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The Missing Middle: Firms, Diaspora, and the Unfinished Architecture of Caribbean Integration

Robert D. Forrester, Forrester Consulting Group

ORCID: 0009-0004-3323-6981

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CONFLICT OF INTEREST

Forrester Consulting Group is a strategic advisory firm serving Caribbean government, multilateral and private-sector clients. At the time of writing the firm held no client engagement concerning the subject of this paper. The author sits on sub-committees of the Private Sector Commission of Guyana; the views here are his own and not those of the Commission.

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Abstract

The CARICOM Single Market and Economy guarantees free movement of capital and the right of establishment, yet three decades on these rights remain substantially unexercised by Caribbean-owned firms. This paper argues the cause is neither political will nor treaty design but the near-absence of firms capable of exercising them: the “missing middle”, defined by the Caribbean Development Bank’s medium-enterprise classification. Integrating the Caribbean structuralist tradition, the mainstream economics of firm growth, and the political economy of collective action, the paper traces the missing middle to a historical sequence — plantation economy, industrialisation by invitation, liberalisation — and explains its persistence through concentrated incumbent interests. Guyana’s Local Content Act dispute and the diaspora’s two-channel engagement pattern supply case evidence. The paper proposes a layered institutional response: regional growth finance, harmonised registration, succession support, activation of CARICOM’s dormant competition regime, an Article 31-consistent local content template, and a capture-resistant diaspora institution.

Keywords: CARICOM, CSME, missing middle, firm growth, Local Content Act, regional integration, Caribbean development economics

JEL classification: F15, F22, L25, O17, O54, D72

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Working papers are circulated to elicit comment and further debate; the views expressed are those of the author.

Executive Summary

The CARICOM Single Market and Economy guarantees the free movement of capital and the right of establishment. Three decades on, these guarantees remain substantially unexercised by Caribbean-owned firms. This paper argues that the cause is neither a deficit of political will nor a flaw of treaty design, but something more basic: the near-absence, across most member states, of firms capable of exercising cross-border rights at all — the “missing middle” of medium-sized, professionally governed, adequately capitalised enterprise.

Four findings organise the analysis. First, the missing middle is measurable, not rhetorical. Using the Caribbean Development Bank’s own enterprise classification, the region’s private sector is overwhelmingly micro and small, with a handful of conglomerate-scale firms and very little between — and the CDB itself identifies regional market access as the graduation mechanism that sits unused.

Second, the exceptions prove the rule. Every one of the six firms operating at genuine pan-Caribbean scale — Massy, ANSA McAL, Guardian, Republic, Sagicor, GraceKennedy — traces to colonial-era com-

mercial or financial capital that compounded for decades before independence. No firm founded since independence has reached that scale through institutions the region built. Trinidad and Tobago's localisation policy and stock exchange of the 1970s and 1980s remain the single partial demonstration that the pathway can be constructed deliberately.

Third, the pattern persists for identifiable political-economy reasons, not sentimental ones. Concentrated incumbent interests are organised and effective; the firms that institutional reform would create do not yet exist and cannot lobby for their own creation. Guyana's Local Content Act — and the regional dispute it provoked, raised by the chairman of the CARICOM Private Sector Organization in his separate capacity as chief executive of the region's largest conglomerate — is the clearest live illustration. The dispute remains politically managed rather than legally resolved, and this paper reports both sides without adjudicating either.

Fourth, the diaspora is the missing middle's other face. Roughly seventy per cent of the region's tertiary-educated workforce has emigrated, and its capital already flows home at scale — US\$18.5 billion in 2024 — but almost entirely through person-to-person remittances that finance consumption. The institutional channel that would finance medium enterprise is nearly empty. That asymmetry is not a failure of patriotism; it is a trust-radius constraint operating transnationally, and it is addressable by institutional design.

The paper proposes a layered response — no single instrument suffices, and omitting any layer leaves the others underpowered: (1) regional growth finance paired with managerial technical assistance; (2) harmonised company registration and establishment infrastructure; (3) a succession and professionalisation facility for family firms approaching generational transfer; (4) activation of CARICOM's dormant Chapter Eight competition regime; (5) a Community-level, Article 31-consistent local content template that converts national development statutes from a source of regional friction into a sanctioned instrument; and (6) a deliberately constituted, capture-resistant diaspora institution built for circulation rather than permanent return. None requires a new treaty. Each sits within the mandate of an institution that already exists.

1. INTRODUCTION

1.1 The Puzzle

The Revised Treaty of Chaguaramas, which established the CARICOM Single Market and Economy, commits its fifteen member states to the removal of restrictions on the right of establishment (Articles 32–34), the provision of services (Articles 36–37), and the movement of capital (Articles 39–40) among nationals of Member States.¹ Of these four substantive freedoms — goods, services, skilled labour, and capital, together with the right of establishment — the free movement of goods is the one most substantially realised, notwithstanding continuing friction over the Common External Tariff and cus-

¹ Revised Treaty of Chaguaramas Establishing the Caribbean Community Including the CARICOM Single Market and Economy, signed 5 July 2001, Articles 32–34, 36–37, 39–40.

toms administration. The movement of capital and the exercise of the right of establishment remain, for the overwhelming majority of Caribbean-owned enterprises, provisions available in law and unused in practice.

This paper is concerned with why. The explanation offered here departs from two more familiar accounts. The first, common in political commentary and reiterated at each CARICOM anniversary, attributes the gap to insufficient political will among Member State governments.² The second, more common in legal and diplomatic commentary, treats the gap as a matter of implementation timetables and technical harmonisation still in progress. Both accounts are compatible with the facts; neither is sufficient to explain them. A treaty right, whatever the sincerity of the commitment to it, is only as real as the class of economic agent capable of exercising it. The right of establishment is not exercised by treaties, or by governments, or by declarations of intent. It is exercised by firms — specifically, by firms with the capital, the governance structure, and the managerial capacity to operate across the borders the treaty opens. The central claim of this paper is that CARICOM, considered as a whole, has almost no firms of this kind, and that this absence — not a deficit of political will — is the proximate cause of CSME's unrealised promise.

1.2 Argument and Method

The paper's argument can be stated as a chain of premises, made explicit here because the technical register of this paper permits, and the subject matter rewards, doing so rather than leaving the logical structure implicit. An earlier draft of this argument stated it as a single syllogism; stress-testing that formulation exposed an enthymeme — an unstated premise doing load-bearing work — which is corrected below.

Premise 1: a treaty right of this kind is only as real as the class of firm capable of exercising it; free movement of capital and the right of establishment require firms with cross-border capitalisation, governance, and managerial capacity, not merely legal permission to expand.

Premise 2: the CARICOM region has almost no firms of this class. Using the Caribbean Development Bank's own enterprise classification — micro (fewer than ten employees), small (ten to forty-nine), medium (fifty to two hundred and forty-nine), and large (more than two hundred and fifty) (CDB 2016) — the “missing middle” here refers, in its primary and measurable sense, to the near-absence, across most member states, of firms in the medium band. Two further variables — professional governance and capitalisation beyond a founder's personal balance sheet — are tracked separately in this paper rather than folded into the size definition itself, since CDB's classification, which this paper adopts precisely because it is the standard the paper's primary intended readership already uses, is a size classification only and contains no governance or capitalisation criterion. Where this paper refers to the missing middle in the fuller sense — a medium-sized firm that is also professionally governed and capitalised beyond founder equity — it does so explicitly, and Section 3 treats governance and capitalisation as empirical questions about the composition of the medium band rather than as definitional prerequisites

² See, for illustrative examples from the treaty's fifty-third anniversary, Section 5's discussion of contemporaneous press and civil-society commentary.

for membership in it. The small number of firms that have reached genuine cross-border, conglomerate scale reached it through a historical pathway — colonial-era trading and financial capital, compounding over four to nine decades before independence — that is closed to firms founded after independence.

Premise 3, previously unstated and here made explicit: the absence of Premise 2's firms, and of the institutions that would help produce them, is not adequately explained by insufficient political will. Two independent grounds support this. First, the historical record traced in Section 2.1 — a plantation economy that supplied no middle tier by design, a post-independence development strategy that produced a foreign-controlled substitute rather than an indigenous one, and that substitute's collapse under 1980s liberalisation — identifies structural causes that predate any current government's tenure. Second, and independently, Mancur Olson's theory of collective action (Olson 1965, 1982) predicts that even where political will exists, concentrated incumbent interests will systematically prevail over the diffuse interests of firms that do not yet exist and therefore cannot organise to demand the institutions required to bring them into being. This is not a hypothetical mechanism: Section 5 documents a case in which the CARICOM Private Sector Organization, representing the region's largest conglomerates, raised a formal challenge to Guyana's Local Content Act to the level of the Conference of Heads of Government within months of the Act's passage, while the Revised Treaty's own Competition Commission — the instrument that would address incumbent entrenchment directly — shows, at the time of writing, no confirmed record of enforcement against any regional conglomerate.

Conclusion: CSME's substantive promise of capital mobility and establishment therefore remains structurally unusable for the great majority of Caribbean firms. This is an institutional-architecture and political-economy problem — the absence of financing instruments, harmonised registration, succession and governance frameworks, consortium mechanisms, and effective competition-policy enforcement, compounded by the collective-action dynamics that keep such enforcement from occurring even where formally available — rather than a problem that renewed political commitment alone can resolve.

Two qualifications are stated here rather than left implicit, consistent with the standard of rigour this register requires. First, the claim is one of necessary rather than sufficient condition: a larger population of missing-middle-scale firms is necessary for CSME's capital-mobility and establishment guarantees to be exercised at scale, but not alone sufficient, since administrative friction and information gaps documented elsewhere in the literature could independently constrain exercise even where firm capacity existed. Second, the paper's treatment of Massy, ANSA McAL, and the wider conglomerate roster (Section 4) as exceptions explained by a closed historical pathway is stated as a falsifiable claim rather than an unfalsifiable one: it would be weakened by a documented case of a firm founded after independence reaching conglomerate scale primarily through domestically built institutions rather than inherited capital, and strengthened, though not proven, by the continued absence of such a case. Emerging instruments noted in Section 4 — regional junior stock exchanges and the Caribbean Development Bank's Barbados Innovation and Growth Market — constitute the nearest available test of this claim and are treated in this paper as unresolved rather than as evidence either way.

