

**THE CARIBBEAN 2005: HOPE AFTER DISASTERS**

A Public Lecture

By

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Let me first thank the Vice Chancellor, Professor Brian Roper, and the Caribbean Studies Centre at London Metropolitan University for inviting me to deliver this lecture on the Caribbean.

There was a time when London was very involved with the Caribbean, and particularly with its sugar industry.

In those days, the wealth of Britain and the power of its elite were made in the sugar-cane fields of the Caribbean and on the backs of slaves and indentured labourers.

There is far less involvement today.

Recently, several Caribbean Heads of Government complained that a request to meet British Prime Minister, Tony Blair, in the margins of the 60<sup>th</sup> anniversary session of the United Nations organisation in New York, was denied.

As it happens, several Caribbean Heads of Government, on their way to Malta to a Commonwealth Heads of Government, did meet Mr Blair at Downing Street for one-hour over lunch yesterday

The President of Guyana, Bharrat Jagdeo, was carded to raise with Mr Blair, as current Chairman of the European Union (EU), the arguments of Caribbean countries for continued preferential treatment for their sugar exports to avoid loss of revenues, bigger unemployment, increased poverty and more crime.

The Caribbean sugar-exporting countries face a cut of 39 per cent in the guaranteed price paid by the EU for their sugar over two years starting in 2006/2007. They would lose US\$93 million in revenues per annum initially, rising to US\$153 million per annum with the loss of tens of thousands of jobs in Guyana, Jamaica, Barbados, Belize and Trinidad and Tobago.

Before I venture further, I believe the term “Caribbean”, as I will use it, requires some definition to ensure clarity.

My particular focus will be on the 12 independent English-speaking countries,<sup>i</sup> the British colony: Montserrat, and Suriname which comprise the present members of the Caribbean Community: CARICOM.

There will be references to the wider Caribbean, and such references will take account of the three other independent countries in the Caribbean Sea: Cuba, the Dominican Republic and Haiti.

This lecture is entitled: ***Hope After Disasters: The Caribbean 2005***. On reflection, it might have been better titled: ***The Caribbean 2005: Is there Hope after Disasters?***

For the Caribbean has faced – and is facing many disasters – some of them natural, others man made, but all of them powerfully destructive and tough to overcome.

In the course of this lecture, I will touch on many of these disasters; some with more detail than others including worsening terms of trade, the prevalence of HIV/AIDS, rising crime and the effect of climate change. For, no realistic perspective of the region can ignore any of these disasters: individually and collectively, they are fashioning the contemporary Caribbean and setting the course for its future.

### **The International Context**

As the year 2005 comes to an end, the economic situation of the CARICOM countries is deeply troubling.

In particular, their terms of trade in commodities have worsened.

Several CARICOM countries have lost the preferential access market which they enjoyed to the market of the EU for bananas with disastrous effects on Dominica, St Vincent & the Grenadines and St Lucia where unemployment has risen, poverty has increased and revenues have declined; other CARICOM countries such as St Kitts, Guyana, Jamaica, Barbados, Belize and Trinidad and Tobago face the loss, as I mentioned earlier, of their preferential treatment by the EU for sugar, again with crippling consequences for their economies and with dire effects on large numbers of their people who depend on the industry for their livelihood; the EU is seeking to establish Economic Partnership Agreements with CARICOM countries which are to be reciprocal despite the huge difference in population size and resources of the two regions; and, in the World Trade Organisation (WTO), no allowance has been made for the smallness of CARICOM economies, their isolation and the increased costs that flow from this, their vulnerability to natural disasters, and their insignificance in the context of the volume of trade in the world. For example, the Caribbean supplies less than 3 per cent of world banana exports, and less than 7 percent to the EU which is their only market.

Add to this trade scenario, the prospect of having to join a Free Trade Area of the Americas (FTAA) at the behest of the United States of America.

