



Report on Wilton Park Conference 900

CARIBBEAN STATES IN 2020: SINKING, SURVIVING OR PROSPERING?

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Summary

1. The Caribbean is at a major turning point similar to 1989 when the CARICOM¹ states adopted a new model of outward oriented development to deal with the challenges of globalisation. In 2008 globalisation remains a major issue but new challenges have arisen, the most immediate of which are global warming, disaster management, and food and energy security. The region must develop strategies to mitigate the worst effects of these threats and promote policies to enhance resilience.
2. It must also explore new trade and investment opportunities provided by the emergence of new economic players such as Brazil, China and India and move quickly to identify opportunities afforded by the new Economic Partnership Agreement negotiated with the European Union. This will require prompt regional action and the encouragement of a more proactive private sector.
3. Governments need to place a greater emphasis on the promotion of education and foster the development of new skills to take advantage of these opportunities and more generally to raise the level of understanding of the importance of the environment to the region. They also need to examine ways to make the region attractive to foreign investment.

¹ CARICOM (Caribbean Community) consists of 15 member states and 5 associate members.

4. The Caribbean must also explore new opportunities in tourism as a major source of employment and economic growth. This means greater diversification of the tourism 'product' and exploiting new opportunities that are opening in terms of changes in vacation pattern and new source countries for visitors.

5. The promotion of good governance remains an important issue and attention should be given to maintaining confidence in the system by addressing issues that have recently arisen such as campaign financing. The need to devise means to confront and reduce the high levels of crime and drug trafficking also remain an urgent priority.

6. Recent changes of government in a number of CARICOM countries have produced a new generation of leaders and raised an expectation of fresh thinking and a new sense of purpose to meet these challenges. In the past the Caribbean has shown itself capable of meeting many challenges with new policies and a new dynamism, which invigorates existing institutions at the national and regional level while at the same time charting a new path forward. The consensus of the Wilton Park conference was that it can do so again to deliver prosperity to its peoples in 2020.

Globalisation

7. The effect of continuing globalisation on the Caribbean is two-edged. On the one hand the recently negotiated Economic Partnership Agreement (EPA) with the European Union (EU) promises further opportunities in a now much enlarged EU for Caribbean goods and services. On the other hand the prospective opening of the Caribbean market to EU goods and services within a few years promises greater competition for goods and services within the region from the EU itself. The Caribbean must prepare itself for such eventualities by urgently addressing the issue of competition, identifying those products nationally that can be competitive with and in the EU. It must also prepare for greater competition with the new economic giants of Brazil, China and India. At the same time it should also seek to benefit from the opportunities their opening and rapid economic growth afford. This entails actively

seeking to penetrate their markets to offer special goods and services for which there is an established Caribbean brand, such as rum and tourism, and to develop new interests, including joint ventures, in investment in the Caribbean. This will require new initiatives towards these countries such as the establishment of Caribbean trade promotion and investment offices, on a regional and in some cases, a national basis.

8. In its trade relations with the EU the era of preference is now effectively over, except for special circumstances or a few specific and time limited products. While it is acknowledged that there are differing views on the value of the negotiated EPA and whether a better deal is still possible, the prevailing view is that the time for arguing about the EPA is over and that the priority should be its implementation. An immediate concern is the emphasis on the strong regional dimension of the EPA and whether CARICOM is geared enough towards it at present, or has enough capacity to give effect to it. There is also concern about the readiness of the private sector in the region to take advantage of the EPA given its generally limited input into informing the EPA negotiators of its needs. These weaknesses need to be addressed and a plan of action drawn up and implemented for the private sector to access funds within the EPA's Regional Development Fund. Similarly, the development aspects of the EPA, including key elements such as the investment chapter, need to be more widely understood and brought within the remit of national and regional development plans.

