

Opening Remarks
by
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Good Morning.

I am delighted to be here this morning. Today represents a major milestone as we move one step closer to realising a dream first brought to my attention just about one year ago. It is my expectation that today's gathering could become a watershed event as we, as a group, begin, over the next two days, to map a course for a stronger and a more resilient Caribbean.

I say, without hesitation, that over the past 12 months I have followed, with more than keen interest, all of the activities and events that have been associated with the conceptualization, and birth of the Caribbean Growth Forum. In May 2012, my institution, the Caribbean Development Bank (CDB), played host to the first meeting of members of the steering committee and advisory board in Barbados. The discussions were intense; they were rich; and they were very fruitful.

That event was followed later in the month by the historic signing of a Memorandum of Understanding between World Bank, Inter-American

development Bank (IDB) and CDB during the Bank's annual meeting in the Cayman Islands.

I sense that the pace of events associated with the Caribbean Growth Forum has accelerated. This, to my mind, is a reflection of the seriousness and the urgency of the work ahead of us.

I am also sensing that key stakeholders are being driven into action by a passion and a sense of commitment to accelerating the development process by unleashing the growth potential of the Caribbean Region.

The timing of the launch of the Caribbean Growth Forum, therefore, is opportune. We expect that the Forum will provide a fertile arena where ideas regarding growth and development opportunities and options for the Caribbean region can originate and be moulded, and be crystallized.

The Caribbean, like the rest of the world, finds itself in uncharted waters. Notwithstanding the tepid recovery, the current global economy is defined by considerable uncertainties.

To a large extent, the global economy remains at a major cross road and the notes that guided policy responses in the past seem to be of little use in the new dispensation. Just this past year we witnessed dramatic shifts in the balance of power in the Middle East through the so-called Arab Spring; and the Euro zone crisis delivered the largest credit event in history. Indeed, we are in turbulent waters!

Here in the Region, our challenges are numerous. Caribbean countries, for the most part, are carrying debt burdens that are too heavy. The sectors that power growth need to be refreshed and, in some instances, retired. Many of these countries are predisposed to extreme vulnerabilities, which often times translate into severe economic and social setbacks when impacted. Poverty levels, already high, continue to rise.

These challenges require concerted actions at all levels if they are to be overcome. Households need stronger and more caring families. Firms need to be more efficient. Governments need to be more prudent. And the Region needs to embrace more collective approaches.

Pursuing development change in the Caribbean must be multipronged as a strategy and it must be sustained. The success of the newly industrial countries or the NICs and some small countries with similar factor endowments as those in the Caribbean (notably Mauritius four decades ago) are well known. The sharp contrast in growth outcomes and development indicators stem primarily from differences in the development choices that we have made.

If I were to identify some of the fundamental first principles which regional economies need to confront, I would perhaps begin with the need to undergird important institutions and improve the framework for policy making.

In the Caribbean, we have come a long way. The existence of relatively modern labour laws, access to freeholds and respect for property rights are

hallmarks of our existence. This notwithstanding, the periodicity of policy errors, reflected through poor fiscal profiles and rising poverty levels, raises questions about the strength of core institutions.

We need to improve the trajectory of growth and development indicators by fixing institutions.

The cost of doing business, often times, makes our industries uncompetitive. Costs here are multifaceted, and are driven by high energy costs, high labour costs, inefficient port-related activities and other transportation costs, and high cost of capital due to information asymmetries.

The fiscal and debt problems are well known. The silver lining of the crisis, if there is one, is that it has hastened policy action across the board with respect to revenue and expenditure systems. This arena is one that has received robust support and benefitted from joint collaboration between the international financial institutions, including IDB, IMF, World Bank and CDB especially through a series of policy-based loans to countries.

At the same time, there are also some strategic possibilities on the horizon that we must keep in sight. During my address at the recent Board of Governors, I drew attention to trends in international trade and business that the region could perhaps exploit if well positioned. One such trend is the imminent commissioning of the expanded Panama Canal in 2014. This expansion will facilitate the transit of megaships from the dynamically expanding economies in the Eastern countries into the Caribbean. It will create opportunities for ports in our Region to develop large trans-shipment facilities for vessels serving smaller ports in North and South

America. It also holds out the promise of these islands becoming logistic centres and industrial assembly nodes for far eastern businesses accessing South American ports and the nearby eastern seaboard of the United States. The job creation possibilities for the region could be significant.

In addition, there is the potential for the emergence of Panama as a major hub for air traffic coming out of South America. This air transport hub can become, for the Caribbean, the ‘Miami’ of Latin America, providing a gateway from this fast-growing region for visitors to Caribbean vacation markets.

There is also the possibility of the emergence of fast growing new markets for commodities and other goods and services in South America and the Far East. Increased access to these markets would represent much needed diversification for Caribbean economies. The reduced concentration on the slow-growing or recession-beleaguered Western industrialised countries would also help to strengthen resilience.

All that I have mentioned this morning in relation to Caribbean development challenges, opportunities and prospects, find expression or reflection on the Caribbean Growth Forum’s ‘to do’ list. The broad themes of innovation, entrepreneurship and competitiveness appear very appropriate and maps directly onto the essential characteristics that will have to power Caribbean growth over the long term. Further, the subthemes, including information, communications and technology, green growth, education, logistics and the investment climate are all critical priority areas for investigation with respect to expanding the production frontier in the region.

In all of this, we recognise that no entity can promote and support the growth and development agenda on its own. Smart partnerships and a careful division of labour will be required to avoid duplication and to promote a more meaningful development impact.

I am delighted that the Caribbean Growth Forum is truly participatory and offers a solid platform for cooperation and collaboration. It has been able to attract broad stakeholder support including the youth, the private sector and academia. I am truly excited by the prospect that these groups hold the key to Caribbean long term growth and development and I am looking forward to the conversations, dialogue and idea exchanges that will take place over the next two days.

Let's put our best foot forward. I thank you.