While the negotiations on the creation of a FTAA from Alaska to Argentina (except Cuba) have been stymied amid tensions between the United States and Brazil and Argentina on the one hand, and the US and Venezuela on another, little has emerged in the negotiations so far that would benefit the small economies of CARICOM. At last month's Summit of the Americas, held in Argentina, the CARICOM Heads of Government, who attended, did succeed in including in the Declaration a reference to the need for special and differential treatment for small states. But, it is left to be seen whether this reference translates into action.

There are many who are painfully aware that the traditional agricultural exports of CARICOM markets, which collectively comprise far less than 1% of world trade, cannot compete in the European and North American Markets unless they are given preferential access including sufficient quotas and adequate prices.

Their production does not enjoy the economies of scale of larger countries, developed or developing, and their costs of production are higher than many, given their remoteness and their higher industrial and labour standards.

The final point to be made on this is the supply side constraint of CARICOM countries.

Market access alone is not sufficient since all the agricultural produce of CARICOM countries is a mere drop in the bucket of world trade. They need the preferential prices and quotas so that their small production can provide a viable return for those who toil the soil.

While many countries, Brazil, India, Canada, Australia, Ecuador - to name a few - can compete by producing more for less, CARICOM countries cannot, simply because their supply capacity is severely limited by their geographic size.

This is why representatives of CARICOM countries have been urging the need for the creation within international institutions, especially the WTO, of a special category for small and vulnerable states that would facilitate 'special and differential' treatment for them.

While CARICOM states have experienced severe erosion of the markets for their goods and the prices they have enjoyed, they have equally faced increased costs for the goods and services they import. This has led to a widening balance of payments deficit and to burdensome debt as they seek to finance much needed social and economic development through borrowing.

Fourteen of the countries in the wider Caribbean are listed among the thirty most indebted nations in the world.

Since the end of the cold war, the wider Caribbean has lost any strategic importance it had, and this has manifested itself in a significant decline in official development assistance to the region.

The only significance that the wider Caribbean now has for governments in North America and Europe is as a transit point for drug trafficking, counter terrorism and money laundering associated with financing terrorism. The US, the EU – particularly Britain – and Canada have dedicated resources to helping Caribbean countries to curb drug trafficking in their territorial waters, and in strengthening security arrangements at their sea ports and air ports.

But, the costs of these exercises have been extremely high and external support has been insufficient to cover them. Consequently, monies have

come from national budgets that are already tightly constrained, reducing the funds that could be spent on development.

Caribbean countries have little choice but to comply with the increased demands to fight drug trafficking and strengthen security. Their failure to do so in the case of port security would stop ships from calling at their ports. And, with regard to drug trafficking and money laundering, any slippage in the establishment and enforcement of laws and regulations, would result in their being blacklisted and threatened with economic and other sanctions.

But, while the major players in the international community are making demands on the Caribbean for heightened security and increased anti drug trafficking activities, the international financial institutions that they control, particularly the International Monetary Fund (IMF) and the World Bank, have not included these matters in their lending policies. Hence, in CARICOM countries, disproportionate amounts of their capital and recurrent expenditures are dedicated to these activities from their locally generated revenues.

In contrast, the IMF has taken on the responsibility for enforcing standards and practices in the financial services sectors of countries in the wider Caribbean that are, increasingly, pushing them out of the business and depriving them of the earnings that flow from it.

The standards and practices that the IMF is enforcing were developed by the Organisation for Economic Cooperation and Development (OECD) and its two sister bodies, the Financial Action Task Force (FATF) and the Financial Stability Forum (FSF) – all of them the creatures of the world's richest nations, and in particular, those that have dominated financial services for years.

The net effect of all this is the crippling of the offshore financial services that have been developed by many CARICOM countries as a means of diversifying their economies, and escaping reliance on a narrow range of commodities or services.

The IMF and World Bank have been also not been helpful in providing finance to meet the worsening economic conditions in Caribbean countries.

