INAUGURAL DISTINGUISHED OWEN ARTHUR MEMORIAL LECTURE

By

Dr. Hyginus “Gene” Leon

President
Caribbean Development Bank

at the

SIR SHRIDATH RAMPHAL CENTRE FOR INTERNATIONAL TRADE LAW, POLICY, AND SERVICES
CENTRE FOR INTERNATIONAL SERVICES
PRINCIPAL’S OFFICE OF THE CAVE HILL CAMPUS
THE UNIVERSITY OF THE WEST INDIES

SEPTEMBER 8, 2021
It is a humbling honour to have been asked to deliver this inaugural lecture, in memory of the late Right Honourable Professor Owen Arthur, former Prime Minister of Barbados. An academic at heart and voracious seeker of knowledge, this is, indeed a most fitting mode to memorialise Arthur, a quintessential scholar and Caribbean man.

Dr. the Honourable Ralph Gonsalves, Prime Minister of St. Vincent and the Grenadines, and then Chairman of the Caribbean Community (CARICOM) described the late Professor as a “titan of regional integration… a statesman and intellect of the highest quality” who was “the chief architect, advocate, and intellectual guide of the CARICOM Single Market and Economy (CSME).”

If we can pick two defining characteristics of Arthur’s public service, they would be his vision for and steadfast pursuit of Caribbean regional integration and his quest to design and advance an agenda for small states.

These two noble causes are not mutually exclusive, for Mr. Arthur felt, and I agree, that regionalism is the lifeboat within which the small states of the Caribbean can navigate ever-increasingly choppy global waters.

His chairmanship of the Commonwealth Ministerial Group on Small States and the Global Conference on Small States should be regarded as a magnus opus, as he, in no small measure, contributed to and galvanised the global dialogue on small states. He drew attention, not just to the peculiar constraints of their development but, significantly, he shaped the policy prescriptions needed to reduce their vulnerability and enhance their sustainability from a distinct West Indian viewpoint.

In a 2014 reflection on regionalism Professor Arthur asserted that our economies were “waiting to flourish”, and we needed to shift to a “new paradigm - a new Caribbean economy which is driven by innovation, entrepreneurship, technological sophistication, and the adoption of
global best practices in every field of economic endeavour”. It is this poignant assertion, “waiting to flourish”, that I wish to use as the anchor for my presentation this evening. Let me summarise this reimagined paradigm as embodying “innovation and integration, founded on evidenced-based decision creation and facilitated by digital transformation and governance”.

The Caribbean Development Challenge

Winston Dookeran in his contribution to the seminal Inter-American Development Bank publication entitled Choices and Change: Reflections on the Caribbean (1996) described the Caribbean as a “complex, even enigmatic region, characterized by great disparities in size, population, geography, history, language, religion, race, and politics”. Notwithstanding these important differences, the economic, social, institutional, and environmental vulnerabilities and the risks they pose to our resilience and, consequently, our sustainable development are very much shared realities.

Over the years, the Caribbean has sought to address a number of deep-seated structural issues related to, inter alia, inadequate social protection systems, implementation capacity deficits, income and gender inequalities, and market inefficiencies. These efforts are underwritten and guided by Agenda 2030 and the Sustainable Development Goals (SDGs) – a blueprint for development to which all Caribbean countries have subscribed. Progress towards the achievement of the SDGs has been disappointingly slow, hindered in no small measure by natural hazards and economic shocks arising from vulnerabilities related to small size, export concentration, openness, and geographic location. This has been further compounded by a less-than-adequate urgency in strengthening institutions and in implementing policies.

The onset of COVID-19, the global pandemic, heralded the perfect storm and existential threat to our development prospects. Our Region was not spared, with the pandemic causing loss of life; decimating productive sector activities; disrupting education services; exacerbating gender and income inequalities; and disproportionately affecting poor and vulnerable persons. Its adverse impact on public finances also threatens to reverse the gains that many Caribbean countries had made towards better debt dynamics and higher economic growth.
In 2020, all but one of CDB’s borrowing member countries (BMCs) contracted. Real Gross Domestic Product (GDP) fell between 3% and 30%, with the impact more pronounced in the tourism-dependent economies. Mass tourist cancellations resulted in hotels being left virtually empty, while cruise ships ceased to operate after the first quarter of the year.