The paper's method combines three literatures not previously brought into direct conversation on this

question. The first is the Caribbean intellectual tradition of structural and dependency analysis (Lewis 1954; Best 1968; Beckford 1972; Girvan 1971; Demas 1965; Thomas 1988), which explains the historical origins of the region's firm-size distribution. The second is the mainstream economics of firm growth and financial development (Penrose 1959; Lucas 1978; Rajan and Zingales 1998; Hsieh and Klenow 2009), which supplies the analytical mechanisms — managerial capacity, occupational choice, capital-market depth, and resource misallocation — through which the historical conditions identified by the first literature actually constrain firm growth in the present. The third is the existing international development-finance literature on the “missing middle” itself (World Bank Group 2017), a term already well established in the context of the global SME financing gap; this paper adopts the term deliberately, extending its established usage from a financing gap specifically into a fuller institutional architecture encompassing governance, consortium formation, competition policy, and regional market access.

1.3 Structure of the Paper

Section 2 completes the theoretical grounding begun in this introduction. Section 3 defines and, to the extent existing regional data permit, measures the missing middle. Section 4 examines the small number of firms that reached conglomerate scale, arguing that they constitute the exception that clarifies rather than contradicts the paper's central claim. Section 5 presents Guyana's Local Content Act as a case study in the tension between national institution-building and regional integration commitments, considered under both CARICOM's Revised Treaty and, separately, World Trade Organization disciplines. Section 6 examines the Caribbean diaspora as a resource whose emigration is plausibly linked to the missing middle rather than incidental to it. Section 7 synthesises the preceding sections into a set of supply-side and demand-side policy implications. Section 8 concludes.

2. THEORETICAL GROUNDING AND LITERATURE REVIEW

2.1 The Caribbean Intellectual Tradition

The starting point for any structural account of Caribbean firm formation is the plantation economy model associated with Lloyd Best and, in parallel work, George Beckford and Kari Polanyi Levitt (Best 1968; Beckford 1972). The model's central claim is that the Caribbean plantation economy was engineered for two functions — the production of a staple commodity for external markets, and the colonial administration of that arrangement — and was not engineered to produce a professionally managed, domestically capitalised middle tier of firms situated between plantation-scale enterprise and household-scale production. On this account, the missing middle is not an anomaly requiring separate explanation; it is the plantation economy functioning as designed, its colonial origins notwithstanding decades of subsequent political independence. Norman Girvan's work on foreign capital domination in Caribbean mining and mineral economies extends this analysis to the twentieth-century pattern of

extractive foreign direct investment substituting for, rather than seeding, domestic industrial capital (Girvan 1971). Clive Thomas's analysis of state capitalism in Guyana specifically documents how post-independence state intervention, intended to correct the plantation economy's structural deficits, in practice often reproduced a bifurcated economy of state and foreign enterprise with a similarly thin domestic private middle tier (Thomas 1988).

W. Arthur Lewis's contribution to this literature is twofold, and the second element is more directly relevant to the present argument than the first. Lewis's dual-sector model (Lewis 1954) explains structural labour surplus in developing economies and supplies useful context for the region's persistent underemployment, but does not by itself address firm-growth mechanics. More directly relevant is the development strategy that came to be associated with Lewis's name in Caribbean policy circles: industrialisation by invitation, under which governments offered tax concessions and infrastructure to attract foreign manufacturing capital, on the expectation that a domestic industrial class would subsequently emerge through import substitution and eventually graduate to export orientation. The strategy combined two elements whose distinction matters for what follows: attraction of foreign direct investment through fiscal incentives, and protection of the resulting manufacturing base through tariffs on competing imports. Puerto Rico's Operation Bootstrap, launched in the mid-1940s, is the paradigm case of the first element, and its record is instructive. Investment in the strategy's second phase was disproportionately foreign, capital-intensive, and assembly-oriented rather than the anticipated vehicle for domestic industrial formation; a genuinely local, professionally governed manufacturing middle tier did not emerge at the scale the strategy anticipated. The second element — tariff protection — was practised more broadly across the English-speaking Caribbean and is the direct antecedent of the 1980s collapse: when Caribbean economies liberalised trade in that decade, the protected manufacturing sectors that industrialisation by invitation's tariff component had sustained proved similarly thin, precisely because the same underlying absence of an indigenous, professionally governed industrial class left them without the depth to survive the removal of protection. Jamaica's experience is representative: import substitution, which had sustained its manufacturing industries, was abandoned in the 1980s, and manufacturing's share of GDP declined substantially in the decades that followed, settling at roughly one-eighth of output.

The historical sequence that emerges from this literature, read together, is therefore not a single structural cause but a succession of attempts and failures: a plantation economy that supplied no middle tier by design; a post-independence development strategy — industrialisation by invitation — intended to build one, which instead built a foreign-controlled and capital-intensive manufacturing sector; a 1980s liberalisation that removed the protection sustaining even that partial substitute; and, from the 1990s onward, a regional integration project, CSME, whose promise of an enlarged regional market implicitly assumed the existence of firms capable of using it. William Demas, CARICOM's first Secretary-General and himself a development economist of the same generation as Lewis, argued as early as the 1960s that regional economic integration among small, structurally similar economies would not occur automatically upon the signing of a treaty; it required institutions — a regional development bank, harmonised commercial law, shared standards — built specifically to be used (Demas 1965). Most of what Demas called for remains only partially built; the Caribbean Development Bank exists and lends, but a

harmonised regional companies registry, for example, does not.

2.2 International Standards: Supply-Side Mechanisms

A paper addressed to an international development-finance readership must situate its central term within the literature that readership already knows. The phrase “missing middle” is not original to this paper. It is the established term of art for the global small and medium enterprise financing gap, most prominently set out in the World Bank Group’s own flagship study of the phenomenon (World Bank Group 2017), which documents a global SME credit gap on the order of one to two and a half trillion United States dollars, affecting enterprises “too large for microfinance, too small for conventional commercial lending.” This paper adopts the term deliberately and extends it: from a financing gap specifically, as in the World Bank Group’s usage, to the fuller institutional architecture — financing, but also governance, succession, consortium formation, and, as argued in Section 7, competition-policy enforcement — required to grow a firm through and beyond that size band in the Caribbean context specifically.

The mechanisms constraining the supply side of firm growth — a firm’s own capacity to grow, independent of market opportunity — are well established in the mainstream economics literature, though rarely applied jointly to the Caribbean case. Edith Penrose’s foundational theory of the growth of the firm (Penrose 1959) locates the binding constraint on a firm’s growth rate not in any determinate optimal firm size, but in the scarcity of managerial capacity relative to the pace of expansion; Penrose further observes that in economies where capital markets are underdeveloped, retained earnings become the principal mechanism financing growth, a observation with direct application to Caribbean economies outside Trinidad and Tobago, where deep capital markets are largely absent. Robert Lucas’s model of the size distribution of business firms (Lucas 1978) treats firm size as an equilibrium outcome of an economy-wide occupational choice between entrepreneurship and paid employment, allocated according to the distribution of managerial talent; this paper extends the model laterally in Section 6, arguing that emigration constitutes the same occupational choice with a foreign wage substituted for domestic paid employment, with direct implications for the diaspora argument developed there. Chang-Tai Hsieh and Peter Klenow’s influential study of resource misallocation (Hsieh and Klenow 2009) demonstrates empirically that developing economies systematically lack the efficient large-firm tail present in developed-economy firm-size distributions, providing the paper’s central empirical claim with a basis in the contemporary development-economics literature rather than leaving it as an unsupported assertion. Raghuram Rajan and Luigi Zingales’s study of financial dependence and growth (Rajan and Zingales 1998) supplies the mechanism connecting capital-market depth to firm-size outcomes directly: industrial sectors naturally dependent on external finance grow disproportionately more slowly in economies with shallow financial markets, a finding with direct bearing on why Trinidad and Tobago — the one CARICOM member state with a mature stock exchange, discussed further in Section 4 — has produced the region’s largest concentration of conglomerate-scale firms.

Two further comparators from the mainstream international-economics literature — Daron Acemoglu and James Robinson’s account of institutions as the fundamental determinant of long-run growth out-

comes (Acemoglu and Robinson 2012), and Béla Balassa's classification of the stages of regional economic integration (Balassa 1961), against which CSME sits formally between common market and economic union — are relevant secondary frames for situating CSME's institutional design against wider international practice, and are noted as comparators rather than developed in full in this paper.

Penrose's managerial-capacity constraint and Rajan and Zingales's capital-market-depth constraint are treated in this paper as complementary rather than competing explanations, operating at different margins: Penrose's constraint binds even where capital is available, since managerial capacity cannot be purchased in the same quantities or at the same speed as financial capital; Rajan and Zingales's constraint binds independently of managerial capacity, since a well-managed firm in an externally-dependent sector still cannot grow without access to finance. Both are treated as necessary, non-substitutable conditions for firm growth in this paper's framework, a position consistent with the critical literature discussed in Section 2.4 against financing-only interventions.

A further limitation is noted here rather than left for a reader to raise unprompted. The economic-geography literature on market size and increasing returns to scale suggests an alternative or complicating explanation for the missing middle: that individual CARICOM member states' domestic markets may be too small to sustain a genuine medium-enterprise tier regardless of institutional design, and that only effective regional market integration — the pooling of fifteen small markets into one — could supply sufficient scale. This paper's position is that this alternative does not compete with the argument advanced here so much as explain why CSME's promise matters as much as it does: if domestic markets are individually too small, the case for building the institutions that would let firms actually exercise CSME's market-pooling guarantees becomes stronger, not weaker. The paper does not attempt to adjudicate what share of the missing middle's absence is attributable to market size as opposed to the institutional and historical factors developed above, and treats this as an open question for the quantitative work in Section 3.

