democratic regime. Drury et. al (2011) further elaborated on the results by pointing out that corruption in democracies do exist but that it is complex and thus have a minimum and indirect effect on economic growth unlike in non-democratic regime. They further stated that in democratic regimes citizens could mitigate corruption during electoral processes in which they can hold politicians accountable, thus reducing the negative effects. This is contrary to what citizens can do in non-democratic regimes.

In summary, a few steps must take place in order to ensure good governance. The first step is ensuring the rule of law and/or constitution to prevail in order for citizens to have the freedom to choose their own government through free and fair elections. Ensuring free and fair elections will guarantee the citizens to choose the people they believe is best fit to run the country's affairs. However, even after having free and fair elections, leaders should not lose the trust of its people, should be transparent at all cost and should try to be as effective as possible. Leaders, when in office should maintain voice an accountability at all times, as this would ensure the continuous mutual trust and support between the government and its people. This also includes the involvement of the media and NGOs. The continuous mutual trust and support between government and civil society with not only contribute to political stability and absence of violence, but also lead to the curbing of corruption and kleptocracy. With the curbing of corruption and kleptocracy, leaders would then focus on adequate fiscal and monetary policies that induce economic growth. Roquez-Diaz and Escot (2018):

> Some of the indirect channels include for instance, improvements in the quality of institutions and macroeconomic policy, institutional development for control of rules, and provisions about property rights, rules of origin, foreign investment direct, and others, because the lack or excess of these measured and trade-related policies, facilitate trade and determine transaction costs (p. 661).

For developing and under developing countries' ability to escape poverty inequality, leaders/governments need to concentrate on the politics and political process (Acemoglu & Robinson, 2013). That is, implement policies that deter poverty, not those that contribute to

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poverty and benefit the elites. Good trade policies can promote growth in the longer run. The failure of a country's leaders inhibits the continuous growth and prosperity of a country.

3.3 Nexus: Trade openness, good governance and economic growth

As previously discussed, there exists extensive literature and theories which indicate that trade openness fosters economic growth, which in turn leads to economic development (Dollar & Kraay, 2004; Edwards, 1998; Harrison, 1995; Yanikkaya, 2003) and that good governance also plays an important role in the economic growth of a country (Acemoglu & Robinson, 2013; Bueno de Mesquita et al., 2005; Drury et al., 2011; Edwards, 1998; Kuznets, 1973). The author builds on the existing literature and argues that this causal relationship of trade openness and good governance is key in explaining the economic growth patterns amongst Commonwealth Caribbean Countries.

Table 9. Regionalism: Commonwealth Caribbean countries and their membership in CARICOM, OECS, ACS and CSME.

Country	CARICOM	OECS	ACS	CSME
Antigua and Barbuda	X	X	X	X
Bahamas, The	X		X	
Barbados	X		X	X
Belize	X		X	X
Dominica	X	X	X	X
Grenada	X	X	X	X
Guyana	X		X	X
Jamaica	X		X	X
St. Kitts and Nevis	X	X	X	X
St. Lucia	X	X	X	X
St. Vincent and the Grenadines	X	X	X	X
Trinidad and Tobago	X		X	X

Note: See Appendix B for more details about each regional organization
Source: Compiled by author

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So, how does trade openness and good governance interact? Moreover, how does this interaction leads to economic growth? Compared to Latin America and North America, the Caribbean is a region composed of relatively small-sized countries with small-sized populations facing countless challenges. From low economic performance to high losses due to natural disasters, these are few of the challenges jeopardizing the economic growth and development of the Caribbean countries. The Commonwealth Caribbean Countries are very well conscientious of the small and low performing economies they all possess and the issues that tag along. To resolve their challenges and curb these issues, these countries have opted regionalism. Numerous regional integration movements have been formed over the years to foster regional integration. (See Table 9, p. 49).

The establishment of regional integration associations has made it easier and convenient for small countries to trade and cooperate with larger countries, paving the way for access to other markets far away from the region and expanding the economies of all countries. As seen on Table 10, Commonwealth Countries and/or CARICOM has signed numerous trade agreements from countries within the LA region and the world at large. CARICOM has indeed paved the way for member countries to access markets beyond the region, thus leading to the expansion and growing of their economies.

Table 10. CARICOM Trading Agreements

Trade Agreements	Date of Signature	Effective Date
CARICOM	1973	1973
CARICOM – EEC	1975	1975 -2000
CARICOM – ACP	1975	1975
CARICOM – USA	1984	1984
CARICOM – Canada	1986	1986
CARICOM – Venezuela	1992	1993
CARICOM – Columbia	1994	1995
CARICOM – Dominican Republic	1998	2001
CARICOM – Cuba	2000	2000
CARICOM – EU (Cotonou)	2000	2000
CARICOM – Costa Rica	2004	2004

Note: See Appendix B for more details about each TA.
Source: Compiled by author

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This openness has had a positive impact as we have noted that these countries have integrated well into the region (CARICOM for example), which has led to the creation of a single economy-CSME. With the aid of CARICOM and CSME, member countries have significantly grown their economies throughout the years.

Table 11. Total Merchandise Trade with the World

Country	Flow	1960	1970	1980	1990	2000	2010	2016
Antigua and Barbuda	Exports	2	11	26	21	52	46	78
	Imports	9	36	88	255	407	501	503
Bahamas	Exports	6	90	5009	238	576	702	481
	Imports	66	337	7546	1112	2074	2591	2651
Barbados	Exports	24	40	226	216	272	429	517
	Imports	49	118	524	704	1156	1569	1622
Belize	Exports	8	19	111	129	196	478	443
	Imports	13	33	150	211	524	706	953
Dominica	Exports	4	6	10	55	54	37	23
	Imports	6	16	48	118	148	224	214
Grenada	Exports	4	6	17	27	48	25	30
	Imports	9	22	50	105	239	318	351
Guyana	Exports	74	136	396	257	498	880	1441
	Imports	86	134	365	311	573	1397	1448
Jamaica	Exports	159	342	963	1158	1295	1328	1202
	Imports	217	525	1171	1928	3301	5225	4767
St. Kitts and Nevis	Exports	6	4	24	28	33	32	51
	Imports	7	12	45	110	196	270	333
St. Lucia	Exports	3	9	58	127	43	215	120
	Imports	7	27	124	271	355	662	655
St. Vincent and the Grenadines	Exports	3	4	15	83	47	42	47
	Imports	8	15	57	136	163	338	335
Trinidad and Tobago	Exports	287	482	4077	1960	4274	10982	7632
	Imports	294	544	3178	1109	3308	6480	8043

Unit: US dollar at current prices (Millions)
Sources: World Trade Organization (2018). Trade Statistics Database.

Table 11 provides an overview of the trade merchandise of the Commonwealth Caribbean countries. From 1960 onwards, all countries have significantly increased their trade merchandise globally. This shows a positive impact because it proves that countries are expanding their economies. However, it is interesting to note that as of the year 2016, all the Commonwealth Caribbean countries still maintain a trade deficit. Guyana and Trinidad and Tobago have a smaller trade deficit when compared to the other countries. The challenge

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rests on the Commonwealth Caribbean countries to overturn the trade deficit into a trade surplus.

With a growing economy, obtained from trade openness, it is expected that the gains would be higher for a country and its citizens overall. Trade has a multiplier effect on a country's economy. However, this is not the case in many Commonwealth Caribbean countries. What explains this? Given the region's high rate of government corruption (Transparency International, 2017), does good governance explain the different economic trends that exits amongst the Commonwealth Caribbean countries despite befitting from economic integration?

As we can observe from Table 12, there exists vast variations in the Corruption Perception Index (CPI) amongst the Commonwealth Caribbean Countries (with the exception of Antigua and Barbuda, Belize and St. Kitts and Nevis which have no score). The Bahamas is the best performer amongst the group raking a score of 66 positioning them on the 24th position, while Guyana has worst performance with a score of 34 positioning them in the 108 position. Barbados is the first runner up with a score of 61, while Trinidad and Tobago is second to last position with a score of 35.

Table 12. Corruption Perception Index, 2016.

Country	CPI Score	Rank (Out of 176 Countries)
Antigua and Barbuda	-	-
Bahamas, The	66	24
Barbados	61	31
Belize	-	-
Dominica	59	38
Grenada	56	46
Guyana	34	108
Jamaica	39	83
St. Kitts and Nevis	-	-
St. Lucia	60	35
St. Vincent and the Grenadines	60	35
Trinidad and Tobago	35	101

Source: Transparency International (2018), Corruption Perception Indexes 2016.

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The author's view of the selectorate theory indicates that the leaders we elect are not suitable for office, espciaylly as it regards to creating policies and trade relations that would promote ecnomic growth, rather than inhibit econmic growth. The selectorate theory blames the form of government, together with the selectorate and the winning coalition in each country, for electing and maintaining a leader that thinks only for the betterment of the winning coalition rather than the betterment of the entire country. Wrong leaders make inadequate decisions for the welfare of the country, which then leads to the disparities in economic growth patterns in some countries.