Based on past experience, we can expect significant scarring from the current crisis. It took an average of four years for regional economies to recover from the Great Recession. Indeed, two BMCs had still not attained their 2008 level of real GDP when the pandemic struck in 2020. Such supply-side effects could reduce permanent income which will result from the rapid deterioration of existing capital due to disuse and lower levels of investment. Moreover, with steep falls in Government revenue and increases in expenditure to address the health and social fallouts from the pandemic, debt dynamics worsened and debt overhang increased. Specifically, the number of countries with debt ratios above 60% increased from nine at the end-2019 to 13 at the end-2020. Moreover, the average debt-to-GDP ratio increased from 65% to 82% over the same period.

The social fallout, especially on the most vulnerable, has also been severe. Given the extensive displacement of workers, compounded by weakened livelihood opportunities and limited access to social services, it is likely that the proportion of the population in poverty increased. The impacts were conceivably more acute for households with single female heads, the elderly, and persons with disabilities. I am also concerned that inequitable access to online education during COVID could have lasting effects on poor households, with their exclusion from online learning contributing to a slower accumulation of human capital.

These developments, no doubt, will further impede the Region’s already slow progress towards the attainment of the SDGs. While the impacts on SDG 1 (no poverty), SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), and SDG 8 (sustainable economic growth) - have been direct and immediate, the effects on others, for example SDG 13 (climate action) are likely to be over the long term through delays in the formulation and implementation of policies. Consequently, the effort required to attain pre-
pandemic levels across the dimensions of development (not just real GDP) will require significant resources and time.

While these circumstances may be somewhat unsettling and uncertain, I would argue that we should seize this moment to unleash those opportunities that have been dormant and redirect elements of our economies for a rebound that is sustainable and resilient. This rebound should be shaped by our history and informed by the peculiarities and needs of our diverse peoples. It should leverage the untapped creativity and resources we possess in pursuit of our reimagined future. What I am calling for is a reimagined model of regional development, which can bring us closer to the achieving the SDGs. Recognising that our economies routinely encounter multiple setbacks, the re-imagined model must also provide for sustaining our progress without regression.

So, how do we escape or avoid the chasm of cyclical underdevelopment? How do we ensure we take more steps forward and fewer steps backward? What are the critical elements and essential characteristics of this new model of regional development? And how do we realise and achieve Owen Arthur’s vision of sustained development -- one in which all of our societies, without exception, flourish?

**The Resilience Model**

Before I begin to answer these three questions, let me establish that sustainable development—defined as development which meets our current needs without hindering the ability of future generations to meet theirs—is a holistic concept, embodying the idea of advancing an ecosystem capable of self-perpetuation. Self-perpetuation is founded on resilience.

The Stockholm Resilience Center defines resilience as “the capacity of a system, be it an individual, a forest, a city or an economy, to deal with change and continue to develop”. It is about how humans and nature can use shocks and disturbances like a financial crisis or climate change—or in the current circumstances, a pandemic—to spur renewal and innovative thinking. There is growing understanding that resilience is complex and multi-dimensional, embracing resistance (the ability to resist disruptive shocks in the first place); recovery (the speed of return to some
pre-shock performance level); reorientation (the extent to which countries can adapt their economic structure); and renewal (the degree to which countries resume their pre-shock growth path).

We posit that sustainable development requires resilience. Because sustainable livelihoods are founded on the principles of stable ecosystems, resilience needs to be interpreted broadly to include resilience in social development (health and education); in institutional capacity; in productive capacity; in finance; in nature (disasters/hazards); in overcoming external shocks (trade, spillovers); and by extension, in the integration of all of these on macroeconomic outcomes. Resilience in turn requires innovation – the ability to utilise limited resources to expand production possibility frontiers. This innovation has to be founded on evidence-based decision creation and facilitated by strong governance processes. Further, in our Region, where natural hazards and external economic headwinds occur regularly and with increasing frequency and magnitude of impact, it is important to distinguish resilience based on the distinction among pre-hazard event vulnerability, magnitude of impact, and post-hazard event persistence and duration of impact.

The distinct effects of each, illustrated well by our experiences with repeated natural hazard events and indeed the Covid-19 pandemic, raise the question of how do we achieve that very delicate balance between financing recovery, promoting long term growth potential, containing debt accumulation, and achieving debt sustainability? A reasonable answer must acknowledge that the policy responses necessary for long-term transformative repositioning may be at odds with the policies that can jumpstart short-term recovery. Consequently, it is vital that policies implemented for short-term recovery effort be consonant with the policies required for a transformative long-term vision, at least to avoid the conflict of a short-term policy fix becoming a challenge for a long-term necessity.

