



**ADDRESS BY THE ASSISTANT SECRETARY-GENERAL  
TRADE AND ECONOMIC INTEGRATION (TEI)  
CARIBBEAN COMMUNITY (CARICOM) SECRETARIAT**

**MR. JOSEPH COX**

**AT THE**

**OPENING CEREMONY**

**OF**

**REGIONAL MEETING ON AN ASSESSMENT OF  
THE ECONOMIC AND COOPERATION  
RELATIONS OF CENTRAL AMERICA  
THE CARIBBEAN AND MEXICO**

**Georgetown, Guyana  
15-16 June 2016**

## **SALUTATIONS:**

- Honourable Dominic Gaskin, Minister of Business, Ministry of Business, Guyana
- Mr. Javier Gordon Ruiz, Coordinator of Relations with Regional and Extra-Regional Organizations and Director (a.i.) of Relations for Integration and Cooperation, Permanent Secretariat of the Latin American and Caribbean Economic System (SELA)
- Delegates, Staff of the Secretariat, Ladies and Gentlemen

I am very pleased to bring you greetings on behalf of His Excellency Ambassador Irwin LaRocque, Secretary-General of the Caribbean Community (CARICOM), who is unable to be with us today due to other engagements of the Community. He has, however, sent his best wishes for a highly successful meeting.

Indeed, I am gratified to be given this opportunity to articulate my views on a critical growth pillar in the Caribbean Community and that is economic and technical cooperation with our key regional growth partners. The importance and timeliness of this forum needs no articulation; however, I wish to commend the efforts of our partner in this initiative, the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA) for this meeting and for the previous nine (9) joint economic and business development initiatives held between 2009 and 2015.

The Global economy is still slowly recovering from the deepest recession since the Great Depression of the 1930s and the Caribbean, like so many others, was buffeted by the attendant exogenous shocks that emanated therefrom. This led to largely anemic growth patterns and frankly stagnation in some quarters.

These results are reflective of a chronic state of economic inertia afflicting the Region, which has bred crime, insecurity, corruption, and led to the emigration of many skilled and productive citizens in search of the proverbial “greener pastures”. Saddled with underperforming economies, successive regimes have opted for short term economic growth *vis-a-vis* longer term economic development while maintaining some semblance of a working social infrastructure financed through capital market borrowing given usually an inadequate tax base and relatively low tax compliance.

This in turn has led to large and continuous public sector borrowing, and the need to refinance and service increasingly large public debt. This has contributed to high interest rates, which has led to an exacerbated demand for foreign exchange, effectively increasing the cost of capital. This market perversity has led to a simultaneous crowding out of private sector real sector investments. The result has been a “*debt overhang*” which continues to threaten the viability of several regional economies over the short to medium term.

While it is worth noting that the identified constraints are largely “external” to decision making at the firm and that the costs are all significant to them, one should not overlook the symbiotic relationship that existed and exist

between the state and the private sector who often are the beneficiaries of the perverse incentives that produced this state of affairs.

Of note, is that the un-competitiveness of our Regional productive sector was also a result of their failure to address supply-side factors “internal” to the firm, the most important of which were:

- Goods market efficiency
- Labor market efficiency
- Financial market development
- Technological readiness
- Business sophistication
- Innovation

These “firm level” supply factors are largely within the sphere of influence of the individual firm, or collectively within an industry, and it is a matter for debate as to the reasons why the entrepreneurial decision-making calculus in our respective economies has systemically led to outcomes where firms have underinvested in removing these constraints. However, at this juncture, the issue of a so-called paradox of policy must be raised as in some cases impediments to business activity are being created by our own indigenous private sector in furtherance of laws designed to reduce same.

All this, therefore, highlights the challenges facing so many of our regional economies who are seeking to dynamically and meaningfully grow a developing economy through a reduction in Government’s fiscal

intervention. This is compounded by the layers of complications brought on by a dysfunctional world economy, internal systemic perverse incentives and public policy. These limit the effective degrees of freedom open to policy makers which are not only seized with the need for, but also charged with the responsibility to effect a process of sustainable economic policy transformation.

Indeed, the current dynamic dictates that it is imperative that policy framework guiding economic activity over the medium term must be aimed at facilitating macroeconomic stability, within the confines of an entrepreneurial economy that is competitive and business oriented which boasts broad-based and inclusive economic growth coupled with an appropriate social protection mechanisms. In this regard, it is imperative that the Region recognizes that over the medium-term its strategy will be centralized around the following:

- Focus on the requisite fiscal reforms that will facilitate a more sustainable debt trajectory over the medium term;
- Prioritize expenditure in order to facilitate economic recovery;
- Within the expenditure prioritization framework, pursue supply side initiatives in a manner that will support the attainment of the key fiscal targets. These supply side measures would include structural reforms to enhance competitiveness and address any disequilibria on the external accounts, strengthen the conditions for broad-based, robust and inclusive growth over the medium term, and enhance

social protection mechanisms in order to build and preserve the social capital necessary to underpin a successful and permanent fiscal adjustment;

- Pursue other structural reforms geared at enhancing the effectiveness of monetary and exchange rate policy as well as preserving financial stability.

Over time, CARICOM has identified some additional impediments which have constrained economic development amongst our Member States. If we are to make bigger strides, we need to address the following issues:

1. The Private Sector from each side will have to get to know each other better, by gaining a better understanding of the respective business climate and business culture in each country. In so doing, we can build the required trust to do business with each other;
2. That there is a proper understanding of the policies and laws that govern trade on both sides, so as to reduce the time it takes to do business with each other;
3. Address any Non-Tariff Barriers (NTBs) which may be impeding trading among the parties;
4. Embrace the differences in language rather than treat it as a constraint; and

5. We need to urgently address what is maybe the biggest constraint in doing business with each other – that of more direct transportation links. The lack of direct or regular air and sea links poses a huge challenge for all cooperation initiatives, especially since it negatively affects competitiveness on both sides.

**Additional downside risks include:**

- Continued uncertainty in global economy;
- Impact of fiscal consolidation;
- Poor policy sequencing & political risk;
- Financing constraints – public & private capital flows & capital markets;
- Delays in implementation of reforms & projects;
- Lack of effective coordination & communication;
- Poor entrepreneurial culture & business operating environment including poor absorptive capacity; and
- Impact of natural hazards.

That was the bad news. The Good news is that it is all fixable, and hopefully over these two days we, as a group, will seek to explore and expand on some of the possible solutions.

In closing, ladies and gentlemen, I need to say that it is an urgent imperative for us in CARICOM to stimulate economic growth in our Member States. I am certain the same applies for both Mexico and Central

America. As such, we are duty bound to do whatever it takes to increase trade and investment amongst us. Let us continue to remind ourselves that increased trade and investment translates into increased production, increased employment, increased foreign exchange and thereby increased quality of life for all our citizens.

Let us, Ladies and Gentlemen, strive to remain committed partners in the development of our respective countries and regions, for our increased strength would not only benefit redound to the individual businesses but it would significantly strengthen national economies providing new opportunities for enhanced efficiency, competitiveness, employment generation and expansion of regional trade and commerce.

I thank you and I wish you a very successful meeting.

*15 June 2016*