To this, the author joins the arguemnt presented by Acemoglu and Robinson (2013) that the ignorance of a country's leader hinders economic growth through the polices he chooses. For developing and under developed countries to escape poverty inequality, governments should implement policies that deter poverty, not those that contribute to poverty and benefit the elites (Acemoglu & Robinson, 2013). Good trade policies can promote growth in the longer run. The failure of a country's leaders inhibits the continuous growth and prosperity of a country. If the leaders and government officials wisely spend the gains of trade openness in social welfare programs and poverty interventions, the entire country would benefit. A country would experience higher economic performance as the country would experience an upgrade in human capital (better healthcare system, education, security, etc.) making them competitive for the competing world. It does not matter how much a country is open to international trade, if there exists mismanagement of money, and lack of policies to drive the future investment in the country, then the country will never prosper. The same concept applies vice versa. It does not matter how good a government is, if there is no inflow of foreign exchange (trade), the government cannot meet the necessities of its people. The people would be deprived of many opportunities and their productivity crippled. For this reason, it is imperative that countries, in this case Commonwealth Caribbean countries, observe the impacts gained through the interaction of trade openness and good governance on economic growth.

Trade removes the constraints placed on growth by the domestic market, but sustaining trade-induced growth requires the development of technological capabilities to facilitate the upgrading of human capital and good governance ensuring that the adequate monetary and fiscal policies are in place to propel the country's economy. Through growth and development, countries would certainly achieve the United Nations SDGs of reducing

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and/or eradicating poverty. Citizens of any country can contribute to trade and consequently to growth.

Given the Caribbean Commonwealth country's close similarities, in various aspects and region's high rate of government corruption (Transparency International, 2017), the researcher posits that trade openness alongside good governance, play a key role in fostering sustained economic growth and development and consequently leading to an increase in the living standards of the twelve Commonwealth Caribbean countries. The author argues that both trade openness and good governance are key players in the success and/or failure pertaining to the different economic growth patterns observed between the Commonwealth Caribbean countries.

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Chapter Four: Statistical Analysis

4.1 Research Hypothesis

Even after so many similarities in the economies of the Commonwealth Caribbean countries, there still exists varying differences in the economic growth trends since 1960. Given their close similarities and region's high rate of government corruption (Transparency International, 2017), the researcher posits that trade openness alongside good governance play a key role in fostering sustained economic growth.

In trying to answer this paper's research question, *what explains the different economic growth trends amongst the twelve Commonwealth Caribbean countries?* The author builds on the existing literature and argues that this causal relationship of trade openness and good governance is key in explaining the economic growth patterns observed between the Commonwealth Caribbean Countries. This leads to the following hypothesis:

Hypothesis: *The level of economic development of the Commonwealth Caribbean countries will increase with the increase of both trade openness and good governance.*

The causal relationship of trade openness and good governance is widely overlooked, especially in the Commonwealth Caribbean context. To this, a study necessitates analysing the relationship of good governance on economic growth trends amongst the Commonwealth Caribbean countries. It is imperative to fill in the gap in the literature, as the findings will provide various implications, especially as it relates to the development of policies in other developing countries.

An empirical study necessitates to fill in the gap at finding a more definitive answer with provide empirical evidence of what explains the different economic growth trends amongst the twelve Commonwealth Caribbean countries. To this, the hypothesis is examined through Time-Series Cross-Sectional (TSCS) analysis (panel data analysis) of trade openness and good governance on the economies of the 12 Commonwealth Caribbean countries for the period 1972 to 2016, (45 years). The period 1972-2016 is very important as it covers the post-independence period of most Commonwealth Caribbean countries.

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4.2 Variables and Data Sources

This research has one explained variable: economic growth and two explanatory variables: trade openness and good governance. The author also controlled for population size and system of government as these variables can play a pivotal role in influencing the explained variable. All variables, with the exception of system of government, are quantitative continuous in nature.

Explained Variable:

Log GDP/Capita. Economic growth as defined in most economic books is an increase in the capacity of a country's economy to produce goods and services compared from one period to another. The impact trade openness and good governance has on the economies of the Commonwealth Caribbean countries was measured using the development indicator GDP per capita at constant 2010 prices in USD. The GDP per capita is the quotient (in USD) of the GDP and the country's midyear population. GDP per capita was logged by one year to reduce extremities. GDP per capita indicator was obtained from the World Development Indicator (World Bank, 2017). The World Bank Open Data is a comprehensive database accessible to everyone that contains up-to-date data needed for this study (1972-2016) and most importantly data for all twelve Commonwealth Caribbean countries.

Explanatory Variables:

Trade Openness. There is a growing literature on the nexus of trade openness and economic growth. Many economists (Dollar & Kraay, 2004; Edwards, 1998; Harrison, 1995; Yanikkaya, 2003) argue that trade openness fosters economic growth which in turn leads to economic development. As is the common practice of many economists (Frankel & Romer, 1999; Irwin & Terviö, 2002) the author measured a country's trade openness as the ratio of trade to GDP. The author relied on dataset from the World Development Indicator (World Bank, 2018). Dataset containing statistics on total trade (imports and exports) as percent of GDP was obtain for the twelve Commonwealth Caribbean countries for the period 1972-2016.

Good Governance. Economists have found evidence that good governance of a country does play a vital role in economic growth. Developing and under developing country to escape poverty inequality, leaders/governments need to concentrate on the politics and

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political process (Acemoglu & Robinson, 2013). That is, implement policies that deter poverty, not those that contribute to poverty and benefit the elites. There exists a growing number of international organizations developing comparable measured of governance scores and indexes (World Governance Indicators, Freedom House Score (FHS), Corruption Perception Index, Global Integrity Index, etc.).

The author choose the FHS as its good governance indicator for two main reasons. First, the FHS is the only score that captures and takes into account a broad range of questions that assesses good governance (10 political rights questions and 15 civil liberties questions). Second, due to the period of the study (1972-2016), the Freedom House Score is the earliest form of measurement (since 1972) of governance that includes all countries in the study, facilitating the tracking of changes over time (Kaufmann & Kraay, 2007b). Throughout the years, scholars (R. Barro, 1996; Grier & Tullock, 1989; Helliwell, 1994; Kormendi & Meguire, 1985; Scully, 1988) have used the FHS of political freedoms and civil liberties as good governance indicator.

Table 13. Breakdown of Freedom House Score

Political Rights		**Civil Liberties**	
Total Scores	**PR Rating**	**Total Scores**	**PR Rating**
36-40	1	53-60	1
30-35	2	44-52	2
24-29	3	35-43	3
18-23	4	26-34	4
12-17	5	17-25	5
6-11	6	8-16	6
0-5	7	0-7	7
Range of Combined ratings of PR and CL: 2-14			

Source: Freedom House (2018)

Table 13 summarises the breakdown of the FHS. Freedom House uses 25 questions (political rights and civil liberties) to deduce the FHS. Of the 25 questions 10 are questions dealing with political rights (categories of electoral process and functioning of government both have 3 questions while the category of political pluralism and participation has 4 questions). The remaining 15 questions measure civil liberty of which the subcategories of

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freedom of expression and belief, rule of law, and personal autonomy and individual rights all have 4 questions each, while the subcategory associational and organizational rights has 3 questions. For each of the 25 questions, a country can score between 1 point (lowest score) to 4 points (highest score). To this, the total points a country can score in political rights is 40 points while for civil liberties is 60. Having calculated the total points obtained in the 25 questions, the political rights and civil liberties scores are each put in ranges and assigned a rating ranging from 1 (representing the greatest degree of freedom) to 7 (representing the smallest degree of freedom). To this, a range of combined ratings of political rights and civil liberties can be deduced with 2 (being the highest rating) to 14 (being the lowest) (Abramowitz, 2018). However, since the author found this a little confusing to interpret the results, for this study the author inversed the ratings on the dataset so that a ratings ranges from 2 (being the lowest freedom rating) to 14 (being the highest freedom rating).

Control Variables:

Log Population. Earlier research has found that population size do affect economic growth (Becker, Glaeser, & Murphy, 1999; Easterlin, 1967; Headey & Hodge, 2009). To this effect, the author controls for population size in the study. Of the twelve countries in the study, Jamaica has the highest population with 2.9 million inhabitants followed by Trinidad and Tobago with 1.4 million inhabitants; the remaining countries all have relatively small size population. The author obtained the population of all twelve countries for the period 1972-2016 form World Development Indicator (World Bank, 2017) and proceeded to find the Log of population to reduce the extremities.