Climate Change

9. The sustainable management of the environment is essential if the region is to prosper. Global warming is accelerating and small island developing states are among the most vulnerable with forecasts of sea level rises of between 11-77 cm by 2100. The 1990s was the warmest decade for the Caribbean in the Twentieth Century and in future higher temperatures, greater and more unpredictable rainfall (including droughts), and warmer seas are to be expected. These will pose significant, and in some cases insurmountable challenges to the region's economic and social vulnerability, with negative impacts expected on agriculture and fisheries (raising issues of food security), tourism (economic sustainability), health (an increase in vector-borne and other heat related diseases), water supply and human

settlements (some 60% of the population and 70% of the economic activity is located within two miles of the coastline).

10. To combat these threats there is a need to move on all fronts. Mitigation and adaptation mechanisms are expensive. The international community should be called upon to provide support, especially since the Caribbean contributes only 1% of global greenhouse gas emissions. The Caribbean should do more to link environmental concerns in international negotiations, seeking recognition of its vulnerability and its commitment to environmental best practice whenever practicable.

11. At the national level Caribbean countries should complete environmental studies and develop a greater capacity to implement them more fully. In some instances this means avoiding acquired vulnerability, as has arisen in the building of hotels or airports on the coast, by the careful siting of infrastructure. In other cases it means the proper stewardship of forest and marine resources, including developing the means to value them as economic assets that contribute to global sustainability and getting it acknowledged by the international community. The example of the Iwokrama rain forest project in Guyana, which combines conservation and the sustainable management of timber to contribute to wealth creation and poverty alleviation, is a positive one. Similar action should be taken in respect of coral reefs and fisheries.

12. Action at the regional level is also needed. The establishment of the Climate Change Centre in Belize is a welcome development but more should be done to integrate the environment within the purview of the Chaguaramas Treaty². The prospect of the region benefiting from carbon trading should be examined. In the meantime the region should take the moral high ground on environmental issues by limiting its carbon emissions and promoting renewable energy.

² The Treaty of Chaguaramas which established the Caribbean Community including the Caribbean Common Market was signed by Barbados, Guyana, Jamaica and Trinidad and Tobago on 4th July, 1973, in Chaguaramas, Trinidad and Tobago. It came into effect on 1 August 1973. The Caribbean Community and the Caribbean Common Market replaced the Caribbean Free Trade Association which ceased to exist on 1st May 1974.

Disaster Management

13. While the above initiatives could help in the long run, the Caribbean must face the present danger that it is the second most disaster prone region in the world with regular annual losses of US\$3billion. One hurricane or one volcanic eruption can set back progress by years. In 2004 the economic impact of the hurricane season is estimated at US\$4.25 billion. The increased intensity and frequency of disasters make disaster management a top priority and the trends suggest plans need to be made for disaster management for the whole year (not just the hurricane season) and for the long term (up to fifty years has been suggested).

14. To prepare and respond to disasters an integrated approach at the national and regional level is a necessity. National governments must strengthen their disaster preparedness offices and supporting agencies and appoint a senior minister to take responsibility for planning and implementation. Responsibilities would include prevention and precaution, such as developing coordination and stockpiling resources. Experience has shown that business recovery is an essential element of early disaster recovery and the private sector should be included in disaster management programmes. Once a disaster has struck it is also important to nominate a single person as the communicator of needs to the region and the outside world to avoid any duplication of effort and resources, which can be counterproductive.

15. The region also has an important role to play. A regional pool and regional ownership of costly disaster management equipment should be examined. The region should also consider widening the membership of the Caribbean Disaster Emergency Response Agency to include those sovereign states and Overseas Territories of the non-member metropolitan countries to acknowledge the common impact of disasters on all.

Food Security

16. The Caribbean has been hard hit by recent increases in the prices of food and energy, which have put both issues at the forefront of discussion and decision. With

foresight and planning, however, as well as a willingness to develop and exploit new opportunities, the Caribbean can offset its vulnerability and harness food and energy to its development needs.

17. The Caribbean imports a substantial proportion of its food. Increases in prices of 40% and over in the last year have brought this dependence into question with food riots in Haiti and shortages of basic foodstuffs such as flour in Trinidad and Tobago, which can afford the increase but cannot find suppliers.