Except for Guyana and Jamaica, CARICOM countries have been 'graduated' from eligibility for borrowing on soft terms on the basis of their per capita income.

Both the IMF and World Bank continue to apply to small CARICOM states, the same criteria for lending as they do to middle income countries in Europe and elsewhere, with the result that these countries are forced to borrow on the commercial market to finance their development needs. This, in turn, has added to the burden of their debt.

Foreign private investment in CARICOM has also declined except in areas such as oil and gas. But, there is not enough capital generated through

savings in local banks to finance development projects by the local private sector or governments. And, access to foreign capital markets by local businesses is restricted in part by a lack of interest by merchant and investment financial institutions, but also because of the lack of capacity by all but a few domestic businesses to create feasibility studies and business plans that demonstrate their capacity to be profitable enough to repay their debts.

## **Prevalence of HIV/AIDS**

Another of the disasters that the Caribbean faces is the spread of HIV/Aids which is increasingly being recognised “not just as a serious health hazard in developing countries, but as a major developmental catastrophe that threatens to dismantle the social and economic achievements of the past half century”.<sup>ii</sup>

The Caribbean region currently has the highest HIV prevalence rate of any region in the world other than sub-Saharan Africa.

It also has the highest number of new AIDS cases per million of population per year in the Americas.

On the basis of *estimated* figures – and I stress that the figures are estimates – more than 440,000 people are living with HIV in the wider Caribbean including 53,000 people who acquired the virus in 2004.

This means that the average adult prevalence of HIV in the wider Caribbean is 2.3 per cent. In five countries: the Bahamas, Belize, Guyana, Haiti and Trinidad and Tobago, national prevalence exceeds 2%, though it should be noted that in actual numbers, Jamaica is second to Haiti in the region.<sup>iii</sup>

According to the World Bank, once the prevalence rate of HIV reaches 5% in the general population, the virus spreads very fast.

On the basis of the estimated figures, the wider Caribbean is half-way there.

But, the dangers may be greater in some countries where the real figures are hidden by poor methods of tracking the disease.

What is particularly troubling about the spread of HIV in the Caribbean is that it has become the leading cause of death in people aged between 15 and 44.<sup>iv</sup> In the age group 15 to 19, girls are seven more times likely to contract HIV than boys – obviously, this will have a disastrous effect on the region’s reproductive capacity in the future.

Thirty-six thousand people were estimated to have died of HIV/AIDS last year – that is equivalent to half the population of Antigua and Barbuda and two-thirds of the population of St Kitts-Nevis.

Clearly, apart from the tragedy of losing lives, the fact that the disease is killing people, who are in their young and vibrant years, has a calamitous effect on the productivity of the region which stands to lose between 4 to 6 per cent of its GDP to HIV/AIDS.

The one glimmer of hope in this otherwise disastrous situation is that in the Bahamas and Barbados, “there are indications that stronger prevention efforts since the late 1990s could be forcing HIV infection levels lower”.<sup>v</sup>

This is not surprising since the Bahamas and Barbados are two of the Caribbean countries with the highest per capita income and relatively high standards of good governance. Antiretroviral therapy is more widely accessible by those in need in these two countries than in any other in the wider Caribbean, except Cuba. It is estimated that across the Caribbean, antiretroviral treatment is being provided to only about half of those who need it.<sup>vi</sup>

In the present environment of worsening terms of trade, lower government revenues in real terms, growing unemployment, rising levels of poverty, and diminishing official development assistance, it is difficult to see how Caribbean governments will be able to allocate scarce resources both to education about the prevention of HIV/AIDS and to the treatment of those who are already its victims.

## **MASSIVE LOSS OF TERTIARY EDUCATED PERSONS**

But, the battering of the productive and competitive capacity of the wider Caribbean does not end at HIV/AIDS. A further erosion of the region’s productive capacity lies in the massive loss of its tertiary educated population.

