
Marina Karides
Florida Atlantic University
USA
mkarides@fau.edu

Abstract: In 1974, the Republic of Cyprus and the Republic of Trinidad and Tobago, both former British colonies, experienced significant events that permanently altered their economic and social realities. The coincidence of these occurrences offers an opportunity for a historical comparison of island development. In effect, this paper argues that the economic paths of these islands were shaped largely by their responses to neo-liberalism. Cyprus’ support for domestic enterprises and resistance to neo-liberal policies throughout the early 1990s compared to Trinidad and Tobago’s forced acquiescence to them and reliance on its energy sector explain the difference in their economic trajectories. Analytically, I argue that island nations can chart a course for economic strategies that benefit more of the population despite neo-liberal pressure to adopt policies that advantage global capital. This comparison supports the island studies position that islands have distinct place-based and/or historical capacities for resourceful and creative tactics towards economic autonomy and development.

Keywords: comparative analysis, Cyprus, island development, neo-liberalism, Trinidad and Tobago

© 2013 Institute of Island Studies, University of Prince Edward Island, Canada.

Introduction

In 1974, the Republic of Cyprus and the Republic of Trinidad and Tobago, both former British colonies, experienced significant events that permanently altered their economic and social realities. The invasion by Turkey of the Republic of Cyprus cost the island state its most productive tourist and industrial zones and nearly one third of the island’s land area (Christodoulou, 1992; Loizos, 1981). The Republic of Trinidad and Tobago, a petroleum-based economy, experienced a financial windfall due to the unprecedented hike in international oil prices in the previous year due to the formation of OPEC (Oil Producing Export Countries). These islands then charted a course of development in a liberalizing trade environment shaped by the Washington Consensus in which all nations, regardless of size, post-coloniality, or development, were expected to compete on more or less equal footing. Cyprus’ post-invasion circumstances were evaluated as dire (Christodoulou, 1992; Louizos, 1981; Markides, 1981).
Yet despite its challenges, Cyprus expanded economically after the invasion and a large majority of the Cypriot population enjoyed relatively favourable socio-economic conditions (Christodoulou, 1992). Though infused with increased revenue through the 1970s and deemed effectively on the path to economic success, Trinidad and Tobago eventually faltered in the eighties.

Presently, both island states are relatively successful examples of post-colonial development as measured by such macro-economic indicators as the economic growth rate and GDP per capita (see Table 1). Yet, income inequality, rates of poverty and unemployment have all been high in the Republic of Trinidad and Tobago, but low in the Republic of Cyprus (EWCO, 2010). Many Trinidadians still struggle to meet basic needs; more than 20 percent live below the national poverty line and 13 percent on less than 2 US$ a day (UNDP, 2008). In the course of the approximately thirty years of development that this article covers, Trinidad and Tobago also experienced phases of deep financial crisis that Cyprus did not.3

In this paper, I suggest that Cyprus’ resistance to neo-liberal policies through the early 1990s, and Trinidad’s forced acquiescence to them, helps explain much of the difference in their economic trajectories: the development of these island states was shaped largely by their responses to neo-liberalism4. Former colonizers of many island nations had moulded economies in service to empire (Bertram, 2007); but, by demonstrating the manoeuvrability of post-colonial island states even within the constraints of neo-liberalism, this work supports the island studies position that islands have distinct place-based and/or historical capacities for resourceful and creative tactics towards economic autonomy and development; these tactics can be sustained relationally to mainland and archipelagic regions (Baldacchino, 2006; Hay, 2006; Stratford, Baldacchino, McMahon, et al., 2011). The thirty-year period this comparison addresses captures the global era of intensive neo-liberalism. Comparing the actions, responses and outcomes in the development of these two island states can assist in considering how island jurisdictions, now and in the future, might respond to global policies. In other words, the pressure to join and implement global policy agendas is immense, especially on smaller island states and their polities. Cyprus illustrates that such demands can be resisted for specific periods, and that certain internal factors and the political moment contributed to its ability to resist the wave of neo-liberalism that Trinidad and Tobago could not.

3 Cyprus’ current economic crisis is very recent and is tied to the nation’s banking system. It developed only after the country joined the EU. How the state handles the austerity demands from the EU and requires of ordinary citizens to shoulder the burden of the banking crisis has become a hot political issue (Alderman, 2013a; 2013b).

4 I use neo-liberalism to refer to the Washington Consensus-promoted ideological shift from state-led or Keynesian development strategies to a pro-capital bias that limits state regulatory capacities and supports privatization but relies on governments to facilitate capital expansion. While I support challenges to overtly economic or top down definitions of globalization, for the sake of clarity in this article I use globalization to refer to the economic programs ushered in by neo-liberalism.
Table 1: Economic Indicators for the Republic of Cyprus (RoC) and Trinidad and Tobago (T&T): 1980-2010.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RoC</td>
<td>T&amp;T</td>
<td>RoC</td>
<td>T&amp;T</td>
<td>RoC</td>
<td>T&amp;T</td>
<td>RoC</td>
</tr>
<tr>
<td>GDP p/c (in current US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>4,230</td>
<td>5,785</td>
<td>4,490</td>
<td>6,290</td>
<td>9,640</td>
<td>4,170</td>
<td>14,210</td>
</tr>
<tr>
<td>Per Annum Growth Rate</td>
<td>5.9</td>
<td>10.4</td>
<td>4.7</td>
<td>4.1</td>
<td>7.4</td>
<td>1.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>N/A</td>
<td>N/A</td>
<td>3.3</td>
<td>15.6</td>
<td>1.8</td>
<td>20.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Personal Remittances Received, (% of GDP)</td>
<td>4.4</td>
<td>0.1</td>
<td>2.9</td>
<td>0.1</td>
<td>1.4</td>
<td>0.1</td>
<td>0.5</td>
</tr>
</tbody>
</table>

* Sources: CIA World Factbook (2012); IMF World Economic Outlook 2011 on [http://www.indexmundi.com](http://www.indexmundi.com)
Establishing the academic scope of island studies has been tied to exploring islandness including: (a) the more traditional and metaphorical reference of island singularity as independent and isolated entities and the critique of this position (Baldacchino, 2006; Hay, 2006); (b) an understanding of islands as peripheral to continental bodies that surround or had colonized them. This perspective has often rendered islands as vulnerable or exploited (Hay, 2006; Briguglio, 2000), especially when islands are not explored relationally or “at the center of things” (Baldacchino, 2006; Hau'ofa, 1993); and (c) more recently as part of an archipelagic context that encourages the exploration of islands in relation to each other or as part of a community of islands (Stratford et al., 2011; Hau'ofa, 1993).