Government. Given that, one of the few differences amongst the Commonwealth Countries is the system of government, which might influence economic growth (Bueno de Mesquita et al., 2005), is a variable which the author places keen attention to. Of the twelve countries in the study, three countries, namely Dominica, Guyana and Trinidad and Tobago have a presidential system of government while the remaining countries have a parliamentary system of government. The author created a dummy variable where it assigned the value of 1 to countries with a parliamentary system and 0 to countries with a presidential system.

Cold War. Given that the period of the study is from 1972-2016, the author thought it was necessary to control for the Cold War period. From political to security and economic effects, the cold war affected the Caribbean region in many ways (Griffin & Khan, 1992). To

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this, the author asks, in which period (during or post-Cold War) did Caribbean countries experienced higher economic growth? Furthermore, does the effects of the Cold War help explain the different level of economic development observed amongst commonwealth Caribbean Countries post-independence? In order to determined how the Cold War influenced the level of economic development of Commonwealth Caribbean countries, the author controls for this factor by coding the years before 1992 as 1 and the years after 1992 as 0.

Natural Resources. Does the luck hypothesis (possession of natural resources such as fossil fuels and minerals) explain the different level of economic development amongst the Commonwealth Caribbean? Given that some Commonwealth Caribbean countries are "lucky" to possess such natural resources, the author uses natural resources as a control variable. The author used the variable "Total natural resources rents (% of GDP)" as proxy for natural resources. This data was obtained from the World Development Indicator for all twelve countries for the period 1972-2016. This variable takes into account the sum of the all the rents of natural resources (oil, natural gas, coal (hard and soft), mineral, and forest) (World Bank, 2017).

Figure 4 illustrates the conceptual framework of the variables in the study.

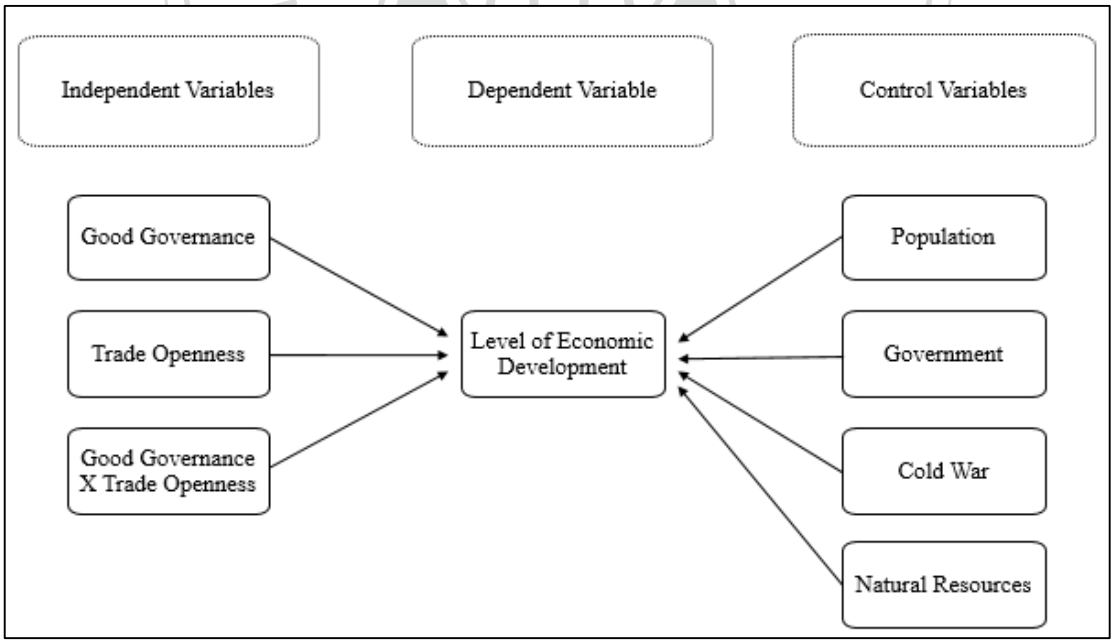

Figure 4. Conceptual framework of the variables in the study.

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4.3 Descriptive Statistics

Table 14 provides a summary of the variables in the study. Twelve countries were studied for the period of 56 years that spanned from 1972-2016. There were 497 observations recorded for Log GDP per capita. Amongst all countries in the study, Belize records the lowest GDP per capita in the year 1972 with a value of 7.29 ($1471.727 at constant 2010 prices in U.S. dollars) while The Bahamas recorded the highest GDP per capita in the year 2002 with a value of 10.13 ($25134.38 at constant 2010 prices in U.S. dollars).

Table 14. Summary of Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max.
Countries	540			1	12
Log GDP/Capita	497	8.74	0.71	7.29	10.13
Good Governance	478	12.31	2.00	2	14
Trade Openness	473	107.18	28.32	58.15	280.36
Log Population	540	12.30	1.18	10.62	14.87
Government	488	0.74	0.44	0	1
Cold War	540	.44	.50	0	1
Natural Resources	540	3.39	6.90	0	34.16

Sources: World Bank (2018), World Development Indicators; Freedom House (2018). See Appendix D for a Breakdown of Observations by country and variables.

There were a total 478 observations for the good governance score. The scores range from 2.0 – 14.0 where a value close to 2.0 means the country is not free while closer to 14.0 otherwise. Guyana had the worst score amongst all countries, scoring the lowest score of 2.0 in the year 1974 for both categories: Civil Liberties and Political Rights. On the other side, The Bahamas, Barbados, Belize, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, and Trinidad and Tobago have consistently scored very high (value of 14) throughout the years for both Civil Liberties and Political Rights categories.

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Over the years, we can observe how countries have become more open to the international markets. Of the 473 observations pertaining to trade openness, Jamaica recorded the lowest score of 58.15% of trade as a ratio of GDP for the year 1977. Contrary to this, Guyana recorded the highest score of 280.36% of trade as a ratio of GDP for the year 1992.

As per the controls, St. Kitts and Nevis had the lowest population of 40834 people (Log Population = 10.62) in the year 1990 while Jamaica had the highest population of 2,881,355 (Log Population = 14.87) in the year 2016. Of the twelve countries in the study, 9 have a parliamentary system of government (coded 1) while 3 have a presidential system of government (coded 0). Controlling for Cold War period, the author coded 1 for the years before 1992 and 0 otherwise. In terms of natural resources, Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, and St. Lucia report 0% of natural resources rents in their GDP while Guyana reported the highest income of 34.16% of natural resources rents in their GDP in 1982.

4.4 Estimation Model

The hypothesis is examined through Time-Series Cross-Sectional (TSCS) analysis (panel data analysis) of trade openness and good governance on the economies of the 12 Commonwealth Caribbean countries for the period 1972 to 2016. The period 1972-2016 is very important as it covers the post-independence period of most Commonwealth Caribbean countries.

The researcher adopts the panel data analysis to test the hypothesis as this method allows the researcher to study the dynamic relationships between the various variables for the given period and across various the countries. It also enables the research to model heterogeneity among the subjects (Frees, 2004).

The econometric model is set out as follows:

$$Log\ GDP/Capita_{x,y,t} = \alpha + \beta_1 GoodGovernance_{x,t} + \beta_2 TradeOpenness_{x,t} + \beta_3 (TradeOpenness\ X\ GoodGovernance)_{x,t} + \beta_4 Controls + \epsilon$$

Where; $x = 1, 2, 3, \dots, N$

$t = 1, 2, 3, \dots, T$

In this model, $Log\ GDP/Capita_{x,y,t}$ represents the economic growth experienced by countries with x, y and t representing country, growth indicator, and year, respectively. β_1-

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β_3 represents the coefficient of independent variables, thus capturing the marginal effect on economic growth. α and ϵ represent the intercept and error term respectively. $Controls_{x,t}$ represents both Log of population, system of government, Cold War period and natural resources rent.

4.5 Statistical Results and Interpretation

Fixed Effects

Since the author is measuring the impacts good governance and trade openness have on the level of economic development of twelve countries for a period of 45 years, the author employed the Fixed Effects estimation model. Throughout the years, social scientists have turned to linear fixed effects regression models as the primary method for causal inference with longitudinal data (Kim & Imai, 2016). The use of linear fixed effects regression models enables scholars to account for unobserved time-invariant confounders. In sum, fixed effects is used to measure the effect of variables that vary over time in order to deduce the relationship between the explained and explanatory variables.

Table 15 (p. 63) presents the fixed effect estimation results of the hypothesis using six different models. In Models 1, 2 and 3, the author used country fixed effects while on Models 4, 5 and 6 the author employed both country and yearly fixed effects. Model 1 measured the estimated effect of good governance-β_1 and trade openness- β_2 , both independent from each other, on the economies of Commonwealth Caribbean countries (Log GDP/Capita). The results showed that a unit increase in good governance and trade openness increases the GDP per capita of a country by 0.0029 and 0.0005 respectively. The constant α and the coefficients $\beta_1$and β_2 are all positive, indicating that good governance and trade openness, when measured independently, both have positive effect on the economies of countries. Moreover, results also prove to be statistically significant at the 90% confidence level (β_1) and the 99% confidence level (β_2 and α).