A recent report by the World Bank reveals that over 50% of Caribbean people with tertiary education have migrated to the OECD countries, principally the US, Canada and the UK. Almost all the CARICOM countries are among the top 20 nations in the world with the highest migration rates of persons with tertiary education,

The report says, for example, that the tertiary educated labour force in Jamaica has been reduced by 89 percent, and, in Guyana, by 82 percent.

It is significant that even oil-rich Trinidad and Tobago has a high number of tertiary-educated people who migrate. Indeed, Trinidad and Tobago ranks fifth in the region behind Haiti, Suriname, Jamaica and Guyana.

This is a truly troubling situation for the Caribbean. For not only does it mean that the region is losing a very large number of its most educated people, it also shows that Caribbean countries are spending scarce financial resources that ultimately benefit the rich nations of the world.

This is yet another form of resource transfers from developing countries to developed countries that are not taken into account in the uneven relationship between rich and poor nations.

There should be no doubt about it: it is not the poor, the wretched and the unskilled that are being accepted as migrants into the OECD countries. The drive is for qualified and skilled people who can fill a void in the work force, contribute to the creation of new jobs and new businesses, buy property, spend in the economy and pay into the social security scheme to help maintain aging populations.

## **REMITTANCES GREATER THAN AID AND FOREIGN INVESTMENT**

On the other side of the coin, there are benefits to the Caribbean from migration as immigrants send remittances to their relatives and friends at home.

According to the World Bank, the Caribbean is the largest recipient of worker remittances in proportion to its GDP. The report says that, in 2002, total remittances “constituted about 13 percent of the region’s GDP”. In comparison, foreign direct investment (FDI) was 6 per cent and official development assistance (ODA) was only 1 per cent of GDP.<sup>vii</sup>

What is more, remittances, that could be officially tracked and accounted for, rose between 1990 and 2002 while FDI and ODA declined.

Remittances are, therefore, significant. The money that is sent home alleviates poverty and supports the unemployed; it is spent in the economy helping to sustain businesses and to maintain the jobs of people employed in them.

But, at the end of the day, the loss of a significant number of its ablest and brightest people clearly has a negative impact on the social and economic development of the Caribbean.

When this loss of talent is combined with the erosion of preferential markets for the area’s traditional exports, the decline in official development assistance, and the slow down in the growth rates of national economies, it is very likely that both poverty and unemployment will increase.

And, while the OECD countries are letting in the brightest and most able of Caribbean people, they are also sending back the worst.

## **INCREASING CRIME: A MAJOR THREAT**

Over the last few years, Canada, the US and the UK have been deporting Caribbean nationals found guilty of criminal activities. The numbers that have

been returned now run into tens of thousands. These returning criminals bring with them contacts with the criminal fraternity in the country from which they were deported, thereby enhancing the international reach of the criminal elements in the region.

Anecdotal evidence suggests that there is a correlation between the introduction of these deportees into Caribbean societies and the rise in violent crimes.

Whatever the truth is of that claim, there has certainly been a significant rise in crime – and particularly in crime involving drug trafficking and the use of guns. And, it has increased beyond the capacity of the police forces in the region to cope with it.

Undoubtedly, the increase in crime in CARICOM states is linked to the illicit trafficking in narcotics. Drug offenders now account for the majority of prisoners in jails.

Located between major drug-supply countries in South America and the drug-demand markets in North America and Europe, the wider Caribbean is a major transit point for drugs.

Narcotics traffickers use weapons for protecting shipments, intimidating competitors and executing informants. Dependent drug users tend also to commit crimes to obtain money to fund their drug habits and may use firearms that are illegally obtained to perpetuate violent crimes. The increased number of murders in some countries of the region, particularly of Police and law enforcement officers, is directly linked to trafficking in drugs and the associated trafficking in arms.