Building on Arthur’s quest for a new paradigm, —driven by innovation, entrepreneurship, and technological sophistication—I see a post-COVID Caribbean region that is driven by knowledge and innovation, that which leverages diagnostics obtained from knowledge accumulation, and transforms knowledge diagnostics into strategies for economic diversification of products and markets – what I have labeled the “KIDS” process. We can label this the
“industrialisation of knowledge”, creating viable economic opportunities across all segments of the knowledge-creating value chain. These innovations will be most effective if anchored on building resilience and directed to realise the notion that regional integration can be both a conduit and a driver.

As an illustration, let us recall our parents/elders regaling us with stories about the wonders of herbal medicines. Applying unbounded imagination, what if we were to compile this local anecdotal data, but go further and archive all available information about tropical plants with medicinal properties? This knowledge management can spawn search, scan, classification, and archiving technologies and products. Second, what if we could partner with tertiary institutions (regional and external) to foster discovery (innovation diagnostics) -- for example, assessing the scientific basis of medicinal anecdotes and potential for combining and grafting of plants? Why couldn’t we exploit a potential role for centers of excellence in chemistry and use this as a lever for knowledge tourism? Third, how far a leap would we need to create strategies (for patents, products, services) in pharmaceuticals – essentially, generating viable business propositions in all three stages that can be implemented at home, regionally, or globally? All of these from a single seed thought. I invite you to imagine how wide and far we can push this concept!

At this juncture in our history, our real challenge in the region is knowledge accumulation—the gathering, organising, refining and disseminating of information—and the transforming of that knowledge into intellectual assets. When underpinned with technology, such intellectual assets have the potential to create a competitive and comparative advantage that in conventional growth theory would be impossible due to our small size and limited natural resources.

Then, there is the innovation that is driven by such knowledge. In economic terms, innovation describes the development and application of ideas and technologies, that is knowledge, to improve goods and services or make their production more efficient. It is also important to look beyond this traditional science and technology-based conception of innovation to embrace typologies that emphasise experiential learning through doing, using, and interacting. In this way innovation depends not only on inventors, but equally on the creativity of the users to
find new ways to put existing concepts and ideas to productive use. In this way innovation is also an essential driver of economic progress that benefits consumers, business, and the overall economy.

It is this construct and the interaction of knowledge and innovation that constitute the foundation on which the multidimensional resilience must be built. Knowledge combined with innovation increases our chances to react to changes—positive and negative—and to discover new opportunities. This becomes the basis on which we can contemplate the new paradigm which Arthur envisioned. It is the basis through which we can create products, markets, and industries that can drive nimbleness and agility, promote opportunities for economic diversification, and leverage our lack of comparative disadvantage in knowledge creation -- in essence, promoting the industrialisation of knowledge.

REGIONAL INTEGRATION AND INNOVATION

How then does regional integration support this model? The process of regional integration is facilitated through our formal and informal institutions. By formal institutions, I am referring to those agencies responsible for advancing the regional integration process through policies, laws, and regulations; and by informal institutions, I am referring to those networks established through trade and business alliances and which underpin the competitive landscape.

Through the intermingling of the formal regional institutional framework and informal business structures, the market space is expanded and opportunities bolstered, effectively leading to reductions in the cost of doing business and improved conditions for trade and investment. This creates ideal opportunities for entrepreneurs and businesses to exploit scale economies. Market conditions such as business sophistication, infrastructure, and labour force quality will give rise to innovative growth and development.
In addition, research and development initiatives as well as routine learning opportunities help to deepen market sophistication and enhances the knowledge pool of human capital. It is through this knowledge pool that innovative intellectual property assets are created, commercialised, and exploited within the regional market space. That process epitomises one aspect of the sharing to grow mentality. However, it is equally important to recognise that the effective deployment of that knowledge creation is dependent on inculcating a growth mindset in our people – namely, one where innovative thinking (through inquiry-, discovery-, and problem solving-based learning, risk taking by our financial institutions, and creative disruption of the status quo (challenging existing paradigms) can fuse for optimal effectiveness. This will require a radical shift in our educational and learning structures, recognising the potential of our unbounded imagination, and promoting a spirit of planned determination and discipline to overcome the constraints of the current firefighting mentality.