18. The most important first step is to ditch the 'commodity mentality' of agricultural production, which is no longer supported by external preferences. This does not necessarily mean the total abandonment of important crops such as sugar, for example, but rather 'rethinking' sugar to create a sugar industry which identifies new opportunities and seeks to exploit them, such as the production and export of ethanol. Secondly the development of new linkages to existing industries such as tourism should be made. Some major tourist resort chains are now actively seeking to source their food supplies from local suppliers, providing advice, support and training by agricultural experts to improve the quality of the product and to ensure a regular supply throughout the year. A new emphasis on farming for the local market is also needed. The poultry industry has been a success in the Caribbean and the lessons learned can be transferred to support the livestock farming of sheep and goats. New technologies can support fish farming, hydroponics for agriculture, vermiculture and biogas cooking.

19. All this will require a greater emphasis on agriculture in the Caribbean and the development of a belief that with new vision it can be a sunrise not a sunset industry. Agriculture ministers must take the lead in raising the profile of the industry and the Caribbean should revisit the potential importance of Belize, Guyana and Suriname as regional suppliers of agricultural products for home consumption. An effective inter-island regional transport system is an essential element of any such strategy.

Energy Security

20. Imports of fuel are a major item of foreign expenditure in most of the Caribbean and increases in fuel prices and growing energy needs mean that national governments and the region must develop energy policies to improve energy efficiencies as well as activate new energy sources. Fossil fuels, in the form of oil and coal, will continue to play a major role in the foreseeable future for the region and prospects for the development of new sources of hydrocarbons in Barbados, Cuba and Trinidad and Tobago are good. Future supplies may also come from Belize, Guyana and Suriname.

21. However, the region is a potential powerhouse of renewable energy with the possibility of developing renewable energy sources to supply a significant proportion of the region's needs. These include hydroelectric, solar, wind and geothermal power (in some islands of the eastern Caribbean) and in the future the exploitation of ocean thermal technology. While some of the technology is proven, it is important to bear in mind that it can be costly to install and may not be reliable in giving uninterrupted supply, as is the case with wind generation. Nevertheless renewable energy has an important place for energy security and for environmental reasons.

22. The same cannot be said for biofuels based on the supply of ethanol from sugar cane or other feedstocks. The Caribbean Basin Initiative currently provides underutilised opportunities for Caribbean countries to supply ethanol to a growing US market. This is of potential benefit to countries such as the Dominican Republic with a large area under sugar cane. There is, however, a potential clash between food security and ethanol production and a lot of uncertainty about the future of biofuels (including the volatility of price) and the 'permanency' of the trade arrangements surrounding it. All this points to the need to think carefully through the place that biofuels can play in Caribbean development before any large-scale commitment is made to it.

Tourism

23. The importance of the tourist industry to the economic development of the Caribbean is now fully acknowledged. The tourism and travel industry contributed some 5.1% of GDP in 2007 and generated some 21.2% of exports. Recent studies have demonstrated extensive linkages between the tourism sector and other sectors, particularly in respect of 'stop-over' visitors who utilise accommodation and other local services in the region.

24. The tourist sector remains competitive with the rest of the world. The Caribbean remains a 'special brand' in the eyes and experience of many tourists but only innovation will maintain it in the future. This means the tourist sector in the region must deliver an outstanding experience for visitors, provide efficient and effective information as to what is available, and remove any burdensome restrictions on visitors that can arise from unnecessary government regulation.

25. While the 'sun, sand and sea' experience remain at the core of the visitor experience to the region, diversifying the product is important. The eco-experience is now being encouraged but further opportunities may lie in linking it to other developments such as agro-heritage tourism (with visits to sugar mills, rum distilleries and coffee and other food and beverage processors), the culinary tourism of food festivals (drawing from the experience of the region as a crossroad of cultures from Africa, Asia, Europe and the Americas), and health and wellness tourism (spa and health resorts).

26. The region must also seek to exploit new developments within the tourist industry such as the trend towards short-stay holidays in the North American market segment. A different product may need to be developed and marketed. Similarly, the tourist industry should examine the potential of the South American market, offering Caribbean vacations in the 'Caribbean' summer to correspond with the 'South American' winter in the Southern Cone.