Crime in the Caribbean has escalated to include kidnappings, ritual executions – including recently in Trinidad of a beheading – and casual drive-by murders. In this year alone, 330 people have been murdered and more than 200 kidnapped for ransom in Trinidad.<sup>viii</sup>

In many countries, the private sector has become so concerned about the safety of their businesses that they have staged public protests including the closure of their operations.

A leading Trinidadian criminologist has suggested that there may even be police collusion, part of the web of corruption that is the underlay to the carpet of crime in the region.<sup>ix</sup>

And, a Caribbean Community Task Force on Crime and Security has observed that: “The seemingly uncontrollable rise in armed crime and violence as evidenced by the unusually high murder rates in some member states has not only threatened legitimate governments but has become very serious threats to the basic fabric of our societies’,<sup>x</sup>

While it is yet to be quantified, it is also obvious that the growing scale of violent crime scares away both foreign and domestic investment particularly in the vital tourism sector, and, consequently, has a deleterious effect on the economic and social development of the Caribbean.

The problem is well appreciated by governments in the region. The difficulty is that, individually, Caribbean governments lack the financial resources necessary to combat the increasing levels of major crime in a meaningful way. And, so far, in CARICOM, they have shied away from establishing joint regional machinery to fight major crime collectively and effectively.

## **TOURISM: A BRIGHT SPOT THAT COULD BE DIMMED**

Amid all this gloom, there is, for the time being, a bright spot – tourism.

The industry earned the region about US\$40 billion in 2004, projected to rise to US\$89.1 billion in 2014.<sup>xi</sup> It also accounted for 14.8 percent of the Caribbean's Gross Domestic Product (GDP), providing 2.4 million jobs representing 15.5 percent of total employment.<sup>xii</sup>

In 17 Caribbean countries, tourism now accounts for more than 50 percent of their GDP.

This confirms a high dependence by many Caribbean countries on tourism and suggests that they will become ever more reliant on it over time.

Yet, according to the World Travel and Tourism Council, “the impact of the industry is generally not understood by public officials, the industry itself or the communities where it takes place”.<sup>xiii</sup>

With regard to governments, this lack of understanding manifests itself in two important ways; firstly, in the engagement with the international community. If tourism is raised at all as an area for aid and investment, it takes a back seat to better researched and more passionate arguments for agriculture; and secondly, it is often overlooked that the quality and success of the industry is dependent on the preservation of the environment.

## **CRUISE SHIPS AND POLLUTION**

The Caribbean Sea is crucial to the region's tourism. Clean seas and unpolluted beaches are its greatest attractions. But, the giant cruise ships which now traverse Caribbean waters are gradually polluting them, and polluting them with impunity.

Between them, two companies - Carnival and Royal Caribbean - account for 90% of Caribbean cruise capacity,<sup>xiv</sup> making the region subject to their

demands even though their contribution to the area's economies is negligible, accounting for less than 10 percent of total international tourism receipts.<sup>xv</sup>

Carnival, has revealed that its total revenue for the first five months of this year was US\$4.92 billion, a rise of 16% over last year.

Royal Caribbean Cruises Ltd, declared revenue growth of 8 per cent to US\$2.2 billion in the first half of 2005.

It is true that these revenues were not made in the Caribbean alone. Nonetheless, a significant portion of the income was made from cruises in the Caribbean Sea and by calling at Caribbean ports. And, the Caribbean received a small fraction of that income, mainly from very low port charges, small disembarkation taxes on passengers who opt to come off the ships in some ports, and from purchases made on shore largely from small vendors – since, like the huge supermarket chains in London's high streets, the cruise ships themselves pre-empt all trade.

Now, with the ships growing even larger to carry more passengers and earn extra income, Caribbean countries will be expected to invest even more of their scarce dollars on deeper harbours and expanded port facilities if they wish to compete with each other for the business.