2.3 Demand-Side Mechanisms

The literature reviewed in Section 2.2 addresses constraints on a firm's capacity to grow. It does not, by itself, address whether the market opportunity to grow into exists — a distinct question, and one that has received markedly less attention in existing commentary on CSME and the missing middle. Two findings, both drawn directly from the Revised Treaty of Chaguaramas itself rather than from secondary literature, supply this paper's demand-side argument.

First, the Revised Treaty establishes, in Chapter Eight, a Community Competition Policy and a Competition Commission with explicit statutory power to determine and prohibit the abuse of a dominant position by enterprises operating within the CSME (Revised Treaty of Chaguaramas, Articles 168–186), and requires every Member State to establish and maintain a national competition authority for this purpose. This is, on its face, precisely the treaty mechanism required to prevent entrenched incumbent firms from foreclosing the competitive space a new middle tier would need to enter. Whether this mechanism has been actively enforced against any of the region's conglomerate-scale firms is, at the

time of writing, unverified and is flagged here as a question for further research rather than asserted either way; the structural point — that the treaty already contains the relevant demand-side instrument, largely absent from existing policy discussion of the missing middle — stands independently of the answer.

Second, Article 31 of the Revised Treaty, governing the treatment of monopolies, permits a Member State to determine that the public interest requires the restriction of the right of establishment in a given industry, provided that, where this results in a private-sector monopoly, the Member State ensures that nationals of other Member States receive national treatment in participating in that monopoly's operations. This provision is examined in Section 7 as a possible basis for reconciling Guyana's Local Content Act with CSME obligations, should the Act's eligibility criteria be redefined from Guyanese ownership specifically to CARICOM ownership more broadly.

Third, and foundational to the causal argument stated formally in Section 1.2: Mancur Olson's theory of collective action (Olson 1965) and its extension to institutional sclerosis (Olson 1982) explains why the Competition Commission's apparent non-enforcement, and the general pattern of unbuilt institutional infrastructure documented throughout this paper, should be expected even where political will to address the missing middle exists. Olson's central finding is that concentrated interest groups, facing low organising costs and high per-member stakes, systematically prevail over diffuse interest groups, for whom organising costs are high and per-member stakes are low. Applied here: the region's conglomerate-scale firms are few, already organised (the CARICOM Private Sector Organization being the clearest institutional expression of this), and have a concentrated stake in the current absence of mid-tier competition; the population of firms that would benefit from competition-policy enforcement and the other institutional reforms this paper proposes does not yet exist in scale, and by definition cannot organise to demand its own creation. This dynamic, rather than any deficit of political sentiment, is this paper's proposed explanation for why CARICOM's own treaty-level competition and integration architecture remains substantially unenforced three decades into CSME.

2.4 Critical Perspectives

Consistent with the standard of balanced literature review expected of this register, two critical perspectives are noted against the paper's own framing. First, a body of development-finance practitioner literature argues that supplying capital to missing-middle enterprises without accompanying technical and managerial support risks setting such enterprises up for failure rather than growth; this critique is consistent with, rather than opposed to, Penrose's managerial-capacity constraint, and suggests that any financing instrument proposed in Section 7 should be paired with technical-assistance provision. Second, the term "missing middle" itself is used across a wide range of development contexts beyond SME finance — including sector-specific enterprise studies in sub-Saharan Africa, women-led enterprise finance, and least-developed-country investment platforms — a breadth that should be acknowledged explicitly rather than left for a reader already familiar with the term's other uses to discover independently.

2.5 Cultural and Socio-Political Factors

This subsection addresses a question this paper’s theoretical apparatus had, until this point, folded into “governance” without examining separately: whether cultural and socio-political factors, distinct from managerial capacity, capital-market depth, and historical capital accumulation, help explain the missing middle’s persistence. Two literatures answer in the affirmative, and both are distinguished here from the organisational-structure sense — professional management as against founder or family control — in which “governance” has so far been used in this paper.

First, cultural trust radius. Francis Fukuyama’s comparative study of trust and enterprise scale (Fukuyama 1995) argues that firm size is constrained by a society’s capacity for “spontaneous sociability” — the ability of economic agents to trust and cooperate with non-kin in new forms of association. In low-trust societies, family enterprises predominate because owners cannot extend managerial trust beyond kinship networks, and firm growth stalls once the pool of trusted kin is exhausted; high-trust societies can staff professional management with non-family talent and sustain larger-scale enterprise as a result. This proposition has since received empirical support in country-level studies relating measured social trust to enterprise scale, notably for China. This paper treats the proposition as a further, empirically testable variable distinct from Penrose’s managerial-capacity constraint (Section 2.2): a firm may have identifiable, competent non-family managerial talent available in the labour market — Penrose’s constraint satisfied — and still fail to professionalise if the owner’s trust radius does not extend to non-kin, a distinct and independently binding constraint.

Second, political-economic clientelism. Percy Hintzen’s comparative study of Guyana and Trinidad (Hintzen 1989) documents how post-colonial political elites in both territories secured and maintained power substantially through ethnic mobilisation and patronage — the allocation of state contracts, public employment, and regulatory favour along ethnic-political lines rather than through universalistic, arm’s-length institutional process. This is a distinct mechanism from Olson’s general logic of concentrated-versus-diffuse interests (Section 2.3): Olson’s theory explains why organised incumbents outweigh unorganised future entrants in any polity; Hintzen’s account explains the specific channel — ethnic-patronage political structures — through which the Guyanese and Trinidadian states have historically allocated the kind of selective institutional support that might otherwise have gone toward building the missing middle on more universalistic terms. Comparative work on clientelism in small states further suggests that smallness itself intensifies these dynamics, since small polities sustain more direct, face-to-face patron-client relationships than the intermediated party machines of larger states — connecting directly to this paper’s discussion, in Section 2.3, of market size as a complicating factor, and suggesting that Caribbean smallness constrains firm formation through political as well as narrowly economic channels.

A caution is warranted before proceeding. Neither literature is invoked here to support a cultural-deficit account of Caribbean underdevelopment of the kind long, and rightly, criticised within the Caribbean intellectual tradition itself — Best and Beckford (Section 2.1) explicitly reject explanations of underdevelopment that locate the cause in the culture or character of Caribbean peoples rather than in structural and historical conditions. Fukuyama’s and Hintzen’s arguments are invoked here as testable

propositions about historically specific institutional and political structure — trust radius as a feature of particular social organisation, patronage as a feature of particular post-colonial state formations — not as claims about inherent traits, and both are compatible with, rather than alternative to, the structural account given in Section 2.1: a plantation economy that discouraged cross-cutting, non-kin economic association, and a post-colonial political settlement organised substantially around ethnic mobilisation, are plausibly consequences of the same historical process examined there, not independent or competing causes. A further literature on informal social sanctioning of individual economic success in Caribbean communities (Wilson 1973, on reputation and respectability as competing status systems) is noted as a potentially relevant further avenue, flagged here for verification rather than developed in this draft.

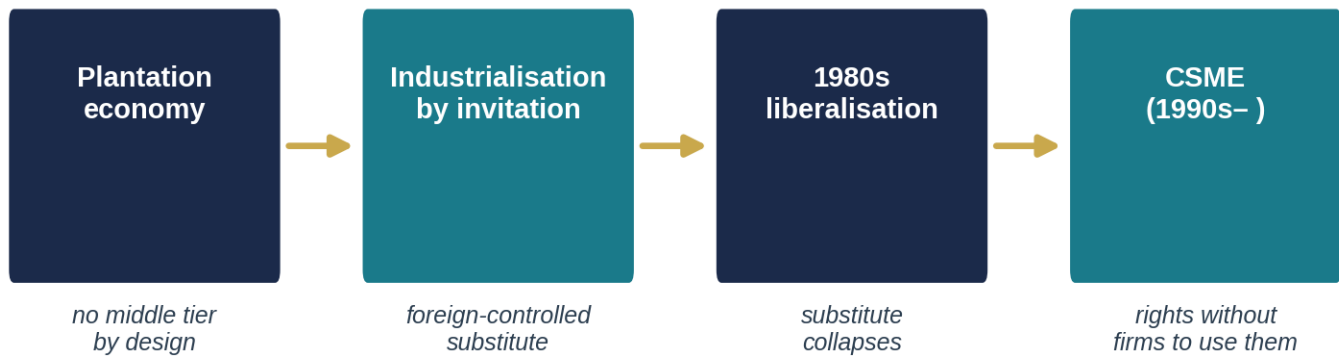
2.6 Synthesis of the Theoretical Frame

Read together, the literatures reviewed in this section support a historical-causal account of the missing middle rather than a single-cause explanation. The plantation economy supplied no middle tier by structural design (Section 2.1). The post-independence strategy intended to build one — industrialisation by invitation — produced instead a foreign-controlled manufacturing sector that did not survive 1980s trade liberalisation (Section 2.1). The mainstream economics of firm growth explains why, even absent this specific history, managerial capacity, capital-market depth, and talent allocation would constrain domestic firm formation in small, capital-shallow economies (Section 2.2). Trust radius and ethnic-patronage political structures supply independent cultural and political-economic mechanisms operating alongside, rather than substituting for, these economic constraints (Section 2.5). And the region's own treaty architecture contains, largely unused, both the supply-side institutions Demas called for and a demand-side competition-policy instrument that existing commentary on CSME and the missing middle has not, to this paper's knowledge, previously connected to the question. Sections 3 through 6 develop this frame against the specific evidence of firm-size distribution, the conglomerate exception, the Local Content Act dispute, and the diaspora.

3. THE MISSING MIDDLE, DEFINED AND MEASURED

3.1 Definitional Recap and International Context

Section 1.2 established this paper's operative definition: the missing middle, in its primary and measurable sense, refers to the near-absence of firms in the Caribbean Development Bank's medium employment band — fifty to two hundred and forty-nine employees (CDB 2016) — with professional governance and capitalisation beyond founder equity tracked as separate empirical variables rather than folded into the definition itself. This threshold is not a Caribbean idiosyncrasy requiring justification to an international readership. Approximately one-third of economies worldwide use two hundred and fifty employees as their upper threshold for medium-enterprise classification, and it is the explicit



Source: author's synthesis of Sections 2.1–2.5 (Best 1968; Lewis 1954; CDB 2016; Revised Treaty 2001; Local Content Act 2021).

