



**“DELIVERED OR DENIED
The Dividends of Integration”**

LECTURE BY
THE HON. DR. KENNY D. ANTHONY
PRIME MINISTER OF SAINT LUCIA
& MINISTER FOR FINANCE, ECONOMIC
AFFAIRS, PLANNING & SOCIAL SECURITY

AT THE
DAAGA AUDITORIUM
UNIVERSITY OF THE WEST INDIES
ST. AUGUSTINE CAMPUS

TRINIDAD AND TOBAGO
MONDAY, MARCH 3, 2015, 6:00PM

PART ONE

The Post-Federation Potential

When the founding fathers, Barrow, Burnham, Manley and Williams first signed the Treaty of Chaguaramas on July 4 1973, they were, according to the preamble of that landmark document, determined to:

“...consolidate and strengthen the bonds which have historically existed... [and]... fulfill the hopes and aspirations of their peoples for full employment and improved standards of work and living”

Moreover, they were convinced that these objectives

would most rapidly be attained through the

“...optimum utilisation of available human and natural resources of the Region... [and]... by accelerated, coordinated and sustained economic development.”

It is against these objectives then that we begin our discourse on the delivery of the integration dividend and whether CARICOM, as a single economic space, and as a central construct of our continued development strategy, still promises the dividends that were first imagined.

Let us note at the outset, that for several reasons, this is not a subject to be lightly approached. Nor should this be received as an unbridled critique of an institution which has served us reasonably well for several decades. It is however, an examination of what needs to change if the ideal of a unified

Caribbean is to be realized through the various institutions we have created in the name of regionalism.

Also, we must acknowledge and set aside any discomfort we may have with such routine stocktaking. Most of us (politicians being no exception) view such assessments as unwanted interruptions in the normal traffic of life.

But we also know that critical evaluation is both useful and necessary, as it provides the valuable insight we need for survival in this global climate of rapid and irrevocable change. Moreover, as we pursue the illusive imperative of growth, we must objectively question, challenge, gather and assess information as a basis for future action.

Secondly, I ask that you bear in mind that this is not a Ph.D. thesis, and that this particular survey of the subject matter cannot be exhaustive given the time allowed. Nevertheless we will be as rigorous as we can given the importance of the issues at hand. So let us press on knowing full well that time and circumstance are already upon us and if we are not vigilant we invite all manner of mayhem and mishap on our own heads.

At the Crossroads of Indecision

Ladies and Gentlemen, it is my view and I am not alone in this, that the Caribbean is, and has for too long, been stalled at a crossroads of indecision; stalled for so long that we are in danger of becoming anachronistic - literally out of time - and out of step with the rest of the world.

Several indicators suggest that we have reached a point in our evolution as countries where the old assumptions are out of sync with reality. They may not be entirely degraded, but they have passed their sell-by date.

A quick overview of economic performance will confirm that half a century after independence, we are still engaged in major battles against the region's worst enemies: poverty, ignorance, crime, disease and debt.

We do not lay this crisis at the feet of any one institution nor will it profit us to pretend that there is any single cause. On the contrary, where we are today is the result of several factors that have conspired to temper both our resilience and our resolve.

At the root of our dilemma is the demise of our commodity sectors which were the bedrock of our post-independence economies and which were the main engines of employment, savings, investment and growth.

Nor has the transition to service based economies - led primarily by tourism - been much of a palliative. Today, within CARICOM, those economies with Tourism as their lead sectors are faring worse than those with strong commodity sectors. Certainly, we are not seeing much growth potential in traditional agriculture, which for many years was 'king.'

Virtually all our primary exports have taken a beating on the open market, changing the very fabric of our countries and altering our ability to finance the very change we needed then and still need now.

While it is true that scale of production and domestic market size will always generate diseconomies, our ability to overcome both these hurdles should have improved in a more open and globalized economy. Certainly, access to technology, ease of market entry, and the emergence of new non-traditional markets should have encouraged us to reposition. Our hesitation to do so with our traditional commodity sector must then have something to do with how we have managed and continue to manage our regional production frontiers.

