



GOVERNMENT OF BARBADOS

KEYNOTE ADDRESS

GIVEN BY

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OF BARBADOS

AT

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OF

THE CONFERENCE ON THE CARIBBEAN

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We have journeyed here to Washington in the belief that, at this place when so much significant history has been written, this Conference will mark the beginning of a fresh, more productive phase in the relations between the Caribbean Community and the United States of America.

The historic dimension of the event is not lost upon us. For it is the first time that the Member States will meet with all of the possible stakeholders whose actions can impact on the Caricom-US relationship; the legislative and executive branches of Government, civil society, including the Diaspora, the private sector, the academic community and others. We are especially gratified that this meeting has the active support and participation of the Inter-American and international institutions whose relationship and involvement are vital to the development of the Caribbean.

Now that this Conference has become a reality, I join with all of my colleague Heads of Caricom in thanking all who have made it possible. I take a special pride in acknowledging the unique role which has been played by the Senior Minister and Minister of Foreign Affairs and Foreign Trade of Barbados, Dame Billie Miller, who was the first to put

forward the call for this convocation in an address as far back as 2001.

Getting to this point has evidently required a remarkable display of patience of a kind that is not unfamiliar to us in the Caribbean.

Seizing the moment, and going beyond it will require of all of us an empathetic appreciation of the circumstances which now most directly affect the developmental prospects of the Caribbean, and a sense of urgency and resolve to do the few necessary strategic things which will make all of the difference to the future of the region.

In an address as short as this, on a subject as vast as that which has been prescribed for me – Caribbean Development in the Twenty-first Century – Economic Growth with social equity – were there but one message I would wish to leave it would be that mastery over only a few strategic things is necessary for success in small societies such as the Caribbean.

The dimensions of the strategic challenges may change from time to time.

And so they have for the Caribbean at the start of the 21st century.

It is now commonplace to state that the Caribbean now faces an unprecedented challenge of adjustment and transformation to establish the conditions for sustainable and equitable development within the context of social justice.

But coping with economic crisis has been the familiar and constant circumstance of all Caribbean societies through our crisis ridden history. Indeed, a special strain of resilience, a capacity of small island people to make much out of little have been the essential bedrock of the social capital on which Caribbean development has been founded. These are the attributes that have allowed banana farmers on the hillsides of the Windward Islands to eke out a living despite the international odds. They are the attributes that have allowed some very small Caribbean economies to attain levels of human development and per capita incomes out of all proportions to their size.

What makes the challenge of development and transformation of the 21 century different from the challenges of the past is the harshness and

the confining nature of the international environment within which Caribbean development is now set. What makes it different as well is the unprecedented scale of the adjustment that is required, the fact that essentially every aspect of our production, fiscal, corporate and governance systems will be affected, and that the adjustment has to be carried out in a relatively short time.

Our twenty-first century developmental challenges have also been made more complicated by the emergence and impact of a number of social and security threats, which are weakening the social capital that has mattered so much to our development, and generating new risks that are eroding the environment of confidence that is so necessary for any society, large or small, to plan successfully the ordering of its affairs.

In this regard, it is beyond dispute that the scourge of HIV/AIDS, the relative incidence of crime and violence in some Caribbean societies, the negative influence of some of our cultural imports in shaping values, lifestyles and material expectations bear more directly as factors which will constrain growth and development, within the context of social equity, in the 21st century, than similar social and cultural factors did in

the 20th century.

It is equally beyond dispute that as societies which are almost all tourism driven economies, Caribbean societies now depend more on their marine and coastal resources than at any other period in the history. Global warming and its effects, the degradation of the global environment and the search for environmentally and ecologically sound and sustainable strategies globally are matters in which the Caribbean has a direct and vested interest.

The greatest challenge confronting the Caribbean is to find the way to address what is essentially the end of the post colonial economy.

During the last decade, the region's long standing trade arrangements for bananas, sugar, rum and rice to the markets of the European Union have been dismantled, marking an irrevocable turning point in the Caribbean's economic history.

The margin of preference that has historically been intended to be conferred on us by our unique non-reciprocal trade pacts with Europe,

the USA and Canada has significantly been eroded by the sheer proliferation of bilateral and sub-regional trade pacts all across the world, which lock in for the participating countries greater market benefits that are available to us under our preferential arrangements.

The change in the status of our preferential trade arrangements are the most vivid and tangible manifestations of the changed global circumstances within which we operate.

Equally potent has been the decline in multilateral development finance and development donor assistance to the region. For the twenty-first century, Caribbean development is taking place in an environment in which many of the member States are not viewed as being deserving of development assistance. Indeed, for the most part, they are viewed as relatively high income developing countries which should be and are being left to be financiers of their own development.