To further test the effects of the explanatory variables, Model 2 expands on Model 1 by including the estimated interaction effect the interaction variable - Good Governance X Trade Openness have on the economies of Commonwealth Caribbean Countries. A slight change was observed. Contrary to Model 1, the coefficients $\beta_1$and β_2 are negative in Model 2, indicating that a unit increase in good governance and trade openness, negatively affects

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the economies of countries by -0.0075 and -0.0007 respectively. However, looking at the coefficient β_3 of the interaction variable, β_3 (0.0001) is positive indicting that the interaction

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Table 15. Fixed Effects Model: The effect good governance and trade openness has on the level of economic development of Commonwealth Caribbean Countries, 1972-2016. Dependent Variable: Log GDP/Capita

	With Country Fixed Effects			With Country and Yearly Fixed Effects		
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Explanatory Variables						
Log GDP/Capita (Previous Year)	.9652*** (0.0082)	.9657*** (.0081)	.9455*** (.0116)	.9325*** (0.0141)	.9314*** (.0135)	.8916*** (.0159)
Good Governance	.0029* (0.0016)	-.0075 (.0046)	-.0089* (.0048)	.0014 (0.0016)	-.0108** (.0047)	-.0153*** (.0047)
Trade Openness	.0005*** (0.0001)	-.0007 (.0005)	-0.0008 (.0005)	.0005*** (0.0001)	-.0008 (.0005)	-0.0012*** (.0005)
Good Governance X Trade Openness		.0001*** (.0000)	.0001*** (.0000)		.0001*** (.0000)	.0001*** (.0000)
Control Variables						
Log. Population			-.0322 (.0211)			-.1007*** (.0247)
Government			-.0040 (.0000)			-.0161 (.0263)
Cold War			-.0221*** (.0073)			-.0798*** (.0289)
Natural Resources			.0007 (.0008)			.0032*** (.0009)
Constant	0.2387*** (0.0702)	.3592*** (.0862)	.9658*** (.2851)	0.5064*** (0.1261)	.6613*** (.1372)	2.3941*** (.4010)
Groups	12	12	12	12	12	12
Observations (N)	446	446	446	446	446	446
R-squared	0.9958	0.9959	0.9940	0.9958	0.9960	0.9711
F-Test	5432.18***	4119.66	2086.11***	388.60***	386.89***	383.86***

*Note: *p<0.1, **p<0.05, ***p<0.01.*
Standard Errors in parentheses.

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of good governance and trade openness has a positive effect on the economies of countries (Log GDP/Capita). Of all the variables, only the interaction variable β_3 together with the constant α were statistically significant at the 99% confidence level. In summary, Model 2 shows that even when good governance and trade openness are measured independently, their interaction is what positively boosts a country's economy.

Model 3 builds even more on Model 2 by keeping all previous variables constant and adding population size, system of government, Cold War period and natural resource rents as controls. Having a larger population size, a parliamentary system of government and Cold War period, a country experiences less economic growth by (-0.0322), (-0.0040) and (-0.0221) respectively. As per rents from natural resources, the results showed that a unit increase in natural resources rent boosts a country's economy by 0.007. The coefficient of the interaction variable β_3 remained positive indicting that the interaction of good governance and trade openness has a positive effect on the economies of countries despite the controls. Good governance, Cold War period and constant variables are statistically significant at the 99% confidence level. These results provide stronger support to the argument that even when controlling for population size, system of government, Cold War period and natural resource rents, a country experiences economic growth when they experience higher level of trade openness and good governance at the same time.

In order to account for the changes across the years, Models 4, 5 and 6 used country and yearly fixed effects. Despite accounting for country and yearly effects, the results in these Models resembles the results in the previous models. Results in Model 4 Showed that that a unit increase in good governance and trade openness increases the GDP per capita of a country by 0.0014 and 0.0005 respectively. The constant α and the coefficients $\beta_1$and β_2 are all positive, indicating that good governance and trade openness, when measured independently, both have positive effect on the economies of countries. Moreover, trade openness also prove to be statistically significant at the 99% confidence level.

Contrary to Model 4, the coefficients $\beta_1$and β_2 are negative in Model 5, indicating that a unit increase in good governance and trade openness, negatively affects the economies of countries by -0.0108 and -0.0008 respectively. However, looking at the coefficient β_3 of the interaction variable β_3 is positive (0.0001) indicting that the interaction of good governance and trade openness has a positive effect on the economies of countries (Log GDP/Capita).Good governance is statistically significant at the 95% confidence interval while the interaction variable β_3 together with the constant α were statistically significant at

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the 99% confidence level. In summary, Model 5 shows that even when using country and yearly fixed effects, the interaction of good governance and trade openness positively boosts a country's economy.

Model 6 employed country and yearly fixed effects on all explanatory and control variables. Having a larger population size, parliamentary system of government and Cold War period, a country experiences less economic growth by (-0.1007), (-0.0161) and (-0.0798) respectively. As per rents from natural resources, the results showed that a unit increase in natural resources rent boosts a country's economy by 0.032. The coefficient of the interaction variable β_3 remained positive indicting that the interaction of good governance and trade openness has a positive effect on the economies of countries despite the controls. Good governance, population size, Cold War period, natural resources and constant variable are statistically significant at the 99% confidence level. These results provide stronger support to the argument that even when controlling for population size, system of government, Cold War period and natural resource rents, a country experiences economic growth when there is higher level of trade openness and good governance occurring at the same time.

Ordinary Least Squares (OLS) with Panel-Corrected Standard Errors (PCSE)

A major downfall of TSCS data is heteroscedasticity. Given the concerns of correlations across the TSCS data, the author employed the Ordinary Least Squares with Panel-Corrected Standard Errors model. OLS with PCSE take care of heteroscedasticity and provide accurate estimates of the variability of the OLS estimates (Beck & Katz, 1995).

Table 16 (p. 66) presents the results for models: 7 to 12. The results of the PCSE are consistent with the results of the Fixed Effects. In Models 7, 8 and 9, the author used country dummies while on Models 10, 11 and 12 the author combined both country and yearly dummies. Model 7 measured the estimated effect of good governance-β_1 and trade openness-β_2 , both independent from each other, on the economies of Commonwealth Caribbean countries (Log GDP/Capita). The results showed that a unit increase in good governance and trade openness increases the GDP per capita of a country by 0.0025 and 0.0210 respectively. The constant α and the coefficients $\beta_1$and β_2 are all positive, indicating that good governance and trade openness, when measured independently, both have positive effect on the economies of countries. Moreover, results also prove to be statistically significant at

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Table 16. OLS with PCSE Model: The Effect Good Governance and Trade Openness has on the level of economic development of Commonwealth Caribbean Countries, 1972-2016. Dependent Variable: Log GDP/Capita

	with country dummies			with country and year dummies		
	(7)	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
Explanatory Variables						
Log GDP/Capita (Previous Year)	.9925*** (.0045)	.9934*** (.0045)	.9933*** (.0044)	.9946*** (0.0142)	.9953*** (.0043)	.8717*** (.0152)
Good Governance	.0025* (.0014)	-.0051 (.00456)	-.0067 (0.0046)	.0030** (0.0015)	-.0070 (.0051)	-.0143*** (.0050)
Trade Openness	.0210** (.0379)	-.0001 (.0004)	-.0007 (.0005)	.0002** (0.0001)	-.0008 (.0005)	-0.0011** (.0005)
Good Governance X Trade Openness		.0001* (.0000)	0.0001** (0.0000)		.0001** (.0000)	.0001*** (.0000)
Control Variables						
Log Population			-.0085*** (.0024)			-.1142*** (.0192)
Government			.0015 (.0064)			-.0190 (.0275)
Cold War			.0007 (.0074)			-.0758*** (.0200)
Natural Resources			.0004 (.0006)			.0033*** (.0008)
Constant	.0210 (.0379)	.1096* (.0615)	.2379*** (.0708)	-.0353 (0.0403)	.0751*** (.0697)	2.9085*** (.3637)
Groups	12	12	12	12	12	12
Observations (N)	446	446	446	446	446	446
R-squared	0.9954	0.9954	0.9954	0.9960	0.9960	0.9966
Wald X^2	63079.01***	60764.42***	70807.52***	12.1318***	13.0288***	35.3945***

**p<0.1, **p<0.05, ***p<0.01*

Panel-Corrected Standard Errors in parentheses.

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the 90% confidence level (β_1) and the 95% confidence level (β_2).