In our own case of the banana industry, which was once a million dollar a week enterprise, we failed to address in time and in entirety, the very obvious open market challenges we knew were coming. Instead, we preferred to hope that special and

exceptional arrangements would be made for us in the wake of collapsing market protection. Indeed, we created an elaborate, and some say expensive regional negotiating machinery mandated to make it so.

So convinced were we that inherent fragility would render us unable to cope, we hoped that additional aid - instead of open trade - would have helped us transition successfully. In hindsight, we must ask ourselves why we did not learn from our competitors, and expand our production frontiers beyond our own geographic limits. Instead, we shrunk our imaginations and remained insular. We declined to learn the bitter lessons of our own history.

Again, in hindsight, why did we not envisage ourselves as owners of a global industry, with

decades of industry knowledge under our hats, growing bananas anywhere in the world where land, climate and other critical factors of production coincided?

Granted, shortly thereafter, the global financial crisis dashed many hopes of sustainable prosperity in a post banana world. However, it is also possible that the very things we have not addressed will continue to plague us. That is, the fragilities within our economies that have nothing to do with size: those vulnerabilities that are within our grasp to address, and which we must address regardless of the primary economic activities we choose to pursue now or in the future.

The dilemma is quite possibly one of cause and effect. Put alternatively, building more robust economies based on access to markets, capital,

technology, information, knowledge and skills is something we need to do regardless of what development sectors are in the lead, or offer comparative advantage. This is not WHERE we are failing. This is WHY we are failing.

Similarly, fiscal prudence, world-class education, good governance, functional justice systems, and strong democratic institutions are critical to economic growth, and well within our reach if we would make them the budgetary priorities they should be. This we must do to protect and expand economic turf. If we do desist, we can hardly blame CARICOM or any single market for our deficiency in that regard. Our economists need to rethink our political economy.

Danger of Self Perception

There is quite possibly a similar danger of negative self-perception and equity facing Caribbean tourism today. While we accept that the sector had to be seeded with high foreign capital, we ought to be concerned that it continues to be characterized by high levels of external ownership. While many an economic strategy focuses on increasing foreign direct investment and expanding returns to labour through employment, far less emphasis is placed on growing domestic equity.

With increasing incidence of lateral and vertical integration of ownership, production, management and marketing, we are in grave danger of again becoming industry hosts rather than industry owners.

PART THREE

A DIFFICULT LEGACY

Christine Laguard, Managing Director of the IMF, describes this scenario as a “Difficult Legacy”. Speaking in Jamaica in June last year she confirmed that:

“The Caribbean has had a tendency to get stuck in the doldrums of stagnation – low growth, high debt, low competitiveness, high unemployment... This has been especially true for the countries depending largely on tourism... In these countries, growth has averaged less than 2 percent a year since the mid-1990s. Given this legacy, the Caribbean was vulnerable going into the global financial crisis, and was hit with its full force... Six years on, output has still not returned to pre-crisis levels, and public debt is still at record highs – almost 100 percent of GDP in tourism-dependent countries.”

In the face of this diagnosis, we need to recognize that low growth, high debt and dwindling investment are all anathema to the ideals of a successfully integrated economic space. They tend to exacerbate disparities between partners, leading to hegemonic imbalance rather than increased homogeneity.

As such, the ability of our regional system to address difficult functional and philosophical issues is generally diminished. It is more difficult to be magnanimous when one is hungry. If, as in the earliest premise of CARICOM, we require integration to overcome these very issues, it is easy to see that we are caught in something of a vortex, increasingly constrained in the achievement of more sustainable growth paths.

CARICOM'S DELIVERY CAPACITY

At the institutional level, we have been advised that our Secretariat lacks a structure which would enable definitive outcomes, and now requires stronger management at the center, and the urgent prioritization of what matters most. This is vitally necessary to safeguard the huge investment we have made in our individual and collective futures.