Figure 1: The historical-causal sequence: five stages from plantation economy to the present collision. Source note on chart; author's synthesis.

threshold used by Eurostat, the International Finance Corporation, and, most relevantly, the Caribbean Development Bank's own 2016 study of twelve CARICOM member states (IFC 2019; CDB 2016). This paper's classification is, in other words, the reader's own.

Band	Employees
Micro	Fewer than 10
Small	10–49
Medium	50–249
Large	250 and above

Table 1. Enterprise classification adopted in this paper (CDB 2016).

3.2 Regional Context: Scale and Financing Access

The Caribbean Development Bank's 2016 study — commissioned, its authors noted at the time, partly to remedy a marked paucity of in-depth MSME research in the region — examined firm strengths, weaknesses, financing constraints, institutional and regulatory frameworks, and opportunities for competitiveness and export expansion across the twelve member states surveyed. Two findings from the wider CDB and Inter-American Development Bank literature bear directly on this paper's argument. First, access to finance remains acute at the smallest scale: IDB diagnostic work found that only three to five per cent of Caribbean micro-entrepreneurs have access to formal financing, a figure consistent with this paper's Section 2.2 discussion of Rajan and Zingales's finding that externally-dependent firms grow disproportionately slowly where capital markets are shallow. Second, CDB's own commentary on the sector explicitly identifies cross-border expansion as the pathway by which Caribbean enterprises reach large scale, noting that CSME gives regional MSMEs immediate access to a market of just over

eighteen million consumers, and that firms which cannot compete regionally or adopt internationally competitive practices will not graduate beyond domestic scale. This is, in substance, an independent confirmation of this paper's central claim from the region's own primary development finance institution: the CDB itself treats regional market access, rather than domestic market performance alone, as the graduation mechanism — precisely the mechanism this paper argues sits substantially unused.

Comparative data across the full fifteen-member CARICOM grouping, disaggregated consistently by firm size, is not available to the standard this paper would require to make precise cross-country claims; the World Bank/IDB Latin America and Caribbean Enterprise Survey (LACES) covers firm-level data across fourteen Caribbean territories and is noted here as the most promising available instrument for future work extending this paper's Guyana-specific quantification regionally, but was not built into original survey design for the missing-middle question this paper asks, and re-analysis of its microdata was outside the scope of the present study. This paper therefore quantifies the missing middle with precision for Guyana specifically, drawing on the authors' own prior primary research, and treats the regional picture qualitatively, supported by the CDB and IDB findings above and by the conglomerate case evidence developed in Section 4.

3.3 The Guyanese Case

Guyana's private sector was the subject of a comprehensive diagnostic capstone completed by this paper's authors in 2025 (Forrester Consulting Group 2025), drawing on a nine-instrument evidentiary suite. That work identified the near-absence of a professionally governed medium-enterprise tier as one of five critical institutional coordination gaps in Guyana's private-sector architecture, finding no single institution accountable for the graduation of firms through successive maturity levels — micro and small enterprises being the mandate of the Small Business Bureau, oil-and-gas-linked enterprises the mandate of the Local Content Secretariat (examined in full in Section 5), and foreign direct investment the mandate of Guyana's investment promotion agency, with no institution mandated to grow a domestic firm from the small tier into the medium tier and beyond. The same work documented, at the level of individual case study, the conglomerate exception examined in Section 4 of this paper: firms including Banks DIH and Demerara Distillers Limited that reached large scale, set against a broader population of registered enterprises overwhelmingly concentrated in the micro and small bands.

Barbados offers the clearest published regional benchmark against which to read the Guyanese finding: a 2016 Small Business Association survey, cited in CDB's regional MSME work, found that micro, small, and medium enterprises constitute ninety-two per cent of formal Barbadian enterprises and over sixty per cent of private-sector employment. Guyana's own diagnostic work, while not producing a directly comparable single percentage, is consistent with this order of magnitude and with the broader regional pattern the CDB's twelve-country study describes: a private sector overwhelmingly composed of micro and small enterprises, a small number of conglomerate-scale firms (examined in Section 4), and very little in between.

3.4 Interpretation

Read against Section 1.2's chain of premises, the evidence assembled in this section supports the minor premise directly: the missing middle is not a rhetorical device but a measurable, internationally-defined firm-size band that the available Guyanese and regional evidence confirms is thinly populated, against a backdrop in which the region's own development bank identifies cross-border market access — the substantive content of CSME's unexercised guarantees — as the mechanism by which firms would otherwise graduate beyond it. Section 4 now turns to the small number of firms that have reached large scale despite this pattern, and to what their specific histories do, and do not, establish about the pathway available to firms founded since independence.

4. THE EXCEPTION THAT PROVES THE RULE

4.1 A Second, Undefined Tier

No classification examined in Section 3 — CDB's, ILO's, IFC's, or Eurostat's — distinguishes among enterprises above the two-hundred-and-fifty-employee threshold. A firm of three hundred employees and a firm of ten thousand are, for classification purposes, both simply "large." This is adequate for most policy purposes, since most economies' large-firm populations cluster reasonably close to the threshold; it is inadequate for the Caribbean case examined here, where a small number of firms operate at a scale two or three orders of magnitude above it. This paper therefore introduces, as a methodological contribution rather than an established standard, a further distinction between large enterprises in the conventional sense and conglomerate-scale enterprises: firms operating across multiple CARICOM member states, employing thousands rather than hundreds, and possessing capitalisation and institutional capacity comparable to the regional development finance institutions discussed elsewhere in this paper. Six firms meet this description at the time of writing: Massy Group, ANSA McAL, Guardian Holdings, Republic Financial Holdings, Sagicor, and GraceKennedy. Their origins, examined below, bear directly on this paper's central claim.

4.2 A Common Lineage

Massy Group traces its lineage to a 1932 merger of two Trinidad firms, Neal Engineering and Massy Limited, and did not become a public company until 1958 — a quarter-century of private capital accumulation preceding public listing. The firm expanded into Guyana beginning in 1968 and now operates in ten countries with more than ten thousand employees. ANSA McAL's lineage runs further back: to Geo. R. Alston & Co, a cocoa-exporting house founded in 1881. The Sabga family built a separate automotive and appliance distribution business from 1930 onward before acquiring the ailing, twenty-eight-company McEneaney Alstons Group — itself descended from the 1881 Alston lineage — in 1986, rebuilding it over the following decade into today's conglomerate. Guardian Holdings traces to an 1847

Trinidad branch of Standard Life of Edinburgh, and was compelled to localise its ownership structure under Trinidad's insurance-sector policy of the late 1970s before incorporating in its present form in 1980; it is now majority-owned by Jamaica's NCB Financial Group. Republic Financial Holdings traces to the Colonial Bank, established by royal charter in 1837, and confirms the localisation mechanism directly: Barclays Bank divested its majority Trinidad shareholding to local ownership in 1977, prompting the institution's rename to Republic Bank. Sagicor's lineage runs to 1840, as the Barbados Mutual Life Assurance Society. GraceKennedy was founded in Jamaica in 1922.

The pattern across all six cases is consistent and, on the evidence available, without exception: each firm's origin predates Caribbean independence by four to nine decades, and each drew on colonial-era commercial or financial capital — trading houses, insurance agencies, banking charters — that had already compounded for two to three generations before CARICOM, let alone CSME, existed. None of the six was founded during the independence era and grew organically, through a domestically built institutional pathway, into conglomerate scale. This is the falsifiable claim stated formally in Section 1.2: the historical record available to this paper contains no clear counter-example, and the paper's claim would be weakened by one.

Firm	Lineage	Colonial-era origin	Key transition	Present scale
Massy Group	1932 merger (Trinidad)	Trading/engineering houses	Public listing 1958; Guyana entry 1968	10 countries; 10,000+ employees
ANSA McAL	1881, Geo. R. Alston & Co	Cocoa-export house	Sabga acquisition of McEneaney Alstons, 1986	Regional diversified conglomerate
Guardian Holdings	1847, Standard Life branch	Colonial insurance agency	Localisation, late 1970s; incorporated 1980	21 countries; majority NCB-owned (2019)
Republic Financial	1837, Colonial Bank charter	Royal-charter colonial bank	Barclays divestment to local ownership, 1977	16 countries
Sagicor	1840, Barbados Mutual	Mutual life assurance society	Regional expansion from 1858	International; Toronto-listed
GraceKennedy	1922 (Jamaica)	Trading house	Diaspora-market export expansion	Caribbean, Americas, Africa, UK, Europe

Table 2. The conglomerate exception: six pan-Caribbean firms and their pre-independence lineage. All entries verified against at least two independent sources.

4.3 Why Trinidad: The One Working Counter-Model

Four of the six firms examined above are Trinidad-based, and this concentration is not coincidental. Trinidad and Tobago is the only CARICOM member state to have combined three conditions simultaneously: hydrocarbon wealth from the 1960s onward, a deliberate state policy from 1970 compelling

foreign-owned banks and manufacturing firms to divest majority ownership to nationals, and — following the 1970 Capital Issues Committee and 1965 Call Exchange — the 1981 establishment of the Trinidad and Tobago Stock Exchange, which remains the largest in the English-speaking Caribbean by market capitalisation. This is, in substance, the supply-side institutional architecture this paper’s synthesis (Section 7) argues the wider region lacks: a domestic mechanism for converting foreign-controlled capital into nationally owned, professionally capitalised enterprise, deployed at exactly the historical moment — the localisation-minded 1970s — when the firms examined in Section 4.2 needed it. No other CARICOM member state combined these three conditions at comparable scale, and no other member state has produced a comparable concentration of conglomerate-scale, domestically owned firms. More recent, smaller-scale efforts at replicating this function — junior stock exchanges in Jamaica, Trinidad, and Barbados, and the Caribbean Development Bank’s Barbados Innovation and Growth Market — are real but nascent; by the Caribbean Development Bank’s own account, their growth “has been mixed,” and they are treated in this paper as an unresolved test of whether the pathway can be rebuilt for firms founded since, rather than as evidence that it already has been.