To further test the effects of the explanatory variables, Model 8 expands on Model 7 by including the estimated interaction effect the interaction variable - Good Governance X Trade Openness have on the economies of Commonwealth Caribbean Countries. A slight change was observed. Contrary to Model 7, the coefficients $\beta_1$and β_2 are negative in Model 8, indicating that a unit increase in good governance and trade openness, negatively affects the economies of countries by -0.0051 and -0.0001 respectively. However, looking at the coefficient β_3 of the interaction variable, β_3 (0.0001) is positive indicting that the interaction of good governance and trade openness has a positive effect on the economies of countries (Log GDP/Capita). Of all the variables, only the interaction variable β_3 together with the constant α were statistically significant at the 90% confidence level. In summary, Model 2 shows that even when good governance and trade openness are measured independently, their interaction is what positively boosts a country's economy.

Model 9 builds even more on Model 8 by keeping all previous variables constant and adding population size, system of government, Cold War period and natural resource rents as controls. This model showed that having a larger population size, a country experiences less economic growth by (-0.0085). As per a parliamentary system of government, Cold War period and rents from natural resources, the results showed that a unit increase in these factors boosts a country's economy by 0.015, 0.0007 and 0.0004 respectively. The coefficient of the interaction variable β_3 remained positive-0.0001, indicating that the interaction of good governance and trade openness has a positive effect on the economies of countries despite the controls. The interaction variable is statistically significant at the 95% confidence level while population size and constant variables are statistically significant at the 99% confidence level. These results provide stronger support to the argument that even when controlling for population size, system of government, Cold War period and natural resource rents, a country experiences economic growth when there is higher level of trade openness and good governance occurring at the same time.

In order to account for the changes across the years, Models 10, 11 and 12 combined country and yearly effects. Despite accounting for country and yearly effects, the results in these Models resembles the results in the previous models. Results in Model 10 Showed that that a unit increase in good governance and trade openness increases the GDP per capita of a country by 0.0030 and 0.0002 respectively. The coefficients $\beta_1$and β_2 are all positive, indicating that good governance and trade openness, when measured independently, both

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have positive effect on the economies of countries. Moreover, both variables also prove to be statistically significant at the 95% confidence level.

Contrary to Model 10, the coefficients $\beta_1$and β_2 are negative in Model 11, indicating that a unit increase in good governance and trade openness, negatively affects the economies of countries by -0.0070 and -0.0008 respectively. However, looking at the coefficient β_3 of the interaction variable β_3 is positive (0.0001) indicting that the interaction of good governance and trade openness has a positive effect on the economies of countries (Log GDP/Capita). The interaction variable β_3 together with the constant α are statistically significant at the 99% confidence level. In summary, Model 11 shows that even when using country and yearly fixed effects, the interaction of good governance and trade openness positively boosts a country's economy.

Model 12 employed country and yearly fixed effects on all explanatory and control variables. Having a larger population size, a parliamentary system of government, and during Cold War period, a country experiences less economic growth by (-0.1142), (-.0190) and (-.0758) respectively. As per a and rents from natural resources, the results showed that a unit increase in these factors boosts a country's economy by 0.0033 respectively. The coefficient of the interaction variable β_3 remained positive (2.9085), indicating that the interaction of good governance and trade openness has a positive effect on the economies of countries despite the controls. All the coefficients, with the exception of good governance and parliamentary system of government, are statistically significant at the 99% confidence Good governance statistically significant at the 95% confidence level. These results provide stronger support to the argument that even when controlling for population size, system of government, Cold War period and natural resource rents, a country experiences economic growth when there is higher level of trade openness and good governance occurring at the same time.

To further facilitate the comprehension and interpretation of the research hypothesis and that of the interaction model, the author reproduced three graphical figures: Figure 5 (p. 69), Figure 6 (p. 69) and Figure 7 (p. 70). In Figure 5, we can observe that a country's economic growth (GDP/Capita) increases when both, trade openness and good governance increase concurrently. However, countries with low trade openness (example: 50%) together with low good governance have a lower probability of experiencing high economic growth in the near future. Conversely, countries with high trade openness (example: 300%) together with high good governance have a higher probability of experiencing high economic growth

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in the near future. This graph further supports the author's argument that countries with high trade openness and high good governance experience higher economic growth when compared to countries with low trade openness and low good governance.

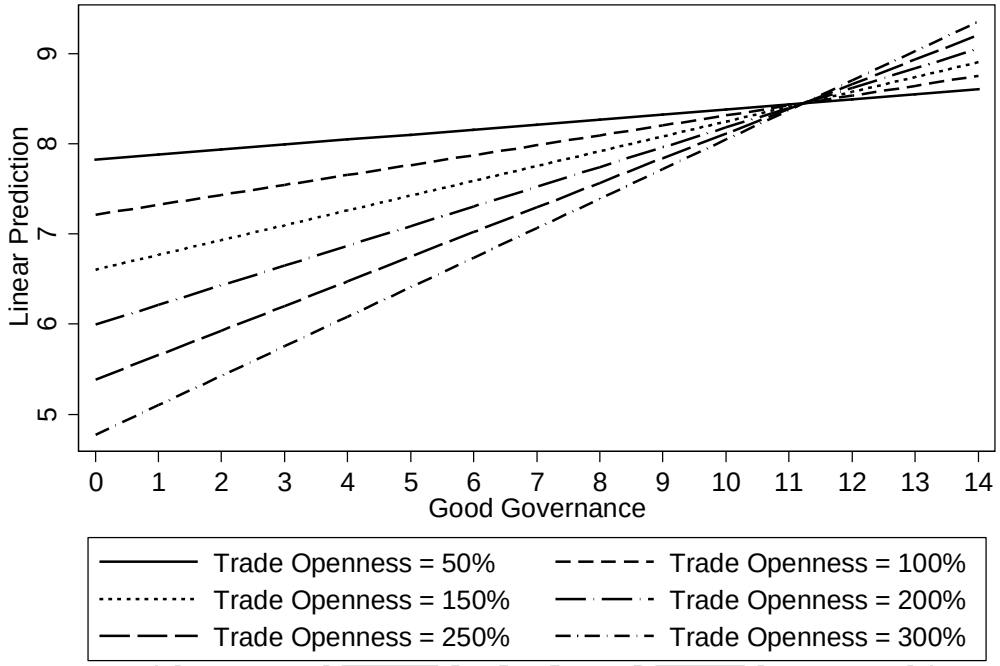

Figure 5. Predictive margins of trade openness and good governance on GDP/Capita

Figure 6 and Figure 7 (p. 70) illustrate the different marginal effects the variables have on GDP/Capita. In Figure 6, the solid sloping line illustrates how the marginal effect of Trade openness changes with the score of good governance. The 95% confidence interval

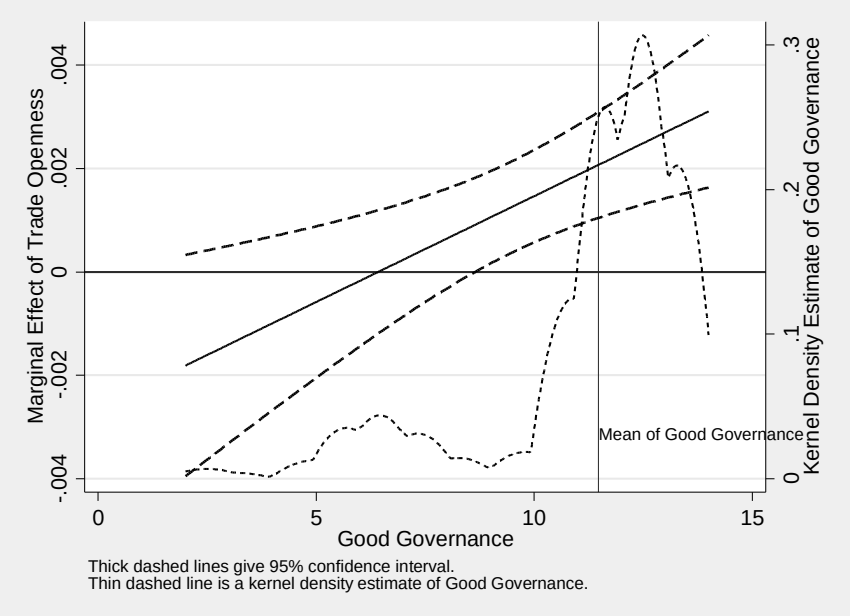

Figure 6. The marginal effect of trade openness on GDP/Capita

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around the solid sloping line allow us to determine the conditions under which trade openness has a statistically significant effect (both above and below the zero line) on GDP/Capita. Trade openness has a small negative effect on GDP/Capita whenever a country has very low good governance score. As predicted, this scenario changes to a positive effect whenever good governance score increases. Although there are countries with low good governance score, the mean score of good governance being 12 indicates that most countries in the study have high good governance score.