We know that as governments, we have too often asked our Secretariat to perform miracles without even the requisite five loaves and three fishes. Unable to deliver miracles, decisive action has been replaced by procrastination often disguised as documentation - mountains of it - under which both logic and resolve become buried. Most of us have neither the energy to dislodge, nor the appetite to digest.

In some quarters, we have been found guilty of substituting substance with ceremony. We have confused conversation with implementation. Eventually our diluted commitment, limited resources, and chronic avoidance, produces a cynicism at home and abroad and undermines the credibility of the regional apparatus and its operators. To change this, we must address and take responsibility for the cumbersome processes and frequent lack of responsiveness on critical issues.

Most worrying for us all, is this apparent disconnect between economic reality and our ability to engineer the most urgent and necessary change. This reflects most vividly in our limited ability to drive growth and living standards upwards, particularly in service economies where we know that growth is driven primarily by knowledge and skills.

Sadly, tertiary education enrolment levels in the region remain unacceptably low and vary widely between countries. This, despite relatively high proportions of national budgets spent on education. Similarly, though many of our schools have ICT enabled teaching environments, relatively few of our teachers have ICT training for educational instruction. The truth is that many of our students are ahead of the teachers in their classrooms.

Consider also, the sharp increases in national indebtedness which many economies in the region are experiencing. This, at a time when the regional balance of payments is under threat from declines in direct foreign investment, lower remittances from abroad, and shrinking bilateral and multilateral aid flows. How then to finance our own development but to build capacity from within, via investments in

innovation, technology, competitiveness and the very education we just visited?

What we need to revisit is the fact that development is not piecemeal. It is a very circular identity: a mix of mutually reinforcing variables, which must be contemplated in its entirety. Similarly, if the region is to prosper, it must attend to all its constituent parts simultaneously: states, institutions, people, and resources.

Notwithstanding, one must ask whether CARICOM – in its current state – is up to the task ahead. We must query, for example, if the current structure is an ideal one, and whether the old structural identities are still relevant; and if even the directorates – drawn along old sectorial lines like agriculture, trade, culture, education – still relate to conditions on the ground.

Quite possibly, we need to reconfigure both our institutions and our thinking. We need to contemplate our economies laterally - across sectors -and not in silos - perceiving them as engines, driven not just by oil or tourism, but by information, innovation and creativity, investment and technology, human development and competitiveness.

As our economies respond adequately or otherwise, to new economic and socio-political realities, so too must our institution, so that CARICOM comes to see itself increasingly as a catalyst and a facilitator, and less as a filter or arbitrator - or worse a prisoner - of divergent political interests, positions and economic agendas.

In this spirit it is vital that the role of CARICOM evolve not only to keep up with the times, but also to shape the times.

Both CARICOM and its constituent nations must now turn concerted attention to strategic issues affecting the practical lives of regional people and their survival.

The CCJ's Impact on our Governance

Indeed, this continuing metamorphosis is an imperative for all of our regional institutions and structures. This is not to say that CARICOM has had no successes or has never delivered . . . In my view, one of the major successes in collective governance has been the establishment of the CCJ, which as you heard, I described on a previous occasion as “a leap into enlightenment”.

The CCJ has grown in strength, credibility and stature over the last few years and will celebrate its 10th Anniversary next month. While I do not wish to rehearse the arguments for and against the Court, it must not be lost on us that the Court has widened and enlarged the bundle of rights of the citizens of the CARICOM community. The boundaries of rights are extending beyond our constitutions to regional rights created by the very institutions that we established some years ago. The *Myrie Case* is a living example. This case has exposed the impact and importance of the CCJ in the region and demonstrates that there is hope for strengthening regional institutions.

I am of course elated at the march to accessing the appellate jurisdiction of the court. Dominica will accede to this appellate jurisdiction on March 6 and Saint Lucia is not far behind.