4.4 A Different Test: Domestic Scale Without Cross-Border Establishment

Two further Guyanese firms warrant separate treatment, because they test a different proposition from the one examined above. Banks DIH and Demerara Distillers Limited (DDL) both reached large domestic scale without becoming pan-Caribbean conglomerates and without exercising CSME’s cross-border establishment guarantees at all; they demonstrate that large scale and professionalised succession are achievable within a single CARICOM economy, independent of the regional-integration question that is this paper’s central concern. Banks DIH’s founder, Peter D’Aguiar, led the firm from 1934 until his death in 1989; rather than passing to a family successor, leadership passed to Clifford Reis, a non-family professional manager, under whom the company has continued to grow into the billions and, as recently as 2023, restructured into a holding-company form explicitly to capture opportunities arising from Guyana’s hydrocarbon discoveries. DDL’s history is, on inspection, not a family-succession case at all: the firm was brought under state control during Guyana’s 1975 nationalisation programme, its leadership from that point installed rather than inherited — Yesu Persaud served as executive chairman from 1975 to 2013 by appointment, not blood — and succeeded in 2014 by Komal Samaroo, a career professional who had spent eight years building the firm’s export markets abroad before returning to Guyana to assume the chairmanship. Both cases confirm that professionalised, merit-based succession is achievable in the Guyanese business environment specifically; neither required, or supplies evidence about, the cross-border establishment mechanism this paper is centrally concerned with.

4.5 Succession as a Live, Present-Tense Constraint

The two patterns examined above — inherited colonial capital reaching pan-Caribbean scale, and domestic professionalisation achieving large scale within a single territory — do not exhaust the evidence

available on firm continuity in the Caribbean context. A further pattern, consistent with industry observation though not independently documented in the public record and therefore presented here in generalised rather than named form, concerns family-founded Guyanese enterprises at or approaching the scale examined in this section. Some have achieved successful multi-generational continuity, in reported cases through deliberate preparation — successors sent abroad for relevant professional education with an explicit expectation of return rather than open-ended emigration. Others, by the same industry observation, face the opposite outcome: heirs who have no interest in assuming management, or for whom no direct successor is available, having built professional careers abroad on the strength of family wealth with no intention of returning to manage the underlying enterprise.

This pattern should not be read as a uniquely Caribbean pathology. Family-business succession fails at a comparable base rate worldwide: fewer than a third of family-owned businesses globally survive to a second generation, and roughly one in eight survives to a third. What this paper's regional evidence suggests is not that Caribbean family firms fail at an unusual rate, but that Caribbean emigration compounds an ordinary succession-failure risk in an extraordinary way: in a larger economy, an uninterested heir typically means the search for a successor widens to non-family professional management, as at Banks DIH; in a small, high-emigration economy, the same disinterest more often means the pool of plausible successors — family and non-family alike — has already left the country. This connects directly to the theoretical apparatus developed in Section 2: firms that grew by relying on Fukuyama's trust radius — family and kinship trust substituting for the professional governance structures a low-trust environment does not readily support — face an existential risk at the point of succession that Banks DIH's 1989 transition shows is avoidable, but which requires exactly the professionalisation step that reliance on kinship trust was, by Fukuyama's own account, a substitute for avoiding.

4.6 What the Exception Does, and Does Not, Establish

The evidence assembled in this section supports Premise 2 as stated in Section 1.2 without qualification on the central point: no firm in the historical record examined here entered the medium tier during the independence era and organically outgrew it into conglomerate scale using an institution the region itself built. The pan-Caribbean conglomerates inherited a closed pathway. Trinidad's domestic giants benefited from a state-engineered capital-markets mechanism unique in the region. Guyana's largest domestic firms demonstrate that professionalised succession is achievable, but neither required nor tested the cross-border mechanism this paper is centrally concerned with. And the ordinary risk of family-succession failure, universal in scale, is plausibly compounded in the Caribbean case by the same emigration this paper examines directly in Section 6. None of this contradicts the paper's central claim. Read together, it specifies, with more precision than the claim could otherwise carry, exactly what would be required to falsify it: a firm founded since independence, reaching conglomerate scale, through capital, governance, and market access built domestically rather than inherited. Section 5 turns to Guyana's most direct recent attempt to build such an institutional pathway, and to the regional friction that attempt has produced.

5. NATIONAL INSTITUTION-BUILDING AND REGIONAL FRICTION: GUYANA'S LOCAL CONTENT ACT

This section departs, deliberately, from the register of the preceding four. Where Sections 2 through 4 develop and test a historical-analytical argument, this section reports a live, contested dispute between named institutions, with claims on both sides that this paper does not adjudicate. Every substantive assertion below is attributed to its source; where legal or political actors disagree, that disagreement is stated as such.

5.1 Design and Enforcement

Guyana's Local Content Act 2021 (Act No. 18 of 2021) establishes minimum local content requirements across forty defined service categories in the oil and gas sector, administered by a Local Content Secretariat within the Ministry of Natural Resources. The Act defines a "Guyanese company" by three cumulative conditions: beneficial ownership of at least fifty-one per cent of issued shares by Guyanese nationals; Guyanese nationals holding at least seventy-five per cent of executive and senior management positions; and Guyanese nationals holding at least ninety per cent of non-managerial positions. All three conditions must be satisfied for a company to qualify.

This definition's specificity did not prevent circumvention. What became known in Guyanese public discourse as "rent-a-citizen" arrangements — foreign-controlled entities securing nominal Guyanese beneficial ownership, sometimes satisfying the management-composition thresholds only on paper, in order to obtain Local Content certification without corresponding Guyanese control or benefit — became a matter of sustained institutional attention from 2022 onward. The most publicly documented instance involved Ramps Logistics, a Trinidad-headquartered firm operating in Guyana since 2013, which restructured its Guyanese ownership shortly after the Act's passage; the Local Content Secretariat initially declined to certify the restructured entity, and in November 2022 the Guyanese High Court, per Chief Justice Roxane George, ordered the Secretariat to issue the certificate. Enforcement subsequently tightened: the Attorney General announced a review of the Act's implementation in 2023; Vice President Bharrat Jagdeo warned in late 2024 that the Secretariat had begun acting on evidence against arrangements of this kind; by 2025 the Secretariat's own legal officers were discussing further amendments, including residency and tax-contribution requirements for beneficial owners and more rigorous documentary scrutiny — audited financial statements among them — at certificate renewal. By mid-2026, Natural Resources Minister Vickram Bharrat characterised the practice as substantially eliminated through this enforcement effort, and the government announced, effective January 2026, a digital certification portal intended to standardise and accelerate the process. Local content expenditure reached an estimated seven hundred and forty-three million United States dollars in designated service categories in 2024, according to government-cited figures.

5.2 The CARICOM Single Market and Economy Dispute

In January 2022, an internal communication from Gervase Warner — chairman of the CARICOM Private Sector Organization (CPSO), and separately president and group chief executive officer of Massy Group — was made public, in which Warner raised concerns, on behalf of the CPSO’s executive committee, that the Local Content Act appeared to contravene provisions of the Revised Treaty of Chaguaramas. The CPSO’s own subsequent statement clarified that the communication had been an internal record of committee deliberation, not a formal position, and that the committee had resolved to seek consultation with the Government of Guyana in the first instance, escalating to the CARICOM Secretariat only if warranted; a CPSO director, Suresh Beharry, was asked to facilitate contact with the Office of the President for this purpose. The CPSO’s statement further noted that it did not regard itself as “arbiters of right and wrong” on the matter, framing its role as one of raising concerns for consultation under Article 26 of the Revised Treaty rather than rendering judgment.

The reaction within Guyana was immediate and cut across party lines. Guyana’s Private Sector Commission (PSC) publicly questioned the CPSO’s standing to raise the matter at all, stating that the Local Content Act’s policies were “not dissimilar” to Trinidad and Tobago’s own domestic-preference regime in its energy sector — a regime the PSC noted had been in place for more than fifty years — and concluding that the Act did not violate the Revised Treaty. Attorney General Anil Nandlall maintained the same position formally, stating that Guyana would honour all of its CARICOM obligations and describing suggestions that Guyana might leave CARICOM over the matter as unfounded; President Irfaan Ali stated, following the March 2022 CARICOM Inter-Sessional Meeting, that no Member State had in fact criticised the Local Content Act, characterising the CPSO communication as an internal miscommunication. Opposition and government-aligned voices alike — a PPP/C parliamentarian and the Georgetown Chamber of Commerce’s president among them — nonetheless raised, at various points, the possibility that Guyana might seek a treaty reservation or exit CARICOM entirely rather than dilute the Act, an escalation the government itself did not endorse.

The matter reached the level of the Conference of Heads of Government: Barbados Prime Minister Mia Mottley disclosed after the 33rd Inter-Sessional Meeting that Heads had agreed an open-ended committee of Member States would examine the appropriate local content framework for CSME, including questions of what percentage and time-limited duration such measures should take, with explicit reference to “sunrise industries” more broadly than Guyana’s case alone. This paper has found no public record that this committee’s work concluded in a binding determination; a Guyanese press account as recent as May 2026 noted that the CPSO’s original objection had never been tied to specific treaty articles by any authoritative body. The matter, on the evidence available, was managed politically rather than resolved legally.