This empirically driven comparison of Cyprus and Trinidad and Tobago contributes to the appreciation of island as place, acknowledging the lived experiences of those who dwell on islands and their efforts—political, economic and cultural—to sustain and make their island communities (Hay, 2006). Understanding the current socio-economic circumstances of island states is dependent on historicizing their development, since it is influenced by the global political economy as much as by endogenous socio-cultural and economic rhythms. While this holds true for evaluating the contemporary situation for all countries, it is particularly so for island states that are either codified as having a singular experience conscripted by their geographical designation or colonial past despite their cosmopolitanism (Baldacchino, 2006; Hay, 2006). This contrast of Cyprus’ development to Trinidad and Tobago’s elucidates the distinct differences and nuances in the trajectories of these economies without dismissing the commonality of their experience as island jurisdictions.

Comparing the development of two island nations over the course of the last three decades also provides an opportunity to understand how shifts in hegemonic discourses and development strategies, for example from modernization to neo-liberalism, the political interests of colonial or imperial powers (in these cases, the UK and US), and regional context delimits the options of island nations to coordinate their own path of development. More importantly for the field of island studies, it demonstrates that no matter how constrained government decisions may be, they significantly shape national development and the socio-economic circumstances of citizens. Despite the enforcement of neo-liberalism as a global mandate, small island states do employ self-determined strategies.

The next section provides a general review of global development policies. This is followed by a summary of methods. A comparative historical presentation of the nations’ political economic development and, more specifically, the policies of each nation that evolved in response to the remarkable socio-economic shifts each nation experienced in 1973-1974, are then provided. The conclusion considers the analytical contribution of the two-country comparison for island studies and development studies.

Colonialism, modernization, neo-liberalism in summary

The economic dependency of many island nations is certainly a result of being traded or passed from one colonizing force to another. The under- or uneven development characterizing most islands was foisted upon new post-colonial administrations that also had to contend with development in the context of Cold War politics. Throughout the sixties and seventies, modernization scholars and policy makers encouraged newly independent nations to increase foreign investment and contact with industrialized or advanced capitalist nations and borrow funds from large banks to build industry and infrastructure.
Unlike the tide of neo-liberalism that swept over the globe in the 1980s, modernization scholars and practitioners envisioned the state as an active participant in national economic development. Under this framework, the newly elected leaders of island nations were driven to undertake large development projects largely necessary given the absence of infrastructure in most of these nations and encouraged to do so by development agencies and private banks that lent plenty of capital.

As a platform for economic development, neo-liberalism arrived, not coincidently, with the apparent failure of modernization policies. Although most post-colonial nations accepted and implemented modernization, by the early 1980s it became clear that predictions of rapid economic advancement were vacuous. The optimism of previous decades for the economic advancement of the post-colonial world quickly subsided when nations, starting with Mexico and then in Latin America and the Caribbean, fell into a path of inescapable debt (Kiely, 1998; McMichael, 1996).

Blaming state involvement in the economy and redistributive economics for the international economic crisis, the IMF and World Bank responded to the Third World debt crisis with a return to market liberalism: nation-states no longer “develop”; rather they position themselves in the global economy (Guillen, 2001; Harvey, 2005; Kenworthy, 1995; McMichael, 1996, 2008). The couplets of neo-liberalism are by now well known: privatize and deregulate, tax and devalue, reduce social spending and ease capital expansion (Fiss & Hirsch, 2005). The forces behind neo-liberal reforms were the structural adjustments policies (SAPs) indebted nations like Trinidad and Tobago had to adopt in order to reschedule their national debts with the IMF and World Bank. From a neo-liberal perspective, good government (thus, state engagement is not rescinded but reoriented to facilitate privatization) is determined by the state’s ability to promote development through market forces (Harvey, 2005; Kiely, 1998).

Neo-liberal policies are widely criticized both inside and outside the academy for failing to lift nations out of debt and for expanding poverty and unemployment, reducing labour standards, adding to environmental degradation, and increasing inequality both within and among states (Guillen, 2001; Harvey, 2005; McMichael, 2008). The key policy prescription of neo-liberalism disregards geographical, historical, cultural and politico-economic variances of nations and simultaneously envisions them as independent agents operating without constraints or in relation to each other.

**Methods**

The analysis presented here is based on primary data I collected in the Republic of Cyprus and in the Republic of Trinidad and Tobago. I conducted semi-structured interviews with past and present government officials, carried out archival research in government offices, and collected state policy documents in both nations. In Trinidad and Tobago in 2000, I spoke with twenty-two government officials at, for example, the Ministry of Finance, Ministry of Gender and Culture, the Mayor’s office in Port of Spain, and the Ministry of Social Welfare. Along with secondary sources, while in Trinidad I collected primary documents from the national library: for example, the IMF agreement with Trinidad in the early 1980s and the outline of the government plan in response to structural adjustments. In Cyprus in 2003, I met with thirty-one government officials in a variety of Ministries and the Chamber of Commerce, and also collected primary documents. Most interviews were audio-recorded and lasted for about an
hour each. Most of the officials permitted me to contact them again by phone if I had follow up questions, which I did on several occasions.

Although the comparison is primarily historical, the opportunity to meet with government officials, many of them involved in national government for decades in both nations, provided insight into how island states assess their development opportunities and constraints vis-à-vis globalization. In both Trinidad and Tobago and Cyprus, interview participants noted their island status on their own accord.