27. The region should also revisit 'cruise ship' policy with a view to earning greater revenue from cruise ship visits, whether in the form of levying a higher head tax on cruise passengers (US\$50 per passenger had recently been levied in Alaska), or devising ways to increase per head spending by from cruise passengers when ashore.

28. Regional transport remains a problem holding back the development of multi-centre destination vacations. Developing high quality and low cost transportation within the region and to the region from metropolitan centres remain a priority.

29. Governments need to continue to be supportive of the tourist industry. One area is to acknowledge that future competitiveness and environmental sustainability are closely linked and to factor this in to development plans. The other is to encourage youngsters to see tourism as a valuable career option with many opportunities. More education and training at secondary and tertiary levels should therefore be directed toward tourism than is currently the case.

Investment

30. The Caribbean continues to be a region of mainly middle-income countries. Although some countries are among the top ten most indebted in the world and smaller countries remain vulnerable and ecologically fragile, the prospect of substantial development assistance, except for Haiti or for emergency situations, is slight. The Caribbean must therefore actively seek investment sources from within and outside the region to meet development needs.

31. The rapid development of some larger emerging economies may have diverted investment away from the region and there is some concern that in the past few years investment may have peaked or levelled off (at around US\$3.6 billion). The region must therefore seek new investment and examine ways to make the region more attractive to investors.

32. The development of the CARICOM Investment Code is a step in the right direction, which could yield benefits in the form of increased market access, lower

transaction costs, greater certainty and predictability, and the synergy of a single intra-regional regime. Additional to this is the benefit of the completion of the Caribbean Single Market and Economy (CSME).

33. Investment should also be sought from those with a new interest in the region. China has been a major player in providing infrastructural development in recent years and is a non-regional member of the Caribbean Development Bank. The Caribbean diaspora in North America is also becoming more interested in investments within the small and medium enterprise sector in the region in addition to its established and growing role of supplying remittances for consumption.

34. Within this scenario the role of government should remain as a facilitator of investment, encouraging investment in promising new areas such as creative knowledge or agribusiness directed at the tourist and the local market.

35. The role of the private sector should be more dynamic. There is some concern that business does not understand government and that some business sectors, such as the distributive, are essentially exploitative. It is also said to be risk adverse. As such, there is an urgent need to 'privatise the private sector' to make it more entrepreneurial. In some parts of the region the development of major companies with significant intra-regional investments shows that this can be done. Such examples could serve as lessons to others.

Education and Skills

36. The future of the Caribbean economy lies predominantly in the provision of services. The region will need to be competitive and this puts a premium on the development of education and skills. The goal should be the expansion of tertiary education (the figure of 25% of the population is suggested) with the active encouragement of new subjects such as international business law and intellectual property rights. Attention must also be given to ways of limiting, or otherwise capitalising on, the currently high 'brain drain' of graduates, particularly to the United States and Canada.

37. The development of modern skills amongst the half of the population which lack them should be a priority given the current shortage in areas such as information technology. It will require tackling gender issues, which continue to shape and limit training opportunities, particularly for women. It also means a greater focus on language training and the development of a functional bilingualism, which is important to regional integration and the potential development of closer ties to Latin America.

38. There is also a need to match education and skills more closely to the needs of the business sector. Public-private partnerships should be sought for training in the private sector. Active encouragement should be given to develop entrepreneurship in training and more generally to foster a culture of entrepreneurship within society as a whole. The aim ultimately must be the development of an enterprising economy in which knowledge and learning are routinely integrated into economic opportunities for employment, business, and government.

Good Governance

39. The record of good governance in many countries in the Caribbean remains a positive attribute which provides an indispensable foundation to attract foreign investment and foreign tourists. Improvements, however, can always be made particularly as some recent development have raised important issues that need to be addressed if the reputation for good governance is to continue.