Profound changes in the structure of the global economy and the geopolitical consequences which have issued from them have also made the development context for the typical Caribbean even more challenging.

The war on terrorism has not only engrossed the energies and resources of the Bush administration.

It has brought a new risk and uncertainty to economies that are tourism driven and hence depend on international travel. It has caused new fiscal burdens by escalating expenditure on security related matters that hitherto did not constitute areas of priority for Caribbean societies.

A Europe of twenty-five, and a new and welcomed development focus on Africa have in part caused a diversion of some of the financial resources that would otherwise have been earmarked for the Caribbean. And they have been changes in the global economic balance of power, especially arising from the phenomenal growth of China, India and the emerging Asian giants that have made our circumstances more challenging. For these are the economies of the south which are attracting the capital for industrial development and for information related industries that two decades ago would have viewed the Caribbean as the preferred location of interest.

The spectre of geopolitical as well as economic marginalization is one which constantly stalks the Caribbean landscape.

There have also been some developments which cannot be entirely attributed to the workings of the international environment which confront the quest for development, with social equity, in the Caribbean with a special urgency and unique Caribbean flavor.

Seven of the top ten countries across the globe with the highest ratio of debt to GDP) are to be found in the Caribbean. Only two are beneficiaries of the HIPC initiative.

Some Caribbean countries that were until recently substantial banana producers need to make the transition to service exports. But their economies are not yet in the jet age. And their quest for financial resources to build international airports are not being respected nor addressed by the international financial community. I need to say in Washington that Cuba, Venezuela and China are carrying the burden.

Most Caribbean economies can achieve more rapid development and

address deep seated problems relating to poverty and unemployment by becoming exporters of high quality services. The global economy now, in fact offers a tremendous opportunity to small States which can develop the human, infrastructural and institutional capacities to support knowledge-based, skill intensive industries.

The competitive advantage of the 21st century Caribbean lies in that direction.

But there are still too many instances where the infrastructural and institutional arrangements to bring the societies into the Information Age have not yet been made.

The substantial dividends that can thus be realized by Caribbean States from the opportunities that ensue from globalization will not be grasped until this transition is made.

In a very summary fashion, the following constitutes some of the essential challenges which must be confronted by the Caribbean society to create the conditions conducive to growth and development with

social justice, reflecting the eradication of poverty and rampant unemployment.

- 1 The societies have to reorient their production systems away from dependence on trade preferences. We must focus our developmental efforts on exploiting areas of specialization where there is growing international demand, and where our human and institutional capacities allow us to tap into such demand.**
- 2 Some of the societies have to reorient their fiscal system to reduce their dependence on taxes on trade, in an age where trade liberalization will undermine import duties as a source of revenue. They need help.**
- 3 New forms of interventions and a new enterprise culture have to be applied to build enterprises to world standards from the very outset and to cause them to look to competition rather than protection as the basis for their viability.**
- 4 The State cannot retreat, but must become more entrepreneurial. It must look to new modalities such**

as private/public sector partnerships to ensure that priority economic and social developments take place, without worsening the debt profiles of the societies. It must make the investment in the institutional arrangements and the infrastructure to bring the societies fully into the information age. It must expand its investment in education and training to generate the human resources that will give the region the edge, and apply a global focus to the way it conceives of its human resource development strategies. Investments in the protection of the environment and in the health and wellbeing of our people are also areas where an entrepreneurial state can lift Caribbean development prospects.

5 Caribbean States have to engage in the implementation of development strategies deliberately designed to raise the ratio of both exports and private capital inflows to GDP. Patterns of resource use in respect of labour and land which have enjoyed the sanction of long usage now have to be revised in the

context of new and contemporary realities.

- 6 Caribbean societies have especially to create and sustain an enterprise culture which facilitates capital formation designed to create new enterprises and the expansion of existing ones. New jobs come from these two sources and employment creation on a sustained basis is the only sustainable solution to the problems of poverty.**
- 7 Finally, Caribbean States have to rely on open rather than closed systems at both the economic and social levels to generate new opportunities for small and non-traditional enterprises and to bring marginalized groups into the mainstream of social and economic life.**

This developmental challenge can be met by sustained engagement on three strategic matters on which most of the countries are engaged and to which they are committed.

The first is domestic restructuring.

Caribbean countries have been, in varying degrees, carrying out the repositioning of their domestic economic systems, and making the institutional and societal arrangements to create more successful societies. There has been no one uniform model followed. In most of our economies diversification into tourism and international and financial services has been galvanized. Trinidad has restructured its manufacturing to become globally competitive in some product lines, and is maximizing its energy potential.