The UWI's Contribution

Integration cannot be discussed without acknowledging the role and influence of the University of the West Indies. Whereas we sometimes differ on its approach and priority areas, no one can deny UWI's impact and benefits to the region. Education is more accessible and our history has a more important place in the education of our citizens. UWI can also be credited in large measure for the development of our human resource.

Certainly too, UWI has led the way by providing learning opportunities onsite and through collaborations with local institutions in every CARICOM country. More people have degrees and our population is more exposed to tertiary education. We can look around the region and see

the products of UWI and their contribution to the region and the world.

The challenge now is to do better and to do more. There is a greater demand for qualifications and training in orthodox as well as newer, less traditional areas. This provides opportunities for expansion and investment. There is also a need for greater participation in the process of governance, whereby guidance and expertise can be offered to benefit the region. UWI too, like our other regional economic products, must learn how to compete in an increasingly global market, even in education.

West Indian Cricket?

Then there is another often lauded integration pillar. But, let us not speak about West Indian Cricket today . . . although, it is important that we remember that the crisis of CARICOM and of

integration, even in cricket, is not isolated. It is a crisis of our institutions, our societies, our economic models and our system of governance. If truth be told, we have a huge task to restore hope and confidence in our people.

PART FIVE

CURRENT ECONOMIC DRIVERS

We need, more than ever, to identify our current economic drivers. I will reference a recent analysis by OECS Director General, Dr. Didacus Jules who, in his January 2012 lecture during Nobel Laureate week in St. Lucia, set about outlining several current imperatives of survival. In so doing, he cited Jeffrey Sachs (2007) and Dr Natacha Mortley, also a Saint Lucian, at UWI, Mona.

Drawing on all three brains, I will summarize their consensus on the following deep drivers:

1. The simultaneous rise of Asian powerhouse economies and the demise of the North Atlantic hegemony are realigning global power;
2. Fundamental demographic change is being driven by the rise in global population in developing countries accompanied by the aging of populations in developed countries;
3. Shifting demographics will make urban centres the home for more than 50% of world population, utilizing using 75% of the world's energy and producing 80% of global emissions;

4. Global pressures on eco-systems are changing old models of economic production affecting fundamentals like water and food supplies and other natural resources;

5. A rising incidence of failed states in an environment of global convergence means that poverty, violence, political instability and social dysfunction are no longer local problems but global ones.

6. The globalisation of labour markets reflects a process of transnationalization reflected in international outsourcing, wholesale migrant labour, and borderless employment.

In his ensuing analysis, Dr Jules argues convincingly for broader recognition of these global drivers, the degree to which they are powered by technology,

and the impact they have on “livelihoods and jobs, the cost of living, and the type of future that is open to us”. In this light we must ask to what extent our regional apparatus is designed and disposed to lead on these areas.

If the prediction is accurate and these drivers continue to dominate, then our development issues are going to be less and less local, and more and more global. This suggests very strongly that the ethos of the Treaty of Chaguaramas remains relevant in its recognition of the need to tackle our most fundamental aspirations not singly, but together.

Indeed I suspect that the prognosis is correct in suggesting that many of our challenges will distil to three simple but fundamental imperatives:

- Building democracy and shaping governance;
- The quality of human interaction in families, communities and societies; and
- How we earn and produce our way to greater economic independence.

So far, we have not aimed the great arsenal of CARICOM squarely at these issues. We tend to treat with them as domestic concerns. And yet, the pervasiveness and similarity of our most pressing problems should tell us that these are the very concerns to which we should collectively attend.

If we are smart then - and we are - we must abandon the notion that poverty and dislocation, crime and corruption, apathy and indifference are acceptable losses in the battle for prosperity. Clearly they are not. Certainly, we must embrace systemic change if we are to effect real transformation and enable our

region to survive in this current hostile environment.