By comparing the development of Trinidad and Tobago with that of Cyprus for over three decades, the processes of modernization and neo-liberalism are revealed so that “the comparison becomes a substance of inquiry” (McMichael, 2000, p. 672). In other words, although I direct analytical attention to both Trinidad and Tobago’s and Cyprus’ development, it is the information garnered through the comparison that is my focus. To make an “incorporated comparison”, I consider the early historical circumstances of each nation as part of a global process of capitalist expansion (McMichael, 2000). Incorporated comparisons can be distinguished from conventional ones by emphasizing that cases cannot be lifted out of their time/space locations but are relational parts of a single historical process (McMichael, 2000, p. 672). This approach is particularly suitable to island studies, given an early methodological revelation that it may be impossible “to properly analyze the economy of [an] island by restricting the analysis to what [is] just happening on the island” (Manners, 1965, p. 182). I also take as a starting point the world-systems framework (Wallerstein, 1979) that considers nation states as embedded in a set of global processes making them actors in a single unit of analysis. Yet along with many others in this tradition, my work contributes to the critique that the world system, although palpable, is not teleological, and that state actions, social movements, and resistance shape paths of development.

**History and strategy: comparing the development of two islands**

When generally asked to explain the economic situation of their respective islands, officials from both Trinidad and Tobago and Cyprus often pointed to geographic scope, yet presented different arguments. Cypriot officials, often describing their economic success as unexpected, explained that it was due to their smallness and autonomy: “islandness”. Yet, in Trinidad, officials attributed economic difficulties to its small island status, presenting it as a challenge for diverse economic development. In this section I provide a brief review of each nation’s colonial histories and movement towards independence beginning with Trinidad and Tobago (see Table 2 for a summary). I also discuss the tumultuous transformation that occurred around 1974 and the subsequent programs of economic development for each nation.
### Table 2: Historical Survey for Cyprus and Trinidad and Tobago to Post 1974 Period.

<table>
<thead>
<tr>
<th>Historical Frame</th>
<th>Cyprus</th>
<th>Trinidad and Tobago</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early Colonial Period</strong></td>
<td>Byzantine (330-1191 AD), Frankish (1192-1489), Venetian (1489-1571), Ottoman (1571-1878)</td>
<td>Originally settled by Amerindians and later occupied by Arawaks and Caribs. Spain colonizes Trinidad (1532), Dutch settle Tobago (1630), French colonize Tobago (1781)</td>
</tr>
<tr>
<td><strong>British Colonialism</strong></td>
<td>(1878-1960) Ottoman Empire cedes the island to Britain in 1878 as part of secret agreement to gain support in regional control after the Russian-Turkish War. Cyprus is declared a Crown colony in 1925.</td>
<td>(1802-1959) Spain cedes Trinidad to Britain in 1802, France cedes Tobago to Britain 1814, Trinidad and Tobago become a single British colony in 1889.</td>
</tr>
<tr>
<td><strong>1973-1974</strong></td>
<td>July 1974 Greece’s military junta stages a coup to overthrow the democratically elected government of Cyprus. Turkey invades the island under the premise of restoring the republic but seizes 35% of territory.</td>
<td>Oil embargo commences October 1973 as an Arab response to US alliance with Israel, ends March 1974. Trinidad and Tobago becomes a source of oil for the US, gains increased revenue due to the hike in petroleum prices.</td>
</tr>
<tr>
<td><strong>Consequences</strong></td>
<td>Forced removal of Greek-Cypriots from occupied territory constituting 80% of the population. Loss of 70% of gross output, 48% of agricultural exports, 46% of industrial production, 56% of mining and quarrying output.</td>
<td>Trinidad experiences positive economic growth and some revenue used to alleviate the nation’s grim financial situation and pacify insurrections by labor and the Black Power Movement.</td>
</tr>
<tr>
<td><strong>Development Policies Resulting from 1974 Events</strong></td>
<td>Employment creation for Cypriot refugees. Micro and small business development through the Cyprus Productivity Centre. Restrictive trade policy with high tariffs and taxation on imports of locally produced products. Expansion of social programs. Growth of tourist industry.</td>
<td>Under the leadership of the PNM, foreign direct investment and modernization strategies are pursued. Petrodollars finance state development projects and support a large state sector.</td>
</tr>
</tbody>
</table>
First colonized by Spain in 1498, Trinidad was late (especially compared to neighbouring islands) in becoming a full-fledged colonial economy (Brereton, 1981; Malaki, 1996). It was only after 1797, when Britain established colonial control, that Trinidad joined the sugar trade which by then was a less lucrative endeavour for Caribbean colonialists. As the island was a latecomer to this mono-crop export, slavery, on which the large sugar colonies depended, is noted to have had less of an impact on the organization of Trinidad’s social and economic structure (Brereton, 1981; Malaki, 1996).

By the 1900s, the colonial government turned to the development of its newly discovered petroleum reserves. The shift from agriculture to petroleum as the major source of government revenue was complete by the early 1950s. As a natural resource, petroleum has often wreaked havoc on weaker nations subjecting them to boom and bust cycles of the market and underdevelopment (O’Rourke & Connolly, 2003; Karl, 1997). Trinidad’s oil-based industry drastically reduced the nation’s economic reliance on cheap or unskilled labour for revenue, as was the case in most of the Caribbean. In Trinidad, “skilled” foreign workers were employed in the petroleum industry. This was a point of contention for many native Trinidadians who felt cheated and argued that local Trinidadian workers should have been trained to fill the limited positions (Hintzen, 1985; Pantin, 1993).

The economic centrality of petroleum and its related problem of unemployment coincided with Trinidad’s struggle for independence. The mining of petroleum was largely in the hands of British Petroleum (BP) and so, with private ownership of Trinidad’s most valuable resource, British state control was less necessary. The end of the colonial reign in Trinidad was complete by the early 1960s, leaving the problem of unemployment to post-independence governments and petroleum wealth in the hands of the British. As political independence was gained by Caribbean nations, economic links with the US, in the works long before independence movements, were further forged and defined by development-as-modernization (Brereton, 1981; Reddock, 1994).

Post-independence development in Trinidad and Tobago

The People’s National Movement (PNM), the Afro-Trinidadian dominated political party that controlled national politics until the 1990s, led the drive toward independence. Eric Williams was the party’s head, eventually becoming the nation’s first prime minister. Indo-Trinidadians, who like Afro-Trinidadians make up approximately forty percent of the population, live in the Southern rural areas of Trinidad, and until recently, engaged less in national political affairs. The independence government was determined to relinquish colonial ties and have major political and economic decisions controlled by the national government (Hintzen, 1985). However, the PNM, identifying foreign investment as key for its economic survival, attempted, like many newly independent states, a middle path between free market capitalism and socialism: a state-centered economy trading with developed economies (Griffin, 1997).