Sound national policies would be necessary to sustain innovative product and process development while regional integration modalities influence the spread of knowledge, capital, and skills supporting these innovative activities across borders. The use of technology enables economic agents to exploit scale economies giving rise to the potential for increased production and product diversification. Further, the evolution of downstream value-chain activities contribute to structural change in production capacities.

A key element here is the concept of unlimited boundaries afforded by the developments in information technology. Indeed, such thinking is our out-of-jail ticket, that is, operating beyond the existing boundaries of physical jurisdictions and concepts of small physical size. There will be issues to consider (for example, common understandings on ownership and sovereign claims), but to the extent that the genie is already out of the bottle, every effort should be directed at the harnessing the potential offered.

Ongoing interactions between local economic agents and external change agents (foreign firms and development agencies) further enhance innovation capacities and contribute to a dynamic innovation ecosystem. I refer here to the role of partnerships and collaboration as well as multimodal uses of technologies – in contrast to solo and single-usage endeavours.
Tapping into external change agencies is indeed the most meaningful way for small economies to spur technological change. Channels such as foreign direct investment, trade, and strategic partnerships can facilitate the transfer of knowledge and access to the latest innovations. This exchange is critical as the competitiveness of regional economic agents hinges on their ability to meaningfully integrate into value chains regionally and globally. Indeed, this is after all the raison d’être of the “open regionalism” that now characterises the Caribbean’s regional integration exercise.

The Unfinished Agenda

In order to effectively ensure access to and use of technological innovations to drive growth, governments must be willing and prepared to put the requisite national policies in place, and importantly accelerate the completion of the CSME agenda. Disappointment with limited progression of the CSME is well-documented so I will not rehash that discussion. However, I do want to draw attention to two areas—trade facilitation to deliver the enlarged marketplace and knowledge governance. These I believe are pivotal for crafting a “new paradigm for our Region.”

Trade Facilitation

Trade integration in the region remains a hybrid and incomplete state fluctuating between notions of a customs union (in which members eliminate trade barriers between themselves and establish uniform barriers against non-members, in particular a common external tariff) and a common market (a customs union that also provides for the free movement of labour and capital across national boundaries). If we take intra-regional trade as an indicator of the extent to which trade integration is progressing the results are less than encouraging especially when compared with the levels that obtain in other regional blocs. Trade in goods has grown from about 2% of GDP in the mid-1980s to about 4% in recent years and importantly has hovered around that rate for more than a decade. Now while this reflects a lack of diversification, research has also shown
that inadequate trade facilitation remains a significant constraint to the growth in intra-regional trade.

The deficiency is reflected, for example, in the pervasive constraints experienced in trading agricultural products, where the lack of maritime connectivity and non-tariff barriers related to unharmonised animal health and food safety protocols impacts our food and nutrition security. There are also systemic deficiencies in the operation of our border services, where the lack of harmonised regulations and interconnected regulatory authorities as well as aging port infrastructure are serving to prolong clearance times thereby adding to the cost of trade.

**Knowledge Governance**

There has been a global trend towards protectionism to preserve national sovereignty over knowledge governance, and here I am referring to bringing together varied, adequate, and relevant information and knowledge. Our region must take bold steps towards a path of regional knowledge governance that is driven by the creation and harnessing of information. In this regard, we must pursue several initiatives.

**First**, we must augment the region’s supporting institutions and readiness programmes to capitalise on ‘framework-conditions’ on Intellectual Property Rights as highlighted under Article-66 of the Revised Treaty of Chaguaramas and brokered in various regional trade agreements, including the Caribbean Forum (CARIFORUM) – European Union (EU) Economic Partnership Agreement (EPA). In fact, it is critical that these supporting structures are established prior to any further deepening of the integration efforts through our trade partnerships.

**Second**, as a corollary to my first point, we must broaden these framework conditions into more balanced, coherent, relevant and responsive structures that are fit-for-purpose in this increasingly competitive global environment. Currently, for all well-established Intellectual Property Rights, such as copyright, trademarks, and patents, there are no detailed provisions in regional trade agreements to guide or deepen engagements in these areas. Rather, reference is made only to the adherence to or compliance with the main relevant international conventions,
either in the form of a firm commitment or in “best-endavour” clauses. This approach does not inspire urgency towards advancing productive cooperative partnerships.