...the key to progress is transformation – i.e. whole systems change. Incremental change cannot provide the impetus for survival in a turbulent environment.

PART SIX

RECONFIGURING CARICOM

How then will CARICOM reconfigure to deliver our most sacred needs? While CARICOM must have its own momentum as a regional agency, it must also see its role as one of partnership, not just with constituent governments, but also with regional

private sectors and civil societies across the region. This perception is vital to propelling the integration movement forward and locating it not in the realm of Government where it is danger of dying, but in the hearts and minds of Caribbean people.

This alone would help to bring CARICOM into the mainstream of the regional economy in ways that would reinforce its presence in the daily lives of the wider population.

It is vital then, that CARICOM's presence as development partner be projected outward, to a whole new generation of Caribbean people who know nothing of Williams, Manley, Barrow and Burnham, so that in their young minds and hearts, CARICOM becomes less a repository of arcane rules and regulations, and more the custodian of an ideal

that transcends the small circumferences of individual islands.

When appropriate, CARICOM must have the power and the resources to lead, setting both the objective and the tone of the dialogue, to be followed by a much greater intensity of action. This is especially true when difficult and potentially divisive issues come to the floor. As some stage, real political power needs to be devolved from the periphery to the centre providing that it has the resolve to act decisively.

We cannot prosper in this endeavour if the whole of CARICOM is simply the sum of its weakest parts. CARICOM, ever respectful of the positions of member governments, must not shy away from its role as the principle catalyst of the regional movement. Where strong economic argument is

required, it must be made. Where moral suasion is required, it must be applied, and where sanction becomes the only remaining option that too must be deployed fairly and justly. For too long, progress at regional level has been at the pace of the slowest. This cannot be in our collective interest.

No Easy Route to Integration

Nowhere is this more clearly manifest than in the issue of the free movement of people. We know that this tenet of the regional integration process is incontrovertible. Yet we allow parochial issues to cloud our judgement instead of holding fast to principle and to the vision of the greater good.

There is no easy route to integration. If there were, we would have surely taken it; as would have the nations of Europe and the still separated states of Central and West Africa. Beyond our minor

differences, we in the Caribbean arguably enjoy the highest levels of contiguity available to any multi-nation grouping. We therefore share the urgent responsibility of moving our enterprise forward if only for the sake of our collective security and survival. While we fiddle, home burns.

Clearly, the world as we knew it is no more and we cannot simply proceed with the same assumptions regarding the needs of this community and the resources at our disposal. Internally, we know that growth rates across the region are below those achieved in previous decades. Traditional sectors have receded, and regional competitiveness has declined.

While acknowledging the significant assistance we still receive, we also know that in this current global economic dispensation, many of the region's

traditional donors are themselves under siege. So if the region is to reposition itself - as it must - let us reengineer our premier regional organisation to be deliver the promised future.

Consider the following extract:

“Adapting to the demands of this new world will require a much greater focus on sustaining and improving growth and competitiveness. In many respects, the Caribbean is well positioned for this... And yet we know that breaking with the past is never easy. Vested interests will block and parry; and political groups may see insufficient political returns in supporting or driving change.”

The excerpt is to be found in the World Bank report, **A Time to Choose: Caribbean Development in the**

21st Century. The irony is that it was written in 2005. Ten years later, we must ask how much has changed. The answer, if we are honest, will be universal; so universal that I need not enunciate it here because it is all too painfully obvious.

If Not Now, When?

So let us ask another question: if not now, when do we wish to change. It is an equally important question. And one that we should well contemplate if we expect to be here much longer. It is a question rising in the throats of Caribbean people, a repressed scream from this region that we claim to serve.

Ladies and Gentlemen, if change is the constant, then for us, change is the challenge. There can be nothing more important. We have no alternative; nor should we look to others to do what we must do

for ourselves. We do not lack for sound argument, and even in this sun-drenched corner of the world, time is verily upon us. We need to deliver and we must do so now.

I thank you.