As a participant in the economy, the state’s goal was to rectify the social and economic ills created by colonialism. High unemployment, an unsuitable constitution, absent social security provisions, and a lack of other industries apart from petroleum, were failures of British colonialism that the PNM charted to correct (People’s National Movement, 1956). Within a
Strategies of economic development in two post-colonial states

decade of independent national governance, the PNM managed to expand education even into isolated rural areas, develop considerable infrastructure and implement a social security program for formally employed workers and other provisions of social assistance. The future of Trinidad’s social and economic development programs relied on the success of the modernization strategies they employed: investment in infrastructure and industry which would attract foreign capital.\(^5\)

In 1970, the newly independent nation had to contend with a well-organized insurrection that gripped Port of Spain (Hintzen, 1985; Oxaal, 1971; Renna, 1975). The protesters, mostly identified as the Black Power Movement, accused the PNM of being directed by international capital particularly in petroleum, pandering to the foreign dollar, and neglecting the needs of Trinidian and Tobagonian workers (Hintzen, 1985; Renna, 1975). The Black Power Movement brought attention to the absence of income earning opportunities for the predominantly Afro-Trinidadian urban labour force. It seems that the PNM, resolute on redressing the neglect of colonialism, could still not trigger enough work opportunities.

In the early 1970s, Trinidad’s economic circumstances completely changed with the OPEC (Oil Producing Export Countries) oil embargo. Although not a member, OPEC brought unprecedented prosperity to Trinidad and Tobago during the height of the Black Power Movement. Serendipitously, the international rise in oil prices provided the PNM government with enough revenue to respond to the growing demand for work by the protesting population (Reddock, 1994; Hintzen, 1985). During 1970-1982, GNP per capita increased from current US$770 to US$6,000, and state revenue increased fourfold (Griffin, 1997). The PNM used some of the nation’s unprecedented surplus to meet the needs of its mostly poor, low income, and unemployed population. In little over a decade, public expenditures escalated by twenty-five percent. This included increased spending on education, health, and the expansion of old age pension programs and public assistance. Increasing the size of the state sector was another method by which government attempted to curb the high rate of unemployment. During the 1970s and early 1980s more than a third of the population was employed by government, in state enterprises, or through the Unemployment Relief Program (URP) in which unemployed persons are hired intermittently by the state to work on government infrastructure projects (World Bank, 1996). These attempts by the state to increase employment relied almost completely on earnings from the petroleum sector that accounted for eighty percent of the nation’s revenue when oil prices began to decline (World Bank, 1995). Yet unemployment never dropped below twelve percent (Hintzen, 1985).

**Trinidad’s development in crisis**

With the plunge in the price of petroleum in 1982, Trinidad experienced its first economic downturn since the early 1970s and PNM’s grip over central government weakened (Premdas, 1993). The nation experienced a negative economic growth rate and the GDP per capita was halved by 1992 (World Bank, 1995). A lender to the IMF until 1984, the Republic of Trinidad and Tobago turned to the institution in 1988, only four years later, to reschedule a large international debt (World Bank, 1995). Based on the expansion of the nation’s energy sector in the mid-seventies and expectations that revenues would remain high, national leaders borrowed heavily from private banks (which was endorsed as modernization strategy) to develop

---

\(^5\) Trinidad and Tobago has recently pursued tourism, but this was not on the agenda in its first decades of independence.
infrastructure, but also to prove the state as a worthy borrower and successful player in the global economy (Stewart, 1993).

The IMF and World Bank argued that the economic crises of Trinidad had resulted from the state’s economic mismanagement. Yet these same international agencies had urged political leaders to borrow heavily from commercial banks. The modernization assumption was that the debt incurred to build infrastructure and industrial capacity would be repaid with the foreign investment the nations would capture with development. Yet, outside of financing Trinidad’s oil industry, investment was hardly forthcoming (McBain, 2005).

Prior to independence, most Caribbean islands were protected economically by preferential trade arrangements with their colonizers. Later, the Yaounde Convention (1963) and the Lome Convention (1975), more recently replaced by the Cotonou Agreement (2000), provided preferential trade arrangements between members of the European Community and their former colonies (McBain, 2005, p. 23). In addition, the Caribbean Common Market established as part of the Caribbean Community (CARICOM) in 1973 created a network of intraregional trade. While accounting for only 10 percent of Caribbean trade overall, the Caribbean Common Market is credited with increasing growth and entrepreneurship in the region during the 1970s (McBain, 2005). In essence, the island economies of the Caribbean were initially ‘protected’ by their post-colonial status rather than their geography. By privileging commodities produced in the region, the Caribbean Common Market is similar to the protectionist strategy that Cyprus maintained in its post-invasion development.

The neo-liberal backlash to the debt crisis of the eighties limited the agency of post-colonial governments and chipped away preferential trade arrangements for all nations, large, small, or island. Trinidad and Tobago’s decision to turn to the IMF did not go uncontested. Many in the nation argued against assistance from the IMF. Economic development specialists at the University of West Indies in St. Augustine, Trinidad, drew the public’s attention to the intensification of poverty and unemployment that structural adjustment would trigger (Henry, 1993). Grassroots organizations also held forums and meetings to garner support for a solution to Trinidad’s economic crisis that did not rely on IMF assistance. Women’s organizations also emphasized the increased labour SAPs would require of poor and low-income women. Yet, by 1990 Trinidad, like other Caribbean nations, had decided its only option for remaining on the globalization bandwagon was to accept IMF requirements for debt relief.6

Trinidad was thus required to privatize state-owned enterprises and reduce state expenditure on social programs and employment. Between 1985 and 1989, the state reduced its labour force by almost 30,000 workers (Theodore, 1993). Remaining public employees suffered a ten percent reduction in salary. The official unemployment rate doubled, reaching twenty-five percent, leading some 120,000 Trinidadians, about ten percent of the population, to migrate abroad to seek employment (Economist Intelligence Unit, 1998; World Bank, 1995). Between 1986 and 1992, social expenditures declined by 47 percent, decreasing the quality and availability of public health and education services (Theodore, 1993). State subsidies on basic food items for the very poor were reduced or discontinued, and a 15% value-added tax (VAT) on every item formally sold in the country was implemented, raising the cost of basic living items and economically straining low-income residents.