There is now more investment taking place in the Caribbean to build modern competitive enterprises than at any other time in our history. Much more needs to be done, however, in relation to the institutional and enterprise related requirements of development for success to be realized.

Caribbean States must stay the course on the repositioning of their domestic economic systems, and sometimes must apply policies that do not conform to the orthodox Washington Consensus.

The second strategic matter on which the region must remain constructively engaged is that of enhancing the prospects of sustainable equitable development in the Caribbean through regional integration.

While our Hemisphere has failed to progress towards the FTAA, the Caribbean Community has advanced its own integration process to the stage where it has created, effectively, a single economic space for its member States by dismantling restrictions within the region to the movement of goods, services, capital, skills and the rights of establishment of enterprises. We have done so on terms that afford us within the region greater liberalization than we are prepared to engage in with the rest of the world.

We are poised now to move towards the creation of a framework within which our respective economies can function as a Single Economy. Through such a framework, we propose to harmonize our macro economic policies and deepen the coordination of our external trade policies. There is already a Draft Caricom Investment Code and a Draft Caricom Financial Agreement. Work is proceeding on Enhanced Monetary Cooperation, the harmonization of Interest Rate policies,

Incentive policies, Fiscal policy harmonization and the development of our financial and capital markets. An ambitious programme of sectoral policy coordination and production integration to rationalize how we deal with the problems of our sunset industries and grasp the opportunities offered by our sunset industries is being planned.

To ensure that our integration efforts lead to equitable development, a programme of special, affirmative and differential treatment in favour of our Lesser Developed Member States, or for entities that experience disadvantage from participating in the integration exercise has been devised.

What we preach internationally, we practise at home.

Central to this is the creation of a Regional Development Fund which is intended to play the kind of role in equitable Caribbean development that social cohesion funds have played in Europe.

We have already agreed to capitalize this Fund to the extent of over \$125 million from our own resources. China and the European Union

have pledged their support.

Having said all of that, we are sure that we cannot depend only upon domestic restructuring and regional integration to secure the conditions for successful, sustainable and equitable development in the Caribbean.

In the final analysis, the entire regional economy will still be an externally driven economy.

The third strategic matter that the Caribbean must therefore master is to engage in creative, development diplomacy to structure a more mature and beneficial relationship with our traditional trading and economic partners and the global economy at large.

The search for such a more mature relationship that moves our relations from a preferential trade arrangement for commodities, to a broader arrangement that also covers services, investment and new modalities of cooperation to our mutual benefit has informed our efforts to negotiate a New Economic Partnership Agreement with Europe.

Some years ago, we proposed to Canada that we should broaden and deepen our economic relationship beyond the narrow commodity and preferential arrangement of Caribbean into one that reflects the requirements of transforming economies. That is still a work in progress.

Our economic relationship with the USA is vital to the purposes of Caribbean development since the USA by far constitutes the region's largest market, source of technology and source of capital.

Yet, the status of its principal element – the preferential trade arrangement – which is due to expire by 2008 is being challenged before the WTO, and hence puts our relationship with our principal economic partner in a state of contingency. By contrast, certainty is being brought to the relationship that the USA is engendering with other nations in our Hemisphere, and which is locking in trade benefits to those countries that go beyond those available to us under existing arrangements.

The Caribbean knows what it is to experience a significant diversion of production and investment from our economies to other places in the Hemisphere because of the discriminatory nature of trade pacts.

It occurred when we did not enjoy NAFTA parity with Mexico, especially for textiles and apparel.

We run the risk of being the victims of a similar investment and production diversion if our trade relations with the USA remains in its present contingent state, and if it is not broadened and deepened to reflect modalities of cooperation in areas such as capacity building, investments, services, human resource development and the key strategic things that matter.

The Caribbean finds itself delicately poised between two economic worlds; one is dying, the next is struggling to be born.

We have not come to Washington to hanker after a nostalgic past.

And we have come here not as people without hope.

We have come as the representatives of a people who have lent much to the development of the human conditions through the products of our creative imagination.

I have the honour to lead a country which has a human development index that is exceeded in this Hemisphere only by Canada and the USA. We have been ranked 31st in relation to our global competitiveness. In our recently published National Strategic Plan, we have set goals to be achieved by 2020, including one University graduate per household, the eradication of poverty, the attainment of full employment, the attainment of full development.

Similar goals, in lesser or greater measure, inspire this generation of Caribbean leadership, on whose behalf and in whose name I give this address.

And we have come to Washington to express this confidence in our

future and to urge you to join us in a new partnership for progress in this, our Common Caribbean homeland.

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