The legal question nonetheless has an articulated position on each side, and both are reported here without adjudication. Legal commentary from a Trinidadian law firm (2023) argues that the Act’s local-content thresholds may violate Article 7’s non-discrimination provision — interpreted by the Caribbean Court of Justice, per that commentary, to prohibit treatment less favourable than that accorded a similarly situated person absent objective justification — because a CARICOM-national company, once a

Regulated Company's minimum local content threshold is met, is excluded from further engagement solely on grounds of nationality; the same commentary raises Articles 32 and 36 in this connection. Attorney General Nandall's position, restated consistently since 2022, is that no such violation exists and that Guyana's record of CARICOM and Caribbean Court of Justice engagement — among the earliest Member States to accept the Court's original and appellate jurisdiction — demonstrates the seriousness of its treaty commitment. A further, more measured critique came from former Guyanese Foreign Affairs Minister Carl Greenidge, who argued in 2022 that the concern was less the principle of local content than its specific design: unlike Trinidad's position in 2015, when it stood as virtually the sole regional petroleum producer, Guyana by 2022 was not unique, and Greenidge suggested that resolution might lie in redesigning the Act's quantitative targets and their duration to align more consistently with treaty obligations, rather than in abandoning the principle of local preference.

One further consideration, not raised in the 2022 exchanges but directly relevant to any future legal assessment, follows from Guyana's own economic trajectory since. The Revised Treaty's differential-treatment provisions for Member States facing "temporary low levels of economic development" — the kind of consideration a defence of the Act's departures from strict non-discrimination might invoke — sit awkwardly against Guyana's subsequent reclassification: the World Bank moved Guyana into its high-income category in its fiscal year 2024 classification, based on 2022 gross national income data, after Guyana's GNI per capita rose from approximately fourteen thousand nine hundred to over twenty thousand three hundred dollars between 2022 and 2023 alone, a trajectory driven by oil production. Whatever force a developing-country or special-treatment argument may have carried when the Act was passed in 2021, Guyana's own subsequent economic transformation — the very transformation the Act is designed to broaden the benefit of — makes that argument harder to sustain today than it would have been at the Act's passage.

5.3 A Second, Independent Frontier: World Trade Organization Obligations

The Revised Treaty is not the only international legal instrument potentially engaged by local content requirements of this kind. The World Trade Organization's Trade-Related Investment Measures (TRIMs) Agreement, read with GATT Article III's national treatment obligation, prohibits investment measures that discriminate against imported goods; there is precedent for such measures being successfully challenged, including Canada's renewable-energy feed-in tariff programme, found inconsistent with these obligations in 2013, and Indonesia's resource-sector local content requirements, which drew formal challenge from several WTO members as recently as 2019. A relevant distinction, not yet resolved in the literature reviewed for this paper, is that TRIMs applies to trade in goods, whereas the great majority of the Local Content Act's forty reserved categories are services, which fall instead under the General Agreement on Trade in Services (GATS) — a more flexible, sector-specific regime under which obligations arise only where a Member has made positive commitments. Whether Guyana has made GATS commitments in the specific service sectors the Act reserves is, at the time of writing, unverified and is noted here as an open question rather than resolved either way. Peer-reviewed literature

specifically addressing local content obligations in the oil and gas sector against the WTO framework, examining Indonesian and Kazakh case studies, exists and is a direct point of reference for further work on this question (cited in Section 2, forthcoming full citation). As with the Revised Treaty's differential-treatment provisions, TRIMs permits derogations tied to a Member's developing-country status, a defence Guyana's own high-income reclassification would, on the same reasoning developed above, make more difficult to sustain now than in 2021.

5.4 A Possible Resolution

Article 31 of the Revised Treaty, governing the treatment of monopolies, permits a Member State to restrict the right of establishment in a given sector for public-interest reasons, provided that where this produces a private monopoly, nationals of other Member States receive national treatment in participating in that monopoly's operations. A version of the Local Content Act's eligibility criteria redefined around CARICOM-wide, rather than exclusively Guyanese, ownership and management participation — while retaining Guyana-specific employment and procurement targets for the great majority of positions and contracts — would sit closer to this provision's terms than the Act's current Guyana-only definition, and would additionally address the specific Article 7 objection raised in the legal commentary discussed above, since nationality would no longer be the sole disqualifying factor for an otherwise-qualified CARICOM company. This paper offers this observation as a possible direction for redesign consistent with Greenidge's 2022 suggestion, not as a recommendation this paper is positioned to make on Guyana's behalf; the sovereign decision, and the political cost of revisiting a widely popular Act, remain Guyana's alone.

5.5 Interpretation

This dispute is, on the evidence assembled here, the clearest empirical instance available of the tension this paper's argument predicts. Guyana built exactly the kind of institutional infrastructure Section 2's theoretical apparatus argues the missing middle requires — a legally enforced mechanism directing capital, employment, and management opportunity toward domestic firms and nationals in a specific, high-value sector — and doing so produced immediate friction with the very regional integration commitments this paper argues the missing middle also depends on. That friction was raised, notably, by the chairman of the CARICOM Private Sector Organization in his separate capacity as chief executive of one of the six conglomerate-scale firms examined in Section 4 — firms this paper has argued reached their scale through a historical pathway closed to firms founded since independence, and which, per Olson's logic (Section 2.3), have a concentrated interest in the current absence of mid-tier competition that a successful Local Content regime might eventually produce. None of this establishes that the CPSO's legal concern was raised in bad faith, and this paper does not suggest that it was; the CPSO's own account of its role — raising concerns for consultation, not rendering judgment — is taken at face value. It does suggest that Guyana's experience building real institutional protection for domestic firm growth is unlikely to be the last such instance, and that CARICOM's own architecture — Article 31's

participation-based alternative to exclusion, and the Competition Policy regime examined in Section 7 — may offer more durable resolutions than the ad hoc political management this dispute received.

6. THE DIASPORA DIMENSION

6.1 The Scale of the Resource

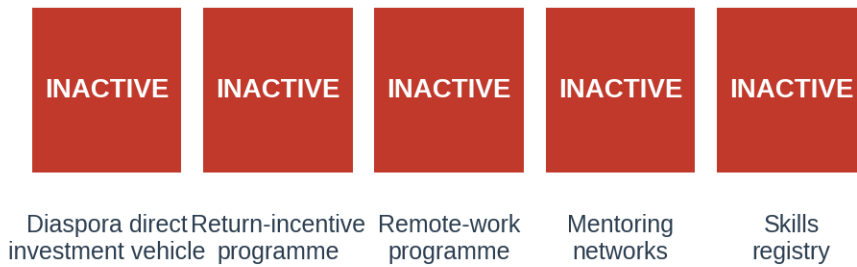
The Caribbean diaspora is, relative to the region's resident population, among the largest in the world. United Nations estimates place the Caribbean-origin population living outside their home territories at approximately 9.6 million as of mid-2024, concentrated principally in the United States, United Kingdom, Canada, the Netherlands, France, and Spain. The skill composition of this outflow is the region's most cited migration statistic, and deservedly so: approximately seventy per cent of the Caribbean's tertiary-educated labour force has emigrated — among the highest rates recorded anywhere (Mishra 2006). Guyana's case is extreme even by this standard: its diaspora, estimated at five hundred to six hundred thousand people, approaches parity with its resident population. Remittance flows to the region reached approximately eighteen and a half billion United States dollars in 2024. The International Monetary Fund's own assessment of the joint effect is sobering and bears directly on this paper's argument: emigration and remittances, taken together, have not been net drivers of Caribbean growth — the growth losses from skilled emigration outweigh the gains from remittance inflows (Mishra 2006). The resource is large; its current configuration is, on the authoritative evidence, a net structural loss.

6.2 Emigration as the Missing Middle's Other Face

Section 2.3 introduced the theoretical link this section now develops: under Lucas's occupational-choice framework (Lucas 1978), the decision to emigrate and the decision to found or grow a firm are the same decision, differently resolved — an allocation of managerial and entrepreneurial talent between domestic enterprise and the alternative of paid employment, with emigration adding a foreign wage to the menu of alternatives. Read this way, the seventy-per cent tertiary emigration rate is not a phenomenon adjacent to the missing middle; it is the missing middle's other face. The population of potential founders and professional managers that the medium-enterprise tier would require has not vanished — it has relocated, and continues to earn returns on its human capital in economies whose institutions can absorb it.

Section 4.5 documented the sharpest version of this mechanism: succession. Industry observation in Guyana suggests that for a number of established family enterprises, the heirs who would constitute the natural successor generation have built professional careers abroad, in some reported cases on the strength of the family's own wealth, with no intention of returning to manage the underlying business. The occupational choice Lucas models at the point of founding is, in these cases, being made at the point of inheritance — and against the firm. The consequence is a compounding one: emigration thins the founder pool at the front of the firm lifecycle and the successor pool at the back of it simultaneously.

Status at national scale, Guyana — all five assessed channels RED



Source: Forrester Consulting Group (2025), five-channel diaspora-engagement assessment; RAG status per FCG assessment rubric. Benchmark comparators

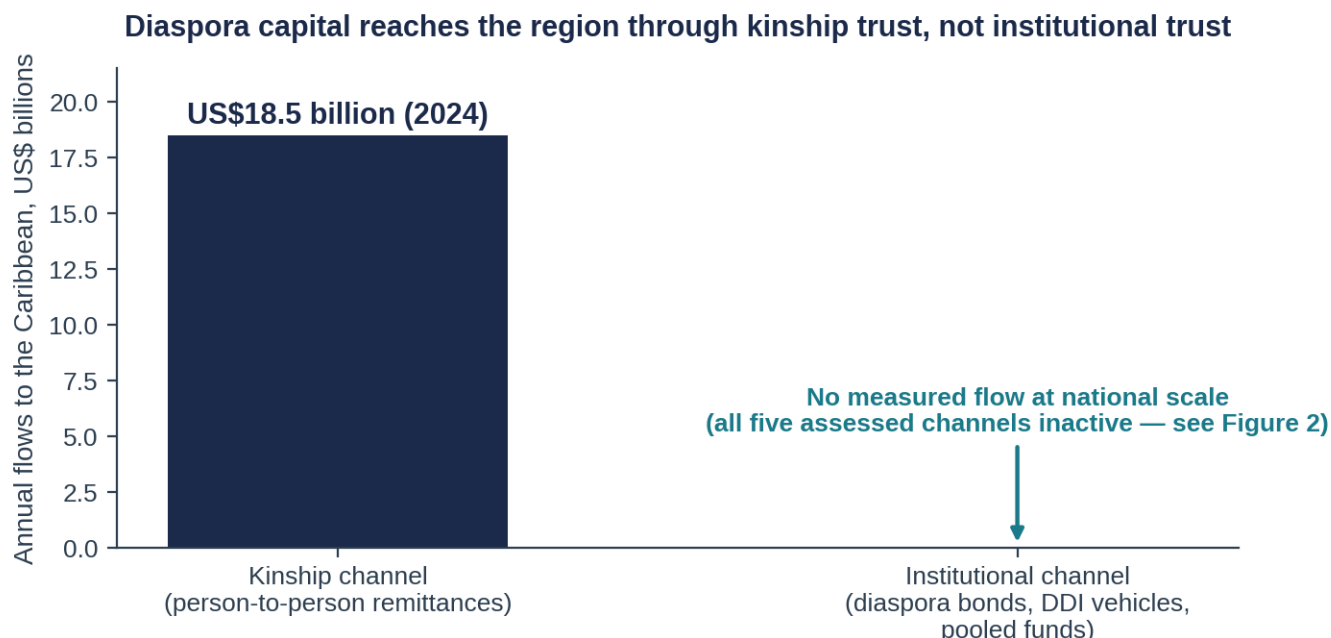
Figure 2: Five structured diaspora-engagement channels assessed for Guyana: all inactive at national scale (Forrester Consulting Group 2025). RAG status chart per FCG assessment rubric.