6 The Trinidad and Tobago government decided to accept IMF assistance; but there was significant dissent by the general population as well as by development specialists and scholars (many of whom are referenced here) that argued strongly for the state to resist IMF financing.
The private sector did not expand at the rate necessary to employ even a small percentage of retrenched public workers. Although the state expanded its role in petroleum extraction, the industry provided limited employment opportunities for native Trinidadians. Industries such as construction and apparel, which employed large numbers of workers, declined (the Dutch disease). As numerous jobs were lost in the state and manufacturing sectors, there was a vast expansion of informal sector activity. Between 1982 and 1990 over ten thousand workers were recorded in government statistics to have entered informal self-employment (Theodore, 1993). Job loss, along with a rise in the cost of living, made it almost impossible for many families to live above the poverty line.

The Trinidadian state reasoned that as a small island economy, reliant on imports and dependent on petroleum as an export, it did not have room to manoeuvre outside the neo-liberal agenda that created a climate in which it appeared that no other policy choices existed. Although many of the government officials I met were wary of the ability of Trinidad and Tobago to compete on the same playing field as the US or even its Latin American counterparts, it appeared to them that opting out of neo-liberalism was not possible.

Despite the revenues it earned from the increase in petroleum prices after the OPEC embargo, and by virtue of the modernization policies implemented followed by the neo-liberal response to their failure, Trinidad and Tobago created a socio-economic context that impoverished much of its population and offered very little opportunity for employment. The Republic of Cyprus therefore is especially interesting in comparison to Trinidad and Tobago because of the historical coincidence of a major socio-economic event to also befall the island in 1974, but more interesting is its resolution to enter into a set of development strategies that ran contrary to neo-liberal tenets and their successful outcome for local development.

The Republic of Cyprus and the politics of development

As for many islands, the history of Cyprus is often presented as a series of occupations and dominations by outside forces (Hitchens, 1997). Cypriot civilization is considered one of oldest in the Mediterranean and by 3700 BC the island was permanently settled. Assyrian, Egyptian, Persian, Byzantine and Roman empires (364 AD) make up the first set of foreign rulers, while the Lusignans (12th century), Venetians (1498), Ottomans (1571), and British (1878) were the more recent foreign dominators of this small island state (Alastos, 1955; Markides, 1977). Under Ottoman rule, religious freedom was permitted and thus the survival of the Orthodox Church and a Greek Cypriot population (Hitchens, 1997). At the outbreak of World War I, the United Kingdom formally annexed the island in 1914 and Cyprus became a crown colony in 1925 (Hill, 1952).

By the mid-century, the Greek Cypriot population (about 60 percent) began to mobilize for independence from the British Empire (Crawshaw, 1978). Britain did not want to relinquish control of Cyprus and it strongly resisted the Greek Cypriot struggle for independence (Panteli, 1984). The Greek Cypriots, led by Archbishop Makarios, were seeking enosis, or unification with Greece, a call that was popularized decades earlier in 1922 when Greece freed itself from Ottoman rule (Crawshaw, 1978; Hitchens, 1997; Teerling & King, 2012). By 1955, Greek

---

7 The Dutch Disease refers to national dependency on natural resources that are increasingly exploited to the neglect of the manufacturing sector as occurred in Holland with the discovery of natural gas in 1959.

8 Great Britain gained the island of Cyprus from the Ottomans as part of a secret deal. In exchange for the island, Great Britain agreed to support the Ottomans outright in their settlement with Russia at the Treaty of Berlin.
M. Karides

Cypriots aggressively targeted British landmarks on the island initiating a military campaign that lasted four years (Crawshaw, 1978; Kranidiotis, 1981). Much evidence suggests that, in retaliation and to build resistance, Britain provoked ethnic nationalism between Greek and Turkish Cypriots, who at the time cohabited in cities and villages throughout the island (PIO, 2002). The Muslims that remained after the end of the Ottoman Empire, including new migrants, were recognized as Turks with the establishment of the Republic of Turkey in 1923. Britain also pressed Turkey’s involvement in Cyprus. With the backing of the Turkish military, Turkish Cypriots called for taksim, a partition of the island between Greeks and Turks.

The struggles around enosis, taksim and independence ended with a historically striking ethnically divided constitution and government structure that was constructed by the British in the Zurich Agreement (1959), without Turkish or Greek or Cypriot representation (Hitchens, 1997; Loizis, 1998). The constitution provided for the distribution of political positions on the basis of ethnicity (Markides, 1985). For instance, the president was designated to be Greek and the vice-president Turkish; both had veto powers and could appoint various state officers.

Predictably enough, the arrangement designed by the British did not last long. By December 1963, due to the constitutional amendments advanced by President Makarios that appeared questionably to give preference to efficiency in governance over the protection of Turkish interests, the Turks refused to participate in the established government body (Markides, 1985). By 1968, after years of intercommunal violence, the Turkish Cypriots, with Turkey’s assistance, created their own provisional administration.

The invasion of 1974

In July 1974, Greece’s military junta (1967-1974) directly intervened in Cyprus. Greece, provoked in part by the US and its Cold War interests, supported a coup that was led by right wing Greek Cypriots extremists against the Makarios government in Cyprus (Loizos, 1981; Hitchen, 1997). The Greek junta, seeking enosis, squared up against Makarios, accusing him of alleged pro-communist leanings and for abandoning enosis. Turkey responded swiftly with a two-stage offensive, occupying almost forty percent of the island.9

After the invasion, most Greek Cypriots fled south to what was left of the Republic of Cyprus or migrated abroad while Turkish Cypriots went north to the portion under Turkish control (Loizos, 1981). Since 1974, UN peacekeeping forces have maintained a buffer zone (the original Green Zone) between the two areas with Nicosia, the capital, remaining the only formally divided city in the world. Except for occasional demonstrations and incidents between soldiers in the buffer zone, the island was free from violent conflict from 1974 until August 1996, when violent clashes led to the death of two demonstrators and escalated tension. It was not until 2003 that there was a border opening between the two partitioned areas of the island in hopes of Cyprus’ united entry into the EU. A fifth incarnation of the Annan plan, a union of the two sides that was originally espoused in 1999 within the UN Security Council by then Secretary-General Kofi Annan, was supported by Turkish Cypriots in a 2004 referendum; but

9 By some accounts (Hitchens 1997, also Nicolet 2000 for a mediated interpretation of US interests), the US orchestrated both the coup and invasion to gain access to the region by securing both Turkish military bases and access to British bases from which it could build support for Israel and counter Soviet power. Turkey, taking advantage of a situation in which the UK did not come to protect the island as it officially indicated it would, gained not only a military base but also the lucrative parts of the island. UK’s abstention from intervention of the Turkish invasion was linked to its political interests and pressure from the US.
it was heavily ejected by the Greek Cypriot public, with a lack of transparency and political posturing that occurred among leaders from both sides (Lordos, 2011).

