



***After The Crisis:
Setting the Stage for Resilient Growth***

Opening Remarks

by

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Prime Minister of the Bahamas, the Rt. Hon. Hubert Ingraham

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H.E. Mr. Edwin Carrington, Secretary-General, Caribbean Community

Ministers of Government

Other Distinguished Participants

I am pleased to join you at this Forum on **“After The Crisis: Setting the Stage for Resilient Growth.”** The countries of the Caribbean have struggled to cope with the effects of the global economic and financial crisis on their own economies. In the Caribbean Community specifically, the consequences include economic recession in 2009, continuing into 2010. While in most countries the fall in economic growth has been contained below 5%, there have been quite considerable downturns in a few others. Only two economies actually grew in 2009.

Negative economic growth led to contraction of employment opportunities and rising unemployment. Fiscal pressures mounted as revenues decreased especially as a result of shrinking tax bases in the tourism sector while public expenditures increased on economic stimulus programmes and enhanced social protection. The successes at containing fiscal deficits and achieving primary surpluses evident in many countries between 2007 and 2008 were reversed in 2009; similarly with the efforts at debt sustainability.

The incidence of the global crisis has been most pronounced in tourism where demand has been depressed by substantial contraction of income, wealth and personal sector credit in the United States and the United Kingdom, but the mineral sector and the international financial services sector have also been affected. Furthermore, the crisis exposed the fragility of some domestic financial institutions.

The United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) has estimated that the global crisis has cost the Caribbean 4% of its real GDP, 1.5% of its tax revenue and 2.6% of its foreign exchange receipts.

There are signs that the global recession is ending and that prospects of resumption of economic growth in the Caribbean can be envisaged. One must be mindful, however, of the fact that Caribbean economic growth lags behind that of its major international trading partners so

that economic recovery in the region is likely to be somewhat delayed. As a corollary, there should be avoidance of precipitate dismantling or scaling down of economic stimulus programmes.

This Forum provides us with an opportunity to explore how the Caribbean can strengthen the economic growth impulses emanating from the global environment as well as achieve stable economic growth.

Because the economies are trade-dependent, the Caribbean must greatly improve trade performance. In recognition of the new regimes which characterise regional trade and economic partnership agreements and the loss of trade preferences, policies in the public and the private sectors have to be directed towards improving trade competitiveness. This is as much an issue of product quality, enterprise productivity and pricing in the private sector as it is one of public investments in economic and social infrastructure and the introduction of systems changes in public administration and judicial administration which create a more enabling environment for business.

Attention also has to be paid to development of new export products and to the cultivation of new export markets. With respect to geographical market diversification, the countries may benefit from closer attention to trade opportunities with the European Union, both traditional trading partners like the United Kingdom as well as with those countries such as Germany and Italy with which there has been minimal merchandise trade and where there is scope for technological advances and innovation through imports of capital goods and services.

Furthermore, there could be a substantial payoff to sustained investment in South-South trade, especially in view of the emergence of some hemispheric countries (Brazil, Mexico, Colombia) and Asian countries (notably China) as high growth, large and influential players in the world economy.

Trade diversification should be complemented by diversification of financial relations. Caribbean countries will undoubtedly seek to strengthen and consolidate the beneficial relationships which they currently have with multilateral and regional development banks, with international financial institutions and with historical bilateral donors. But they will need to re-establish their access to the international capital market which has been compromised by their

recent fiscal and debt problems. New bilateral and multilateral sources of finance will also be of considerable significance in a programmed approach to utilising international finance to provide a basis for economic transformation and resilient economic growth. For small countries, regional economic integration is a critical component of a successful strategy for trade competitiveness, because it provides a basis for more efficient resource use and for economies of scale and economies of scope in production, organisation and distribution.

The stability of the domestic financial system is essential for sustainable economic growth. The first call on public policy in this crisis period and the next few years must be to shore up those institutions whose capital position has been adversely affected by the economic recession and to put in place improved regulations and surveillance systems for more effective control and management of solvency risks. In this regard, governments must be mindful of the closer regional integration and global integration of private financial markets in this era than previously. Regional and international sharing of information and other forms of collaboration has become more a necessity than an option to which Caribbean countries should respond proactively and constructively.

I will raise two other matters in relation to post crisis resilient growth. The first is the need to factor the physical environment and climate change fully into the complex of national and regional strategies and policies. It is unthinkable that economic growth could be enduring if there is major coastal resource depletion, loss of expensive, essential infrastructure through sea level rise, significant loss of habitable and arable land for the same reason, pollution of water sources and other instances of environmental degradation, and repetitive resource depletion and capital loss through unmitigated vulnerability to natural hazard events. Furthermore, environmental standards are likely to feature more in trade competition as major trading nations seek to promote global environmental objectives through their national trade policies.

The Caribbean approach to the environment and climate change should be comprehensive, including behaviour modification by communities, enterprises and governments; investments in environmental protection and climate change adaptation; reductions in the share of fossil fuels in total energy production and use; and identification of sustainable alternative livelihoods for economically disadvantaged communities whose survival activities might otherwise be a cause of environmental degradation and climate change.

The second matter is that of maintaining a social, political and industrial relations climate that is conducive to sustainable economic growth. Economic growth is harmed by work stoppages, strikes and other means of effective labor supply disruption and by crime and insecurity and the associated misallocation of resources, disincentives to investment and human resource loss through emigration. It is adversely affected as well by political instability and by social alienation. It is therefore very important that the Caribbean maintains its tradition of political stability and social democracy, making it stronger by further innovations in participatory governance, social inclusion and partnership, social protection and capability enhancement of the economically and socially marginalised.

When the Caribbean plans for the future, it should plan for a future beyond the next few years. It should plan for the medium term and the long term. It should envisage a Caribbean for future generations.

The considerations I have raised help to define an agenda for multilateral, regional and sub-regional development banks in their efforts at assistance to Caribbean countries. The agenda would include major focus on economic and social infrastructure, on poverty reduction through sustained economic growth, and on natural disaster risk reduction and management but it goes well beyond these areas of focus to include urgent and substantial attention to the newer and more challenging development problems of environmental sustainability and climate change. I am happy to say that both the Caribbean Development Bank and its valued partner, the Inter-American Development Bank, are actively working with this expanded agenda for sustainable economic growth and development.

It is my hope that we have a very constructive discussion of these matters and those that other participants might raise.

I thank you for your attention.