A region can survive one of these losses; sustaining both is how an existing middle tier erodes rather than merely fails to grow.

6.3 Two Channels, One Working: A Trust-Radius Reading of Diaspora Finance

The pattern of diaspora financial engagement with the region exhibits a structure that this paper's theoretical apparatus predicts, and which does not appear to have been stated in these terms in the existing literature. Diaspora capital reaches the Caribbean overwhelmingly through one channel: person-to-person remittances, transmitted within families — eighteen and a half billion dollars in 2024, predominantly financing household consumption rather than capital formation. The institutional channel — diaspora bonds, structured diaspora direct investment vehicles, pooled funds with professional governance — is, by comparison, nearly empty. The authors' prior diagnostic work on Guyana assessed five structured diaspora-engagement channels (a diaspora direct investment vehicle, a return-incentive programme, a remote-work programme, mentoring networks, and a skills registry) and found none operating at national scale (Forrester Consulting Group 2025), notwithstanding international precedents of long standing: India's non-resident deposit schemes have accumulated well over a hundred billion United States dollars, and Israel's diaspora bond programme has raised tens of billions since 1951 (benchmarks documented in Forrester Consulting Group 2025).

Read against Section 2.5, this asymmetry is not an implementation accident. It is Fukuyama's trust radius, operating transnationally. Remittances travel the kinship-trust channel — the same channel through which, Section 2.5 argued, Caribbean firms are staffed and capitalised domestically — and that channel works across any distance, which is why it moves billions annually without any institutional architecture at all. Diaspora bonds and pooled investment vehicles require the other kind of trust: confidence in institutions, professional governance, and arm's-length enforcement, extended toward



Source: remittances — UN/IMF-derived regional estimate for 2024 (Section 6.1); institutional channel — Forrester Consulting Group (2025) national-scale assessment, Guyana.

Figure 3: The two-channel asymmetry in diaspora finance. The institutional channel is shown at its measured value: zero at national scale (remittances: 2024 regional flows; institutional channel: Forrester Consulting Group 2025 assessment, Guyana).

home-country entities the investor cannot monitor through family. The near-total absence of the institutional channel, alongside the robust functioning of the kinship channel, is therefore itself evidence for this paper’s diagnosis: the same trust-radius constraint that keeps Caribbean firms family-bound at home keeps Caribbean capital family-bound abroad. The diaspora is not failing to invest; it is investing through the only channel the region’s institutional development has made trustworthy — and that channel, by its nature, finances consumption and micro-scale enterprise, not the professionally governed medium firm this paper is concerned with.

Olson’s framework (Section 2.3) completes the explanation of why this remains unaddressed. A diaspora of 9.6 million people, dispersed across a half-dozen host countries, holding individually small stakes in any given home-country reform, is close to a textbook diffuse interest: it cannot readily organise to demand the institutional vehicles — credible bond instruments, protected minority-investor rights, transparent governance — that its own engagement would require. The authors’ prior work identified the absence of any institutional owner for diaspora engagement as one of five critical coordination gaps in Guyana’s private-sector architecture (Forrester Consulting Group 2025); Olson’s logic suggests this gap is not an oversight awaiting discovery but an equilibrium: no concentrated constituency exists whose interest it serves to close it.

6.4 What the International Record Shows: Circulation, Not Return

The comparative literature offers a corrective to the assumption, implicit in much regional commentary, that the diaspora's developmental contribution requires permanent return. AnnaLee Saxenian's study of technically skilled emigrant entrepreneurs — the “new Argonauts” — documents how engineers who left Taiwan, India, Israel, and China for Silicon Valley transformed brain drain into what she terms brain circulation: identifying market opportunities at home, co-founding ventures, transferring practice, and operating in two economies simultaneously, without necessarily repatriating permanently (Saxenian 2006). The scale of the effect in the Taiwanese case is instructive: more than half the companies in Taiwan's Hsinchu Science-Based Industrial Park were founded by returnees from Silicon Valley. Three features of the circulation model bear on the Caribbean case. First, it operated through dense ethnic-professional networks in the host economy — precisely the kind of associational infrastructure the Caribbean diaspora possesses in New York, Toronto, and London but has not systematically organised toward home-region enterprise. Second, it required a receiving environment: Taiwan's science-park infrastructure and deliberate returnee-recruitment institutions preceded the wave, they did not follow it. Third, and most usefully, it did not depend on resolving the permanent-return decision at all — short-term engagement, board service, co-investment, and knowledge-transfer programmes captured much of the benefit while the underlying occupational choice remained, in Lucas's terms, unresolved.

Two Caribbean instances already demonstrate elements of this model, both documented earlier in this paper. Demerara Distillers Limited's current chairman spent eight years building the firm's export markets abroad before returning to lead it (Section 4.4) — brain circulation embedded in a succession. And one of the six conglomerates examined in Section 4 built a material part of its international business on the diaspora as a market: GraceKennedy's food-export operations into the United Kingdom, North America, and beyond grew substantially by supplying Caribbean products to Caribbean-origin communities abroad — the diaspora functioning not as a capital source or a talent pool but as external demand, a third channel of engagement the regional policy discussion largely ignores.

6.5 The Documented Barriers to Return

Where permanent return is the objective, the barriers are documented and specific rather than atmospheric. The authors' research on Guyana identifies five operating constraints on professional return migration at scale: housing costs in Georgetown and the coastal corridor that price returning professionals out of the standard they are accustomed to; regulatory and administrative friction in routine dealings with the state; political-institutional uncertainty operating on the long time-horizons over which family relocation decisions are made; and educational and healthcare infrastructure not yet at the standard the metropolitan-resident cohort requires (Forrester Consulting Group forthcoming). None of these is unaddressable; all are the kind of receiving-environment deficit that, on Saxenian's evidence, must be resolved before circulation converts to return at scale — and none is resolved by exhortation to patriotism, the register in which regional diaspora appeals have too often been pitched.

6.6 Interpretation

The diaspora dimension, integrated with the preceding sections rather than appended to them, resolves into four propositions. The diaspora is the missing middle's talent pool, relocated (Section 6.2). Its capital already flows home at scale, but through the kinship-trust channel that finances consumption, not the institutional channel that would finance medium enterprise — an asymmetry that is itself evidence of the trust-radius constraint this paper's theoretical apparatus identifies (Section 6.3). The institutional gap persists because the diaspora is a diffuse interest that cannot organise to close it (Section 6.3). And the international record shows the benefit does not require winning the permanent-return decision — it requires building the receiving institutions and circulation mechanisms that let engagement proceed while that decision remains open (Section 6.4). The policy implications of these propositions are taken up in Section 7.

7. SYNTHESIS: THE INSTITUTIONAL LAYER CSME ASSUMED

7.1 Restating What the Evidence Requires

The argument assembled across Sections 2 through 6 can now be brought to its policy conclusion. CSME's capital-mobility and establishment guarantees presuppose a class of firm the region does not possess (Sections 1–3); the firms that do operate at cross-border scale inherited a closed pathway, with Trinidad's state-engineered capital-markets architecture the single partial exception (Section 4); the one recent national attempt to build a growth pathway by statute collided with the regional integration framework itself, and remains politically managed rather than legally resolved (Section 5); and the talent and capital the missing tier would require sit substantially in the diaspora, flowing home through a kinship channel that cannot finance institutional-scale enterprise (Section 6). The response this evidence requires is not a single instrument but a set of institutional layers, each addressing a distinct binding constraint identified in the theoretical apparatus, and deliberately sequenced — a layering approach, in which no single layer is sufficient and the omission of any leaves the others underpowered. Five layers follow.

7.2 The Supply-Side Layers

Layer one: growth finance. The region requires a financing instrument sized between the microloan and the syndicated corporate facility — the gap Rajan and Zingales's mechanism (Section 2.2) identifies as disproportionately punishing externally-dependent firms in shallow capital markets, and the gap the World Bank Group's missing-middle literature documents globally. The regional junior stock exchanges and the Caribbean Development Bank's nascent investor-readiness initiatives (Section 4.3) are the correct species of instrument at insufficient scale and in uncoordinated national fragments; the lay-

ering approach implies their consolidation into a CARICOM-wide growth-capital architecture, with the CDB as the natural convening institution. Consistent with the critical literature reviewed in Section 2.4, and with Penrose's constraint, capital provision must be paired with managerial technical assistance: finance without capacity-building sets firms up to fail.

Layer two: harmonised establishment infrastructure. A CARICOM company registration and mutual-recognition architecture that makes a Kingston-to-Georgetown expansion administratively routine — the specific institutional species Demas argued for six decades ago (Section 2.1) and which remains unbuilt. This is the least analytically novel and most administratively tractable layer: it requires no treaty amendment, only implementation of commitments already made.