In Figure 7 we can observe the marginal effect good governance has on GDP/Capita. The solid sloping line illustrates how the marginal effect of good governance changes with the level of trade openness. The 95% confidence interval around the solid sloping line allow us to determine the conditions under which good governance has a statistically significant effect on GDP/Capita. Good governance has a small positive effect on GDP/Capita whenever a country has very low trade openness, but this changes to a higher positive effect whenever the level of trade openness increases. From the graph, we can also observe that the level of trade openness has a normal distribution with a mean of 110%.

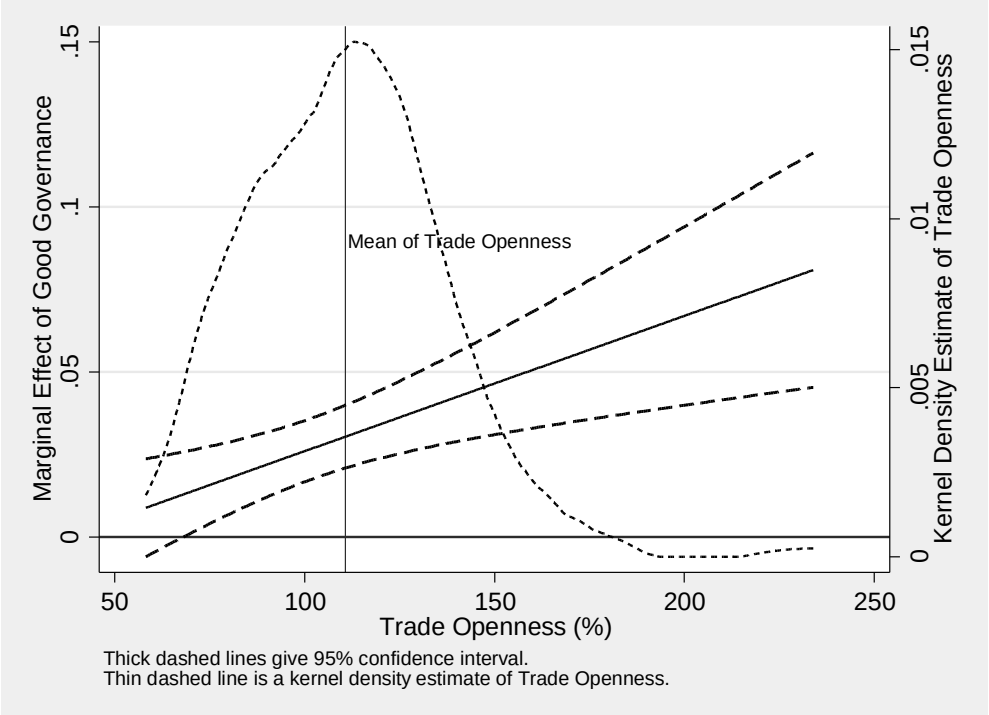

Figure 7. The marginal effect of good governance on GDP/Capita

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Chapter Five: Conclusion

5.1 Summary of Research

Caribbean leaders are cognizant of the relatively small sized economies they possess compared to their neighbouring counterparts, and as such have sought for economic and political regional integration and globalization at large. Integration would ensure cooperation between member states and thus prepare them for a competitive world. To tap into the opportunity, Commonwealth Caribbean Countries have grown and diversified their economies to survive in the competing world markets. Even after various trade agreements in place, similar economies, and so many similar characteristics, there exists varying differences in the economic growth trend amongst Commonwealth Caribbean countries since post-independence. So, why did these twelve countries all experienced different economic growth patterns? What explains the different economic growth trends amongst the twelve Commonwealth Caribbean Countries?

Given the Caribbean Commonwealth country's close similarities, in various aspects and region's high rate of government corruption (Transparency International, 2017), the researcher posits that trade openness alongside good governance play a key role in fostering sustained economic growth and development and consequently leading to an positive shift in the living standards of the twelve Commonwealth Caribbean countries. In trying to answer the research question, together with an under-researched literature, the author argues that the Commonwealth Caribbean countries experience different economic growth because of the different level of trade openness and good governance. The researcher's hypothesis is that the degree of growth and development of the Commonwealth Caribbean countries will increase with the increase of both trade openness and good governance.

The hypothesis is examined through Time-Series Cross-Sectional (TSCS) analysis (panel data analysis) of trade openness and good governance on the economies of the 12 Commonwealth Caribbean countries for the period 1972 to 2016, (44 years). The period 1972-2016 is very important as it covers the post-independence period of most Commonwealth Caribbean countries.

The author used fixed effects model and PCSE OLS to estimate the effects.. These results are consistent despite the model. Both good governance and trade openness influence the economic growth of countries.

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5.2 Research Findings

Models 1 and 4 support the existing literature that good governance and trade openness positively influence the economies of countries, independently of each other. That is, countries experience economic growth even when they only have good governance and not high trade openness and vice versa. These findings were further tested in models 2 and 5. The findings of these models indicate that when a country experiences high good governance and high trade openness simultaneously, a country sees higher economic growth. Models 3 and 6 give even more support to the argument. In both models, the author controlled for the population size, system of government, cold war period and natural resource rents, as this might create an impact on economic growth. The results showed that having a large population size, a parliamentary system of government and during Cold War period, leads a country to experience negative economic growth. Conversely, having natural resource rents boosts the country economy.

Overall, the results in Fixed Effects as well as PSCE OLS, indicate that the interaction variables do have a significant positive effect on the economic growth of countries. This, therefore, further explains the different economic growth trends observed amongst the Commonwealth Caribbean countries. Countries with high trade openness and good governance tend to have high gdp pc when compared to their counterparts with low trade openness and good governance. Countries with high openness but low good governance score experience lower growth in GDP per capita.

To this, the author finds it imperative for underperforming Commonwealth Caribbean countries to increase trade but at the same time improve their governance standings. With an increase in trade, indicating higher inflow of money for the country, good policies and management of money, countries can observe unprecedented economic growth.

The researcher posits that trade openness alongside good governance play a key role in fostering sustained economic growth and development and consequently leading to a positive shift in the living standards of the twelve Commonwealth Caribbean countries. Commonwealth Caribbean countries that have experienced high economic growth can be attributed this reason, while the remaining countries fall short of this. The remaining countries however, serve as an example of the selectorate theory. The results indicate very strong support to the selectorate theory, indicating, that is, that we must be more perceptive as to the leaders we decide to elect to govern and represent our respective countries, making

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sure that they are especially capable of creating policies and trade relations that would promote ecnomic growth, rather than inhibit econmic growth. Leaders in low performing countries tend to be easily influenced by the winning coalition which inturn makes them the biggest winners. The winning coalition tends to reap the benefits of the leader rather than the entire country itself. The monetary benefits, amongst others, should be shared with a country's citizens in order to bring about development. Wrong leaders make inadequate decisions for the welfare of a country, giving rise to disparities and inconsistencies in economic growth patterns in some countries. This argument also supports Acemoglu and Robinson (2013) argument that the ignorance of a country's leadership hinders economic growth through the polices they choose.

Although we are far from eradicating poverty from the face of the earth, countries should continue aiding each other, working hand in hand to mitigate the matter. Benefiting countries should take advantages of all the tools and opportunities being granted by the high income countries to one day be as successful. By following this concept, the UNs SDGs can be more achievable.

By all the evidence provided, the research fully supports the argument that trade and good governance are indeed engines for growth. However, to attain the full benefits of trade and good governance, an effective framework of rules and policies must be implemented, one which would grant economic growth benefits for all citizens regardless of any type preconditions.

5.3 Policy Implications

The finding of this research demonstrates key factors that implicate countries facing low economic growth and development. The author observed that indeed trade and good governance act as catalysts for growth and development in every country. This result concludes that countries can improve their standard of living while improving both factors at the same time.

Although other unaccounted factors affecting economic growth and development might exist, country policy makers can consider these two very influential factors that directly influences a country's economic growth and adopt better policies and strategies to help induce sustained economic growth, and further curb poverty and inequality. If a country's openness to trade is not up to par with that of the rest of the world, the benefits that said country is crippling itself from are numerous! Developing countries should be more

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aware of integrating regionally first, then internationally. The Commonwealth Caribbean countries should sign more PTAs and TAs with outer countries in order to remove unnecessary trade barriers and to foster more economic development. From the share of knowledge, to increase sales from foreign exchange and inward foreign direct investments, the aforementioned can all be used to uplift a country's citizens, who are being deprived from such benefits, to a much higher standard of living in general. Monetary benefits produced can be used for the construction of schools, hospitals, parks and other social infrastructures. Such benefits, in turn, give rise to higher education, health and social welfare and, therefore, more productive citizens. Needless to say that it is imperative that leaders in developing countries ensure they possess a sustainable economy since their continuous huge increases in population will make it difficult for them to secure adequate food and nutrition alongside good standard of living for their future.

With the continued support from the high-income countries, developing countries can achieve economic growth and development. Advanced economies provide their support to developing countries through initiatives, such as Aid for Trade, Financing for Development and, most importantly, the World Trade Organization (WTO) Doha Round of trade negotiations (Fernández, 2008).