Third, with regard to copyright, it is necessary to deepen provisions pertaining to the scope of protection, including exceptions and limitation, and caps on the length of protection. In addition, as it pertains to exceptions, expressed provisions would be necessary to cater to, *inter alia*, the visually impaired and persons with disabilities; and issues of parallel importation, orphan works and text and data mining.

Fourth, as it pertains to patents, our agreements should not only seek to streamline the facilitation arrangements between copyright collecting societies operating under the EPA to ensure rightful remuneration of artistic works in EU and CARIFORUM markets, but it will require greater provisions under patent law to address both economic and humanitarian needs. In order to obtain this, will require a more robust approach to build-in flexibilities and more aggressively leverage policy space.

Fifth, for trademarks it would be more useful for the region to pursue less conventional trademark-based strategies such as communal trademarks as part of the vital cogs of our developmental ethos. Such strategies combine the elements of external protection with those of internal openness, inclusion and collaboration appropriate to domestic conditions. Recalling my earlier reference to exploiting the unlimited boundaries we need to actively pursue a regional legal framework that creates a **seamless/borderless space** for the exploitation of opportunities that information and communications technologies will bring.

Sixth, it will also be important for competition policy to be adapted to play a complimentary role to the intellectual property and trade rule provisions within the region’s knowledge governance framework to enhance access to and reduce pricing on intellectual property rights, protected knowledge, and technology.

Finally, but not least, reforms to intellectual property rights and by extensions intellectual property systems, need to adapt to and relate more closely to their role in fostering economic
development, especially trade in services, which encompass the entrepreneurial class. The intellectual property environment as currently structured may very well be an obstacle hampering knowledge diffusion and innovation and resulting in little development in entrepreneurial ideas. Reform to the intellectual property framework is therefore critical to provide a multiplicity of functions, including assisting entrepreneurs to advance new ventures to transform their innovation potential and fostering increased competitiveness; enabling access to key knowledge markets and networks; and facilitating access to capital.

The success of reforms in intellectual property systems driving entrepreneurial growth, however, remains contingent on the design of the enabling policy framework supporting the IP environment. In practical terms such a policy framework can be deployed using the KIDS process – that is knowledge, innovation diagnostics, and strategies– so that for example an IP knowledge satellite can compile IP data, concepts and principles within the region and wider. Analysis consisting of the identification of trends, success factors and inhibitors can be shared to benefit entrepreneurs, and underpin the evolution of strategies for/innovations in IP, regionally putting the IP framework articulated above in the wider space of evidence-based decision creation.

In congruence with the KIDS process our regional institutions must then play the role of knowledge and innovation intermediaries, bridging, brokering, and facilitating the knowledge transfer necessary to catapult innovation to the realm of a regional public good. The CARICOM Regional Organisation for Standards and Quality, the CARICOM Secretariat, the University of the West Indies, and CDB form part of the range of different institutions that can promote and foster innovation. They are also important pillars for new inventions connecting private sector agents to potential users and to other private sector agents that have complimentary expertise, knowledge, and resources.

Conclusion

Ladies and Gentlemen, Owen Arthur’s vision for the region can still be attained. Its accomplishment, however, requires firm commitment by players and a significant acceleration of effort. The environment is laden with opportunities to actualise the regionalism and
integration he so ardently pursued and advocated. While the economic and social circumstances have varied, there remains a need for, and a clear path to a Caribbean future bolstered by untapped intellectual and human capital and driven by a distinctly West Indian model of development. It is my earnest belief that we can achieve his vision.

Fulfilling this requires reinvigorated commitment by all – our governments, our institutions and most importantly our people working in unison with a shared understanding of our roles in and the significance of transforming our economies and societies. While I have outlined the policy prescripts that may secure our path to Owen’s imagined future, it must be accepted that this collective journey can profoundly influence the success of our region and the lives of our citizens. What is important as preface to the new development ethos is ensuring there is a holistic socio-ecosystem that promotes high growth innovative firms and leverages knowledge products for the collective collaboration of economic agents seeking to build on knowledge for the benefit of all. Let us from where we sit actively contribute to this undertaking in honour of and in keeping with the vision and legacy of the Right Honourable Professor Owen Arthur.

Ladies and Gentlemen, I thank you.