Layer three: succession and professionalisation. Section 4's evidence shows the transition from founder or family control to professional governance is achievable in the region (Banks DIH; DDL) but unsupported by any standing institution. A regional succession-planning and governance-transition facility — advisory, fiduciary, and transitional-financing support for family firms approaching the succession point — addresses the constraint Fukuyama's trust-radius analysis identifies (Section 2.5) at the moment it becomes existential (Section 4.5). The alternative to building this layer is the continued erosion documented there: firms lost not to competition but to unplanned succession.

7.3 The Demand-Side Layers

Layer four: competition enforcement. The Revised Treaty's Chapter Eight competition regime — the Competition Commission and its abuse-of-dominance jurisdiction (Articles 168–186) — is, as Section 2.3 established, the demand-side instrument the existing policy discussion of the missing middle has not engaged. Olson's logic (Sections 1.2, 2.3) explains its dormancy and simultaneously identifies its importance: entrenched incumbents have a concentrated interest in the competitive status quo, and no constituency of not-yet-existing firms can demand enforcement on its own behalf. Activating this layer therefore requires an institutional actor with the mandate to act for the absent constituency — the Commission itself, adequately resourced, or national competition authorities acting in concert. This paper takes no position on whether any current market conduct in the region would constitute abuse of dominance; the point is architectural: a credible, active enforcement regime changes incumbent conduct prospectively, whether or not any case is ever brought.

Layer five: a treaty-consistent local content template. Section 5's analysis suggests the Guyana dispute's most durable resolution lies neither in litigation nor in political management but in redesign: an Article 31-consistent template under which sector-specific development measures define eligibility around CARICOM participation rather than single-nationality exclusion, with quantitative targets that are time-limited and reviewable — the design direction Greenidge indicated in 2022 (Section 5.2). Such a template, adopted at Community level, would convert local content from a source of ad hoc intra-regional friction into a sanctioned, rules-based development instrument available to any Member State entering a resource windfall — a category that, on current exploration activity, Guyana will not long occupy alone.

7.4 The Diaspora Layer: Institutional Design Against the Diffuse-Interest Problem

Section 6's analysis implies a sixth layer, distinct enough in design logic to warrant separate statement. The diaspora's engagement problem is not motivational but institutional: the kinship channel works and the institutional channel does not (Section 6.3), and the diffuse-interest structure of a 9.6-million-person diaspora means no constituency exists to demand the institutional channel's construction. The design implication follows directly from Olson's own framework: where a diffuse interest cannot organise itself, the remedy is the deliberate constitution of a concentrated one — a small, self-selected, high-commitment vanguard institution, membership-based rather than mass-based, whose members hold individually meaningful stakes in the institution's success and can therefore sustain collective action where the diaspora at large cannot.

Three design requirements for such an institution follow from this paper's evidence rather than from general principle. First, it must be structurally insulated from both state capture and partisan alignment: Hintzen's analysis (Section 2.5) documents precisely how post-colonial patronage systems absorb and redirect institutional resources along ethnic-political lines, and a diaspora institution perceived as an instrument of any government or party would forfeit exactly the arm's-length institutional trust whose absence Section 6.3 identifies as the binding constraint. Second, it must be platform-like rather than programmatic: its function is to supply the receiving architecture — governance, verification, matching, and co-investment infrastructure — within which specific ventures of the kind Saxonian documents (returnee-founded enterprises, circulation-based knowledge transfer, science-park-type concentrations) can form, rather than to select and operate ventures itself. Taiwan's experience is instructive on sequencing: the receiving institutions preceded the returnee wave (Section 6.4). Third, its early function is as much demonstrative as financial: each successfully governed, transparently reported diaspora co-investment extends the institutional trust radius incrementally, converting the kinship-channel equilibrium Section 6.3 describes into an institutional-channel equilibrium one verified transaction at a time. The authors are developing this institutional design at greater length in separate work; its statement here is confined to what the present paper's analysis independently supports.

Layer	Binding constraint addressed	Theoretical anchor	Natural owner
1. Growth finance + technical assistance	Shallow capital markets; managerial capacity	Rajan-Zingales; Penrose	Caribbean Development Bank
2. Harmonised establishment infrastructure	Administrative friction in cross-border expansion	Demas	CARICOM Secretariat / COTED
3. Succession & professionalisation facility	Trust-radius fragility at generational transfer	Fukuyama; Section 4.5	Regional facility, CDB-convened
4. Competition enforcement	Incumbent foreclosure of competitive space	Olson; RTC Chapter Eight	CARICOM Competition Commission
5. Article 31 local content template	Collision of national protection with integration law	RTC Article 31; Section 5	Community Council / COTED
6. Capture-resistant diaspora institution	Diffuse-interest paralysis; institutional-trust gap	Olson; Fukuyama; Saxenian	Independent, non-state

Table 3. The layering approach: six institutional layers, their constraints, and their owners.

7.5 Anticipating Resistance

A synthesis that proposed these layers as costless would fail its own analysis. Olson's framework predicts, and Section 5's record confirms, that successful institution-building for the missing middle will draw opposition from the concentrated interests it inconveniences: the CPSO's challenge to Guyana's Local Content Act — raised by the chairman of one of the six conglomerates whose market position a successful mid-tier would eventually contest — is not an aberration to be deplored but the system behaving as the theory predicts, and, it should be said plainly, behaving legitimately: incumbents defending their interests through lawful consultation mechanisms are doing what organised interests do. The design response is not to lament the resistance but to anticipate it: Community-level templates (layer five) are harder to challenge than unilateral national statutes; competition enforcement (layer four) is symmetrical, constraining any dominant firm rather than targeting any named one; and a capture-resistant diaspora institution (the sixth layer) is deliberately constituted outside the patronage channels through which such resistance is most efficiently transmitted.

7.6 An Honest Complication

One finding assembled in this paper does not fit the synthesis comfortably and is stated rather than smoothed over. Several of the conglomerates examined in Section 4 retain concentrated family or small-group control to the present day, at scales far beyond anything the missing middle aspires to. This complicates any strong claim that professional, dispersed governance is a necessary condition for

scale: the regional evidence suggests capital access is the dominant variable, with governance form secondary — firms with deep capital access have scaled under family control; firms without it have not scaled under any governance form. The layering approach weights its layers accordingly: finance first, governance transition as enabling rather than gating. What the succession evidence (Section 4.5) nonetheless establishes is that family control without a professionalisation option is fragile at the point of generational transfer — the case for layer three rests on continuity risk, not on any claim that family control cannot reach scale.

8. CONCLUSION

This paper set out to explain why the CARICOM Single Market and Economy's guarantees of capital mobility and the right of establishment remain, three decades on, substantially unexercised by Caribbean-owned firms, and it has argued that the prevailing explanations — insufficient political will, incomplete implementation — are compatible with the facts but do not reach the cause. The cause is structural and antecedent to both: the guarantees presuppose a class of firm the region has almost never produced. The missing middle — measured here by the Caribbean Development Bank's own medium-enterprise classification — is not a rhetorical device but a documented near-vacancy, and the small number of firms that operate above it inherited a pathway of colonial-era capital accumulation that closed at independence. No firm in the record examined here has crossed that gap since, using institutions the region built. Trinidad's state-engineered capital-markets architecture of the 1970s and 1980s stands as the single, partial demonstration that the pathway can be constructed; it has not been replicated.

The paper's contribution has been to bring three literatures into a conversation they had not previously held on this question, and to add two findings that conversation produced. From the Caribbean tradition came the structural diagnosis: a plantation economy that supplied no middle tier by design, a post-independence strategy that built a foreign-controlled substitute, and that substitute's collapse under liberalisation. From the mainstream economics of the firm came the mechanisms — managerial capacity, occupational choice, capital-market depth, misallocation — through which that history binds in the present. From the political economy of collective action came the explanation for persistence: the institutions the missing middle requires have no constituency, because their beneficiaries do not yet exist to demand them, while the incumbents they would inconvenience are few, organised, and effective. The first new finding is that the region's own treaty already contains, largely dormant, the demand-side instrument this analysis calls for — the Chapter Eight competition regime — and a participation-based template, in Article 31, for reconciling national development statutes with regional commitments. The second is that the diaspora's engagement pattern — eighteen and a half billion dollars annually through the kinship channel, near-nothing through the institutional channel — is not a failure of sentiment but the trust-radius constraint operating transnationally, and is therefore addressable by institutional design rather than by appeal.

The policy synthesis follows as a set of layers rather than a single instrument: regional growth finance paired with managerial capacity-building; harmonised establishment infrastructure; a succession and

professionalisation facility; activated competition enforcement; a Community-level local content template; and a deliberately constituted, capture-resistant diaspora institution built for circulation rather than return. None is sufficient alone; the omission of any leaves the others underpowered. Each is within the region's existing legal and institutional competence; none requires a new treaty.

Two limitations mark the boundary of what has been established. The quantitative core of the firm-level evidence is Guyanese; the regional claim rests on the CDB's twelve-country findings, the conglomerate record, and the structural argument, and would be strengthened by the cross-country microdata analysis Section 3 identifies as feasible but out of scope. And the central historical claim is stated as falsifiable rather than proven: a single documented case of a post-independence firm reaching conglomerate scale through domestically built institutions would weaken it, and the nascent junior-exchange experiments now underway are the nearest available test.

Fifty-three years after the Treaty of Chaguaramas, the region's integration project is routinely assessed in the vocabulary of commitment — renewed, flagging, or betrayed. This paper's evidence suggests a different vocabulary is required. CSME's unfinished half is not a promise awaiting sincerity. It is a structure awaiting its missing layer: the institutions, enumerated here, that would allow the firm the treaty always presupposed to finally come into existence. Building that layer is not beyond the region's means — Trinidad built a version of it half a century ago, and the treaty's own text contains more of it than the anniversary commentary acknowledges. What has been missing is not capacity but a constituency. Papers do not create constituencies; but they can, at minimum, make the absent constituency's interest legible to the institutions — the Caribbean Development Bank, the Competition Commission, the Community Council — whose mandates already encompass it. That is what this paper has attempted.

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