Leaders must be held accountable for their actions. Voters place their trust in the leaders they elect and as such, those leaders should fulfil their obligations by carry on with their promises, in turn giving back to the community that elected them. Regardless of how the quality of governance stands, countries, with the help of international governmental and non-governmental institutions should have check and balance in place to guarantee the proper governing of a country. These check and balances will deter leaders from steering towards the wrong path.

Finally, it is important that a country's citizens ensure that the benefits of trade are distributed fairly amongst themselves. Through a proper social welfare system, fiscal and monetary policies, Government can ensure that the fruits of economic growth and development reaches everyone fairly.

5.4 Research Limitations and Future Studies

The Commonwealth Caribbean countries are some of the last countries to be granted independence in the Americas. As a result, there were a few drawbacks.

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Primarily, there was a lack of data. Data on these countries was not readily available, particularly as it relates to the measurement of good governance and trade openness. As previously mentioned, there are various scores and indexes created by institutions on the measurement of good governance. However, most if not all, do not cover the countries in the study, and if they do, they only have for the last years. This points out the usage of only one dataset by the author – Freedom House Score, to measure good governance. The same drawback was encountered when measuring trade openness. There are multiple ways of measuring trade openness, but due to the lack of data and information, the author only relied on measuring trade openness as a country's ratio of trade to GDP. Cross examining and referencing from other datasets would have been more beneficial for the measurement of the effects of good governance and trade openness since the findings would have provided a more robust outcome despite the datasets.

The results presented contributes to the existing literature and opens the doors for future research, especially since the results represent a quantitave analysis of the topic. For instance, in order to fully understand the effect of good governance, it is best to further analyse how corruption occurs within party lines, which will in return prepare institutions and citizens with more knowledge to combat corruption and give them the opportunity for prosperity. Additionally, future study can include other Caribbean countries in the study. This would enable the researcher to control for other characteristics, such as language, ethnicity, colonial past, etc.

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Appendices

Appendix A: Main economic activities of the Commonwealth Caribbean Countries

Country	Agriculture	Industries	Services
Antigua and Barbuda	cotton, bananas, sugarcane, vegetables, livestock	construction, household appliances and components (bedding, handicraft), beverages	tourism
Bahamas, The	citrus, vegetables, poultry	oil bunkering, maritime industries, transhipment and logistics, salt, aragonite, pharmaceuticals	tourism, financial services
Barbados	sugarcane, vegetables, cotton	light manufacturing, component assembly for export	tourism
Belize	sugar, bananas, citrus, cocoa, marine products	garment production, food processing, construction, oil	tourism
Dominica	bananas, citrus, mangos, coconuts, cocoa, vegetables	soap, coconut oil, copra, furniture, cement blocks, shoes	tourism, financial services
Grenada	bananas, cocoa, nutmeg, citrus, avocados, sugar, corn	food, beverages, textiles, light assembly operations, construction)	tourism, financial services
Guyana	sugar, rice, shrimp, edible oils, beef, pork, poultry	gold, bauxite, food processing, timber, textiles	-
Jamaica	sugar, bananas, coffee, citrus, vegetables, poultry	bauxite/alumina, chemical products, agricultural processing, cement, textiles, telecommunications	tourism
St. Kitts and Nevis	sugar, rice, yams, vegetables, bananas; fish	food processing, beverages, electronic components, copra, clothing, footwear	tourism, financial services
St. Lucia	bananas, flowers, foliage, coconuts, vegetables, citrus, root crops, cocoa	food processing, beverages, electrical components, clothing, corrugated cardboard boxes	tourism
St. Vincent and the Grenadines	bananas, flowers, coconuts, sweet potatoes, spices; small numbers of cattle, sheep, pigs, goats, fish	food processing, cement, furniture, clothing, starch	tourism
Trinidad and Tobago	sugar, coffee, cocoa, vegetables, poultry	petroleum/petroleum products, liquefied natural gas, methanol, ammonia, urea, steel products, beverages, food processing, cement, cotton textiles	tourism

Source: Central Intelligence Agency (CIA) (2018). World Fact Book (2018)

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Appendix B: Commonwealth Caribbean movement towards Regionalism

Compared to Latin America and North America, the Caribbean is a region composed of relatively small-sized countries with small-sized populations facing countless challenges. From low economic performance to high losses due to natural disasters, these are few of the challenges jeopardizing the economic growth and development of the Caribbean countries. The Commonwealth Caribbean Countries are very well conscientious of the small and low performing economies they all possess and the issues that tag along. To resolve their challenges and curb these issues, these countries have opted regionalism. Numerous regional integration movements have been formed over the years to foster regional integration.

Commonwealth Caribbean movement towards Regionalism

Regionalism	Date of Existence
WEF	1958-1962
CARIFTA	1965-1972
CARICOM	1973-
CSME	2002-
OECS	1981-
ACS	1994-

Source: Compiled by author

West Indies Federation (WEF)

The formation of West Indies Federation (WEF) attests the regional cooperation that exists between the Commonwealth Caribbean countries, even before their independence. The WEF, although short-lived (1958-1962), was a political union composed of ten British colonies located in the Caribbean Region whose main objective was to attain independence from Great Britain as a single state. The exact reason for the demise of the federation is still unknown, however; it is speculated that this failure led to the independence of some member states (Sewell, 1997). The formation and failure of the WEF did not go in vain. In fact, it

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fuelled the desire of the member states to work together for a common good-economic development.

Caribbean Free Trade Association (CARIFTA)

The WEF severed as a platform in which another body was created in 1968-The Caribbean Free Trade Association (CARIFTA). CARIFTA was a free-trade association geared at removing or reducing trade barriers within member states and thus enabling greater trade amongst each other (Encyclopedia of Latin American History and Culture, 2008). CARIFTA marked the first step towards economic integration in the region. Although the ultimate goal of the association was beneficial to all states, CARIFTA member states were small developing countries, and as such highly dependent on the revenues generated from import tariffs. This led to disagreement within the trade block and fuelled the interest for an integration movement that would deepen integration, boost the economies and bring greater benefits for all member states. This gave rise to the idea of the creation of a customs union-removal of all tariffs amongst member states. Until the dissolution of the association seven years after its creation, CARIFTA further gave rise to a custom union – the Caribbean Community and Common Market.

Caribbean Community and Common Market (CARICOM)

Formally known as the Caribbean Community and Common Market - CARICOM was established on 4 July 1973 under the Treaty of Chaguaramas (ToC) which was signed at Chaguaramas, Trinidad and Tobago (Treaty of Chaguaramas, 1973). Currently, CARICOM is a union of fifteen full member states and five associate members. The full member states are Antigua and Barbuda, Barbados, Belize, The Bahamas, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent the Grenadines, Suriname and Trinidad and Tobago. Economically, CARICOM would deepen the intra-regional integration through the promotion of trade and economic cooperation through trade liberalization - abolishment of all trade barriers and quotas between member states. Other main objectives of CARICOM are to promote foreign policy coordination, functional cooperation and security cooperation amongst all its member states through the establishment of institutions (Deodat, 2010). Although almost all member states have small size economies when compared to neighbouring countries, CARICOM is the oldest integration group in the western hemisphere

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(Sandberg, Seale, & Taylor, 2006). Since its formation, CARICOM has and continues to grow in order to achieve its objectives through the implementation of various institutions such as the Caribbean Court of Justice (CCJ), Caribbean Disaster Emergency Management Agency (CDEMA), Caribbean Aviation Safety and Securing Oversight System (CASSOS) amongst others.

Organisation of Eastern Caribbean States (OECS)

A smaller, yet very important integration association is the Organisation of Eastern Caribbean States (OECS). OECS is an economic union composed of ten independent and non-independent countries (Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Martinique, Montserrat, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines), which are located on the eastern Caribbean region. Most member countries once formed part of the WEF and the West Indies Associated States (1967). Established in 1981, the main aim of the political union was to create economic harmonization and integration amongst member states. This eventually lead to a single currency-Eastern Caribbean Dollar (ECD) that further enabled member states for greater integration and consequently lead to the increase in mobility of goods, services, people and capital (OECS, 2018).

Association of Caribbean States (ACS)

Established in 1994, the Association of Caribbean States (ACS) is comprised of twenty-five member states. Unlike CARICOM and OECS, which seek for economic integration, ACS seeks to serve as a platform for member countries to build and maintain cooperation amongst each other in other issues affecting the region (ACS, 2018).

CARICOM Single Market and Economy (CSME)

Since 1989, some CARICOM member countries had proposed for the formation of a single market. This proposal laid dormant for quite some time until 2001. Given their relatively small economies and non-competitive products and services together with the need to increase economic gains by accessing other markets, CARICOM revived the motion to revise the ToC. The ToC was revised to convert the common market into a single market.