Though the history presented above provides important context, what matters for this comparison is how the Republic of Cyprus dealt with its depletion in resources and industry, a mass influx of Cypriot refugees, and high unemployment after the events of 1974. Cyprus’ set of policy choices under the Makarios government influenced by the Communist party and an internal population of refugees, presents an interesting example of economic development outside neo-liberalism.

**Development policy in post-invasion Cyprus**

The Turkish invasion may have been a result of political interests but it economically devastated the Republic of Cyprus. Thirty seven percent of the island was partitioned and the Republic of Cyprus re-established itself in the southern portion of the island. Approximately one quarter of the population was dislocated from the Northern region losing homes, property and their livelihood, making the immediate needs of the refugees a keen feature in redevelopment strategy. The most productive parts of the economy, tourism (65% of tourist accommodation capacity), industrial production (46%), and mining and quarrying (65%) came under Turkish control: all in all, 70% percent of gross output was taken over by the Turks. By 1975, unemployment in the Republic of Cyprus had reached 16.5 percent (PIO, 2002).

To redevelop the nation, the post-invasion leadership directed state resources towards the growth of local businesses both small and micro and focused socially on providing housing and employment to the refugees (Nearchou, 1999). Under the Ministry of Finance, the Planning Bureau used a combination of fiscal policies and the provision of credit to build domestic capital. Contrary to the advice given to Makarios in meetings in Washington DC post-invasion, Cyprus did not open its economy, seek foreign investment, or peg its currency to the US dollar. Rather, it set up a protectionist economy with strong emphasis on import-substitution and established productive industries that could provide local employment (Shekeris, 1998). Between 1968 and 1978, Cyprus held an extremely protective trade policy including high tariffs on most imports, sometimes up to 100 percent on goods similar to those produced nationally, and even going so far as to ban imports on primary products such as olive oil (Ministry of Industry, Commerce, and Tourism, 2003). Although in 1972 the nation established its first formal economic association with the EEC, a customs union that would in effect initiate a phased reduction of Cypriot tariffs, the liaison never got off the ground due to the Turkish invasion (Redmond, 1993).

In effect, the reconfiguration of the Republic of Cyprus’ economic circumstances due to the invasion delayed the opening of its economy. Between 1978 and 1981, the nation’s annual economic growth rate averaged 8.5 percent and was attributed largely to state-sponsored recovery programs (Shekeris, 1998). During this period, remittances received averaged around 5 percent of the GDP, adding to the growth of local industry. Extending through the 1980s, these policies stood in distinct opposition to the neo-liberal agenda being pressed on most post-colonial countries. In a short period, Cyprus’ economy succeeded in creating full employment, economic expansion, and monetary stability. By 1988, the GDP per capita was US$7,200 and unemployment stabilized at 3.2 percent. The tourist industry eventually became the nation’s

---

10 Interview with Ministry of Finance official with 30 years of working experience.
major employer (Shekeris, 1998). Although the nation struggled with inflation, it addressed the problem by enforcing a restrictive monetary policy between 1982 and 1986 (PIO, 2002). Tax incentives, loan guarantees, training programs and a protective trade policy contributed to the success of domestic capital (Loizos, 1981). More than ninety-five percent of Cypriot businesses are small or micro and employ sixty percent of the total population (Nearchou, 1999). Most of these micro-enterprises are family owned and located in urban areas, providing services and retail venues for Cyprus’ tourist economy (Nearchou, 1999).

The Cypriot “economic miracle” is popularly attributed to the “entrepreneurial spirit” of Greek-Cypriots, particularly the quarter of the population who were displaced from their homes and jobs and needed to create new lives in the less developed half of the island (Christodoulou, 1992). While this sort of sentiment may build national pride, especially for a country entangled in its political past, it diverts attention from the material forces that created sufficient conditions for domestic capital development.

The Cypriot state’s active involvement in the economy and progressive social policies throughout the seventies and eighties catapulted the nation to a level of development comparable to its northern European neighbours. Most distinctly, it set itself apart from other paths of island development by promoting a domestic capital sector and implementing a protective trade policy. By the 1990s, after Cyprus had joined in a Protocol Agreement with the European Economic Community (EEC) in 1988, the reduction of custom duties and quantitative restrictions on industrial products caused difficulty for businesses, especially those in the apparel industry (Redmond, 1993). Yet, the Protocol excluded 43 agricultural products, 15 industrial products, as well as petroleum related products from the imposition of tariffs and may explain why there was negligible change in the nation’s socio-economic indicators at that time (Embassy of the Republic of Cyprus, 2012). As Cyprus has continued to integrate into the EU and is subject more heavily to neo-liberal logic, it seems that its ability to sustain a healthy economy and positive social conditions are being challenged. While in the Caribbean the common market has fortified island nations, it seems that regional economic associations ushered under neo-liberalism interfere or stall peripheral nations.

Assessing paths of island development

Comparing the Republic of Trinidad and Tobago with the Republic of Cyprus—both islands with histories of British colonialism, struggles for independence, and most provocatively the experience of swift economic change in the early seventies—presents the opportunity to dissect a conjecture of circumstances that are tenaciously connected to the movements of the world-system. How did a nation robbed of its most productive capacities in 1974 and faced with a refugee crisis attain economic success and unusually positive employment opportunities and social programs? And why have the socio-economic circumstances of Trinidadians and Tobagonians, with a windfall in earnings and the implementation of internationally proscribed development policies, been strained so terribly?

The most obvious analysis and an important one is that both modernization and neo-liberalism have failed the nations of the global south. This is a well-versed critique by world-systems analysts, post-colonial theorists, and others in critical global studies. The trajectory of Trinidad and Tobago’s development mimics in some ways the paths of underdevelopment that not only occurred in the Caribbean and Latin America but much of the global south. In particular, literature on oil economies demonstrates petroleum reserves or natural deposits act
as a resource curse, rather than an economic advantage (Karl, 1997). State neglect of sectors outside petroleum along with predatory foreign capital often wreaks havoc on the populations of resource rich nations.