40. One is the financing of election campaigns. Recent elections have depended heavily on advertising, which in turn has raised the costs of mounting elections. The expense involved is now considerable and can act as a deterrent to participation by smaller parties (and independents). It also raises questions over the source of funding for election finance and the motive behind it, which may be criminal and corrupt, or widely seen to be such. This issue needs wider public discussion within the region, and an exploration of ways to regulate the process in the future to make it more transparent, or otherwise regulated, in the interest of maintaining public confidence in the system.

41. Another issue is the small size of many constituencies, in terms of number of constituents per elected member, which encourages the development of close personal links between elected members and constituents. While this has a positive side in facilitating knowledge of local concerns by elected members, it can also become a basis for representing very particular concerns and for corruption. This is not a new issue but it is one that could be revisited to introduce safeguards or explore new forms of electoral representation (such as multi-member constituencies, proportional voting etc).

42. Investigative journalism should be more strongly encouraged. Ways should be found to provide regular access to the broadcast media by the opposition.

Crime and Drugs

43. The continuing high incidence of drug trafficking and associated violent crime in the region mean security remains a very important issue. It is not only a matter for national governments but also of regional action for detection and prevention. The increase in regional cooperation to tackle crime is therefore a welcome development.

44. However, more needs to be done to curb crime if security is to be maintained and tourists attracted to the region. Criminal activity has been at the forefront of globalisation and it cannot be dealt with by the region alone. The active support of traditional partners beyond the regime in the United Kingdom, the EU, the USA and Canada is essential if crime in the Caribbean is to be confronted, reduced and successfully prosecuted.

Integration

45. The completion of the CSME remains essential for the development of CARICOM. While this will mean additional efforts at integration within the economic and functional sphere, it will not necessarily mean any further political integration will seriously encroach on the individual sovereignty of member states. The national sovereign state will remain at the core of the integration process, which places

greater responsibility on member states to implement decisions once taken in the interests of the member state and the integration process as a whole.

46. The regional integration movement could be further encouraged by supporting the development of an active regional public opinion. National media in the Caribbean should devote more space and time to reporting regional developments. The growing number of regional and sub-regional non-governmental organisations are also key centres for encouraging the development of regional thinking.

47. The CARICOM Council of Ministers could highlight regional developments through introducing institutional arrangements which would give greater prominence to regional spokespersons, regional developments and regional achievements. More integrated maritime and air transportation links is a pressing regional priority. The environment is also another matter where the region should be more involved.

Partners in Development

48. The potential role of other Caribbean nations such as Cuba and Venezuela in the development of CARICOM is acknowledged. The nature and extent of their participation remains a matter of some disagreement but there is common recognition of their Caribbean identity and interest, and of the interdependence of the region as a whole. In addition to Cuba and Venezuela, the policies of China and Taiwan in the Caribbean are also seen by some as divisive. The growing importance of China to the Caribbean makes this a matter of immediate importance.

49. There is common agreement that the role of new partners such as China, India and Brazil deserve greater attention by policy makers. There are potential development benefits in many areas and new initiatives should be mounted to benefit from greater trade and investment opportunities.

50. The value of continuing and close relations with the traditional partners in the UK, EU, USA and Canada is acknowledged. This is particularly important in view of the completion of the EPA and the prospect of a new trade arrangement with Canada, which would probably draw upon it. New trade arrangements with the USA

are in abeyance, but new approaches to the Caribbean are a possibility following the US presidential election.

Leadership for Prosperity

51. The recent spate of elections in CARICOM has introduced new governments and a new generation of leaders. Many of them have business and managerial backgrounds and many of them are relatively new to government and administration, if not to politics. The changeover promises fresh thinking and new approaches to governing the Caribbean.

52. The question is whether this new situation will constitute a significant turning point in the Caribbean. The issues facing the region are many and collectively present multiple development challenges that could see it stagnating in the face of intense globalisation and competition from the outside, or even sinking with severe welfare costs for its people. Many believe that the challenges can be met with new policies, which draw on the newly invigorated leadership and new spirit of change across the Caribbean, to give direction and substance to ensure the Caribbean survives and prospers, as many believe it can.

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