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The revised TOC established the CARICOM Single Market and Economy (CSME) (CARICOM, 2017). However, three countries opted not to join the single market - The Bahamas, Haiti, and Monserrat, leaving CSME with 12 countries. The aim of the single market is beyond the promotion of free movement of good, services, people and capital within member states. CSME would facilitate the built-up of relationships, negotiations and trade with other countries and integration associations across the globe as a single group. This would enable member states to increase productivity, competitiveness and foreign investments. These benefits are only attained as a single group as opposed to fifteen separate and distinct markets and economies, especially due to their relatively small size, non-competitive products and services when compared to neighbouring superpowers (St. Lucia Ministry of Commerce: International Trade, Investment, 2018). CSME is working towards the creation of a single currency to facilitate trade.

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Appendix C: Commonwealth Caribbean External Economic Relations

The establishment of regional integration associations has made it easier and convenient for small countries to trade and cooperate with larger countries, paving the way for access to other markets far away from the region. This section will provide a brief overview, starting with the earliest, of the trade agreements signed with the Commonwealth Countries and/or CARICOM.

CARICOM – European Economic Community (EEC)

One of the earliest forms of aiming cooperation beyond the Caribbean region is the Lomé Convention. Established on February 28, 1975, the aim of this convention was to assist in the economic development of former British, French and Dutch colonies in the African, Caribbean, and Pacific regions. This convention would also promote international aid and cooperation between the African, Caribbean and Pacific Countries and the European Economic Community (EEC). This was with the sole purpose of establishing a model through which both developed and developing countries can work towards a more balance economic order.

Since the signature of the first Lomé Convention (Lomé I), there have been three more revisions to the convention: Lomé II-1979, Lomé III-1983, and Lomé IV-1990 (Dolan, 1978). The last Lomé Convention ended in the 2000 with the signature of the Cotonou Agreement-its successor.

CARICOM/CARIFORUM – African, Caribbean and Pacific Group of States (ACP)

Signed by forty-six countries on June 6, 1975, the Georgetown Agreement established The African, Caribbean and Pacific Group of States (ACP). The establishment of the ACP Group can be attributed to the Lomé I and regarded as one of the most important outcomes (Hall & Blake, 1979). Currently, ACP Group is composed of 79 member states with the aims to cooperate with each other, with the help of the EEC, in areas such as development-poverty reduction, economic and trade, security and democratic peace building (ACP, 2018).

Caribbean Forum of the African, Caribbean and Pacific Group of States (CARIFORUM) is composed of sixteen Caribbean states and are member of the ACP Group. All Commonwealth Caribbean states are member of CARIFORUM. Established in the 1990s,

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CARIFORUM serves as the negotiator on behalf of ACP Caribbean states and the EU under the CARIFORUM – European Union (EU) Economic Partnership Agreement (EPA) [CARIFORUM-EU EPA].

CARIFORUM – European Union (EU)

February 2000 marked the end of the Lomé Convention IV, and thus marking the end of the Lomé Conventions, but rolling the red carpet for the Cotonou Agreement. Cotonou Agreement is an agreement from March 2000 to March 2020 between the European Union and the ACP Group. Cuba is the only ACP country that did not signed the agreement. This agreement continues strengthening the pillars of the Lomé Conventions: development cooperation, economic development, security and democratic peace building (Gasiorek & Haynes-Prempeh, 2006).

CARIFORUM ensures that the proper coordination of policy dialogue between Caribbean states and EU that would promote development programs, technical guidance, trade and cooperation in the Caribbean.

CARICOM – United States of America (USA)

The implementation of the Caribbean Basin Economic Recovery Act (CBERA) of 1983 marked the first step the USA took towards supporting economic growth and development for Caribbean countries. CBERA was a preferential trade agreement intended to give eligible Caribbean Countries duty-free treatment or other preferential treatment for eligible products. CBERA was due to expire on September 30, 1995, but the Caribbean Basin Economic Recovery Expansion Act (CBEREA) repealed this date in 1990 and thus making the trade agreement permanent. Additionally, CBEREA include other provisions, which would bring greater benefits for all parties (Hornbeck, 2011).

In 2000, CBEREA was further expanded through the enactment of the Caribbean Basin Trade Partnership Act (CBTPA). This expansion further deepened the trade relationship between the USA and eligible Caribbean Countries to include other products such as textiles and apparel. CBTPA has been revised various times, most importantly in 2006 (HOPE I) and 2008 (HOPE II) to further provide greater benefits to Haiti. To ensure the longevity of CBTPA and HOPE, the HELP Act of 2010 extended the expiration date of both agreements to the year 2020 (Hornbeck, 2011).

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Collectively, the CBERA, CBEREA and CBTPA come to be-known as the US-Caribbean Basin Initiative (CBI). To-date, there are nineteen countries that benefit from the CBI: Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago (United States Trade Representative, 2018).

Commonwealth Caribbean – Canada

Seeing the economic development assistance Commonwealth Caribbean countries need, the Canadian government agreed to sign with Commonwealth Caribbean countries the Caribbean-Canada Trade Agreement (CARIBCAN) in 1986. This is a nonreciprocal free trade agreement benefitting Commonwealth Caribbean countries as they would be able to export most commodities-duty free into Canada. Canadian products entering the markets of Commonwealth Caribbean countries would not be entitled to the same benefit (Caribbean Trade Reference Centre, 2018). With this, the Canadian government expected to promote and increase trade, investment and cooperation with Commonwealth Caribbean countries. This would then have a positive impact on the foreign exchange earnings of Commonwealth Caribbean countries and boost development.

The nonreciprocal nature of CARIBCAN is not in-line with the World Trade Organization's (WTO) principles and commitments. To this effect, and with the continuous interest in supporting the economic development of Commonwealth Caribbean countries, Canada, on advice of the World Trade Organization, signed the World Trade Organization Most Favoured Nation Waiver. This waiver permits for CARIBCAN to continue functioning until 2023 (Deonarine, Hosein, & Khadan, 2016).

Currently, Canada has decided to replace CARIBCAN with a FTA with CARICOM in order to include other low performing economies in the Caribbean (Gasiorek & Haynes-Prempeh, 2006). However, there has been multiple meetings to negotiate the FTA but none has been successful to establish the FTA.

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CARICOM – Latin America

In recent years, there has been an increase in trade and cooperation agreements signed between CARICOM and Latin American countries (Venezuela – 1992, Columbia – 1994, Dominican Republic – 1998, Cuba – 2000 and Costa Rica – 2004).

First of its kind was the CARICOM-Venezuela FTA signed in 1992 which aimed at fostering relationship through increase trade and investment. Venezuela agreed for the entry of some CARICOM products into its market duty free. However, since this is also a nonreciprocal agreement, Venezuela and CARICOM are on negotiations to revise the agreement in order to be in par with the WTO principles and commitments (CARICOM, 2018).

In 1994, CARICOM and Columbia signed a trade, economic and technical cooperation agreement, which was also geared at strengthening relationships. Moreover, this agreement was also a nonreciprocal agreement that benefited certain goods from CARICOM to receive duty free in Columbia's market. To this effect, CARICOM and Columbia are using this agreement as a framework for future collaborations (Jamaica Ministry of Foreign Affairs and Foreign Trade, 2018) .

Dominican Republic and Costa Rica both signed FTA with CARICOM, while Cuba signed a trade and economic cooperation agreement**.** Both, the Dominican Republic and Costa Rica are agreements have two sections. First section is based on reciprocal trading of commodities with the five More Developed Countries (MDCs) in CARICOM, and nonreciprocal trading of commodities with the Less Developed Countries (LDCs) in CARICOM. Dominican Republic has also included the trade in services, government procurement and intellectual property rights. Cuba, on the other hand has reciprocal trading of goods and in the near future services, with CARICOM member countries (Jamaica Ministry of Foreign Affairs and Foreign Trade, 2018)

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Appendix D: Breakdown of Observations by country and variables.

	Years	Log GDP/Capita	Good Governance	Trade Openness	Log Population	System of Government	Cold War	Natural Resources	TOTAL
Antigua and Barbuda	45	40	35	40	45	36	45	45	331
Bahamas, The	45	45	43	39	45	44	45	45	351
Barbados	45	27	44	26	45	45	45	45	322
Belize	45	45	35	36	45	36	45	45	332
Dominica	45	40	38	40	45	39	45	45	337
Grenada	45	40	42	40	45	43	45	45	345
Guyana	45	45	44	45	45	45	45	45	359
Jamaica	45	45	45	45	45	45	45	45	360
St. Kitts and Nevis	45	40	33	40	45	34	45	45	327
St. Lucia	45	40	37	38	45	38	45	45	333
St. Vincent and the Grenadines	45	45	37	40	45	38	45	45	340
Trinidad and Tobago	45	45	45	44	45	45	45	45	359
TOTAL	540	497	478	473	540	488	540	540	

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