Yet, the distinction between Cyprus’ and Trinidad and Tobago’s development is crucial for appreciating the existence of real but limited options for even small nation states: while the former incubated local industry, the latter exposed itself to foreign capital. The following section reviews both internal and external factors that help explain the conjecture of factors that lead to different paths of development and draws some attention to islandness.

Factors in Cypriot success

The fact that a quarter of the population consisted of refugees may in part explain the protectionist attitude and focus on local development in the reconstitution of the Republic of Cyprus after 1974. Somewhat unusually, many Cypriot refugees from the North of the island had been wealthy citizens (wealthier than their southern counterparts); they were able to mobilize and garner the sympathy of the political elite or hold political power (Loizos, 1981). The slights by the international community— the British not helping to protect the island from the invasion, the US support of the Greek military junta and ‘neutral’ post-invasion—may have also contributed to internalized strategies of survival and resistance to external policy recommendations and economic engagement.

The Pan Cypriot Refugee Committee played a key role in assuring that public funds went towards assisting the displaced population, generating an “institutionalization of generosity” (Loizos, 1981). The government’s efforts in the eighties, through agencies such as the Cyprus Productivity Centre, were directed towards the development of small and micro-businesses and supported job creation measures. Internal politics with strong unions and left-leaning political parties, including a large communist party in which many refugees had been involved, also helped ensure an equitable distribution of state revenue. In addition, a location at Europe’s periphery may have influenced Cyprus to adopt extensive welfare state policies.

Cyprus’ options were also shaped by its geographic condition. In a small island state, large industrialization efforts are less likely to succeed in creating numerous and autonomous employment opportunities that were a high priority of the post-invasion government. The practice of small and micro business development, particularly in relation to tourism and in local industry, suggests that the state sought a model of development consistent with its size and isolation that could be self-sustaining.11 To some extent, the Cypriot government took stock of its islandness; many government officials interviewed identified the smallness of the nation an attribute worthy of consideration.

The revival of the Cypriot economy also benefited from external events in its immediate geographic context: note the unfortunate collapse of Beirut between the mid-seventies and the early nineties due to civil war and occupation by Syria and Israel. Cyprus

11 Puerto Rico provides an interesting example here. In the 1940s, the island initiated a program of self-sustained development that was apparently fairly successful in providing employment and satisfactory GDP per capita. This policy was reversed in Operation Bootstrap whereby Puerto Rico was forced by the US to embark on the path of export-led development causing a great decline in the social circumstances of the population. Dietz (1987) suggests that this was politically driven to suppress populist successes in the context of the Cold War and make way for US capital investment.
replaced Beirut as the region’s centre for finance and commerce (Hitchens, 1997; Vassiliou, 1976). In addition, Cyprus developed and retained economic ties with numerous countries in the Middle East with which it set up a system of trade for its local industries. Finally, in the 1990s with the fall of the Soviet Union, Cyprus was quick to establish economic relationships with former Soviet countries to the north.

Before its EU zone related economic crisis, Cyprus was lauded as a place with the highest returns for foreign investment. Globally it was sixteenth in terms of per capita income (Feridun, 2004). In the first years of the new millennium, many credited Cyprus’ economic boom to an unrestricted trade environment and financial incentives for foreign investors, including low corporate tax (around 4.25%), full tax exemption on profits of offshore partnerships, free trade zones, investment discounts, and the liberalization of all foreign direct investment controls on local businesses for EU residents (Feridun, 2004).

To suggest that Cyprus’ success was a result of macro-economic policies that are a few years old is annoyingly ahistorical, especially as the Republic has been negotiating its own bailout with an unemployment rate that increased with EU entry. It ranked 42nd in terms of per capita income in 2012, on parity with Trinidad and Tobago (CIA World Factbook 2012). Joining the EU had particular political appeal to Cypriots who were counting on entry to secure the island’s reunification; yet, many in Cyprus also questioned the benefits of EU membership. Given the economic success of the island at the start of the century based on programs it independently implemented, the decision to give up its autonomy was questioned by many.

It is Cyprus’ economic development policies throughout the 1980s, defined by protectionism, import-substitution, and employment creation, which helped to establish an economic base through domestic capital formation and low levels of unemployment. The Cyprus miracle was a result of insular macro-economic policies coupled with the concentrated development of local industries and businesses that matched its geographical scope. Among other things, the internal political climate encouraged the state to question the status quo development paradigm. Cyprus’ development post-invasion may be a model by which smaller and post-colonial nations can operate independently of dominant global forces. Indeed, it may be the case that, to succeed socially and economically, island states must maintain some degree of autonomy from global or regional bodies.

The uneven development of Trinidad and Tobago

Trinidad and Tobago’s geographic proximity to the US, and the two states’ social and economic ties, influenced the nation’s development program. It may very well be that the Trinidadian state, with a less violent independence struggle, was not driven to challenge the US and the international community’s development paradigm. Though ethnic strife was part of the independence struggle of Trinidad and Tobago, with many politically engaged Indo-Trinidadians opting for British control rather than an independent state controlled by Afro-Trinidadians, independence was not a military operation nor did the British fan antagonisms between the two ethnic groups to the same degree as they did in Cyprus. As with any resource-rich global south state, Trinidad and Tobago’s development hinges heavily on its petroleum reserves and related industries. In addition, the determined interest of global capital to penetrate resource-rich peripheral states through financial offers to politicians and political bodies often feeds government corruption, opaquely barring public participation (Evans, 1979).
In the early 1990s, Trinidad and Tobago’s economy stabilized as petroleum prices increased and natural gas reserves were discovered and developed (Development Cooperation, 1996). Energy related industries are the state’s primary investment providing the lion’s share of its revenue (40% of GDP) and 80% of exports. Yet less than five percent of the population is employed in this sector (CIA Intelligence Report, 2008). By the end of the decade, Trinidad and Tobago had the highest direct foreign investment per capita in the Caribbean and Latin America and was the largest US investment partner in the Western Hemisphere after Canada (Rohter, 1998). Yet, many Trinidadians and Tobagonians struggle financially. Twenty percent of the Trinidadian population lives in poverty, income inequality is high, and unemployment persists (UNDR, 2008). More recently, Trinidad and Tobago has also been plagued with domestic violence, including high profile kidnappings of economic and political actors (Nagassar, Rawlins, Sampson et al., 2010). Researchers in Trinidad and Tobago suggest that the rise in violence is tied to drug trafficking via Latin America and continued inequality. Despite the nation’s gain from its natural gas and petroleum resources, concentrated poverty remains a problem (Maguire, Willis, Snipes et al., 2008; Trinidad and Tobago Guardian 2012).

Once Trinidad and Tobago embarked on a modernization strategy that emphasized capital-intensive export industries, its economy was vulnerable to the fluctuations of the global market. Yet, whether the nation was in a boom or bust cycle, formal employment and social benefits were mostly hard to come by for many citizens. In response to the Black Power Movement, the state did offer some assistance to develop local capital, but this perhaps was not a formal macro-economic policy but rather a strategy to pacify the masses.

The nation’s structural adjustment in the 1980s, which limited state expenditures and forced the liberalization of the economy, exacerbated the struggle for economic survival. In 1990 there was an attempted coup by the Jamaat al Muslimeen that paralyzed the nation (Deosaran, 1992). Although representing a small sector of society, the coup exemplified the difficulty and disgruntlement that most citizens held towards the national government. The contradiction between petroleum wealth and the government’s investment in it and the daily poverty witnessed and experienced by many Trinidadians and Tobagonians undermined the arguments made by state officials that the nation was developing.

Characteristic of resource-rich countries, Trinidad and Tobago embarked on a development plan that gave little consideration to how local industry could advance in the shadow of the petroleum sector and provided minimal resources for local growth. Trinidad and Tobago, like other Caribbean states, continues to find job creation difficult. Trinidad and Tobago continues to engage in a strategy of micro-enterprise development to address the high levels of unemployment that characterize the nation; yet it is doing so in the context of a globalized free trade environment, expecting micro-entrepreneurs to compete with international capital without state protection. Unlike Greek-Cypriot entrepreneurs and their extensive social programs and policies supporting their endeavours (including unemployment insurance for those self-employed persons out of work and seeking work), Trinidad and Tobago’s micro-enterprise program is just a replacement of traditional welfare policies.

Once entered into the web of internationally promoted neo-liberal policies, it seems difficult for Trinidad and Tobago to extract itself and this may end up the case for the Republic of Cyprus given its membership in a crisis-ridden EU. With rich petroleum and natural gas deposits, Trinidad and Tobago may be trapped into riding the globalization bandwagon given its dependency on a single resource. While it seems that the socio-economic conditions in Trinidad and Tobago have stabilized, as liquid natural gas (LNG) prices drop in the US and the
distinct increase of global LNG supplies continues, the state may flounder at the macro-level again (Squadron, 2013; Trinidad and Tobago Guardian, 2011). Moreover, the US’ shift to shale gas of late has lost Trinidad and Tobago a large share of its LNG market. State and corporate leaders are again pushing for the growth of energy-based manufacturing, such as plastics (Trinidad and Tobago Guardian, 2011). Interestingly, the dramatic reduction in Trinidad and Tobago’s unemployment recently is due largely to the increase of youth self-employment, and not necessarily to that of energy related industries (Central Statistical Office, 2011).

Conclusion

By drawing attention to the last thirty years of development in the Republic of Cyprus and the Republic of Trinidad and Tobago, I highlight a recent snippet of these islands’ histories during which global economic policies and politics were changing rapidly and increasingly shaped by neo-liberalism. The comparison considers how the polities of these island states navigated (or at least tried to negotiate) their ride on the globalization wave. It challenges arguments that islands remain ultimately vulnerable to external forces and contributes to the island studies position that islands, and island populations, can and do act in shaping their circumstances. The analysis adds to the literature by suggesting that island autonomy is a potent trait, possibly constitutive of islandness, that informs resistance to development strategies and political programs designed from above and permits the construction of organic ones.

Both Cyprus’ and Trinidad and Tobago’s economic development strategies present various policy and theoretical insights that apply to island states and post-colonial economies. In Cyprus, the development of local businesses and industry through state support of small and micro enterprise in a protective trade environment provided the island’s population with enough footing to maintain independent livelihoods, even as EU membership required Cyprus to adapt to the single market. The Cyprus miracle also implies that small-scale industry or bilateral trade, might serve as an effective development model for island economies (McCall, 1994). The politico-economic particularities of islands may be due more to their history than their geography; or, more precisely, their history due to their geography. Further investigation into islands as distinct economies and geographic entities could offer better insights into the best conditions for their development, but also for broader theorizing on how states choose paths of development under conditions of neo-liberalism. For example, untangling the factors that have now led to the most challenging economic crisis Cyprus has contended with since 1974 is beyond the scope of this paper. Yet, it would be useful to explore to what extent the liberalization imposed by EU membership destabilized Cyprus’ economy or interfered with its ability to creatively address the banking crisis. Much of the current media coverage of Cyprus’ economic crisis does not address the many constraints ensuing from EU accession (Alderman 2013a, b; Castle, 2012; Kanter, Alderman, and Higgins, 2013; Thomas, 2013). 12

In a nutshell, comparing the development stories of the Republics of Trinidad and Tobago and Cyprus suggests that, although the world capitalist system may establish a political economic order, how states manoeuvre and shape it matters; and small island states are no exception, being also actors, and not just victims, in this task.

12 New York Times coverage (January-July 2013) does not refer to Cyprus’ previous economic success, nor to the requirements for, and impact of, EU accession in 2004.
Acknowledgements

The research for this manuscript was completed with funding from the Stasinos Research Grant, Inter-University Research Committee on Cyprus at the University of Minnesota and the Creative & Scholarly Research Grant from the Division of Sponsored Research at Florida Atlantic University, USA. I thank Patricia Widener for comments on an earlier draft and the participants in both Cyprus and Trinidad and Tobago for their time and thoughts. My sincere thanks also to Kathy Stuart for carefully copy editing an earlier version of this manuscript.

References


Theodore, K. (1993). *An overview of social sector conditions in Trinidad and Tobago*. Port of Spain, Republic of Trinidad and Tobago: University of the West Indies.