In the meantime, cruise ships that dump sewage at sea and dispose of garbage in some ports are contributing to pollution, erosion of reefs, degradation of coastal areas and marine life. According to one report, "at the global level, cruise ships have been estimated to contribute about 77% of all marine pollution worldwide".<sup>xvi</sup>

Within the next decade if tourism is to survive, the Caribbean will pay a high price for the abuse of the Caribbean Sea, particularly as the cruise ship companies have refused to pay an environmental levy that hotels are obliged to pay.

Recent history of dealing with cruise ships reveals a willingness by some Caribbean governments to 'compete' with other Caribbean governments by agreeing to terms with the cruise ship operators that were rejected by their colleagues.

In the so-called competition game, the operators have won and the Caribbean has lost.

This is why there is need now for Caribbean governments, acting collectively and harmoniously, to implement identical legislation and enforcement machinery for regulating the cruise ship industry and protecting the environment.

Apart from the pollution caused by cruise ships, tourism also carries the seeds of other major problems for the Caribbean in the future.

## **FUTURE CHALLENGES OF TOURISM**

The hotels are largely owned by foreign companies, and their profits are sent abroad. Over time, given the size of investments that will be required for resorts in the Caribbean, the industry is likely to become even more foreign-dominated providing nothing more than jobs and taxes, and not giving the region a high level of indigenous ownership.

It may, in fact, become nothing more than a 'plantation industry', not dissimilar to the old sugar plantations where the only thing indigenous was its labour. And, not unlike the 'plantation' system, if the disparity of benefits grows between foreign owners and indigenous labour, revolts may occur.

In any event, tourism is a very fragile industry. Its success is subject to events outside of the region and beyond its control. For example, when there is economic recession in North America or Europe, Caribbean tourism declines. And, one hurricane can destroy a small island's entire tourism plant in a few hours, requiring years from which to recover.

Tourism, then, is a bright spot now. But, it could dim at any time. The present high reliance on it by many individual countries is as troubling as the past high reliance on single commodities, such as bananas.

## **HURRICANES: THE PLAGUE OF THE CARIBBEAN**

I come now to natural disasters.

Over the decade between 1995 and 2005, hurricane damage in the wider Caribbean has run into billions of dollars, making the region poorer, setting back the economies of the countries and creating other untold problems such as the closure of some companies and the migration of badly-needed trained workers who lost employment.

The wider Caribbean is one of the most disaster prone regions of the world for reasons of geography, and now, increasingly, because of the life-styles of larger countries whose greenhouse gas emissions are contributing to global warming.

The Caribbean itself is "responsible for less than 1 percent of global greenhouse gas emissions".<sup>xvii</sup>

Over the last thirty years, the seven smallest countries of CARICOM – the members of the Organisation of Eastern Caribbean States (the OECS) ranked in the top ten in the world in terms of natural disaster events per square mile.

Experts warned this year that the Atlantic has entered a period of heightened storm activity that could last 20 more years. Nothing emphasises this more than the 2005 Atlantic Hurricane season which witnessed the naming of a

record number of 24 storms – one, Gamma, as recent as this week - and 12 hurricanes that inflicted billions of dollars in damage and considerable loss of life.

The wider Caribbean also had a busy hurricane season in 2004. The first of two major storms, Charley, caused US\$18 billion in damage, including US\$1 billion in Cuba alone.

The second major storm in 2004, Ivan, killed 100 persons, and destroyed thousands of homes. In just three states in the wider Caribbean, Grenada, Jamaica and the Dominican Republic, Hurricane Ivan caused US\$1.7 billion in damage. Grenada alone suffered to the tune of US\$900 million, twice its annual income, and Jamaica, less severely hit by Ivan, sustained damage of US\$362 million or 4.8 percent of its Gross Domestic Product.

In the same year, the combined effect of Hurricanes Frances and Jeanne originated direct damage and indirect economic losses that exceeded US\$550 million on the Bahamas representing more than 10% of its GDP.

Of course, it does not require a full fledged hurricane to inflict damage and kill people in some Caribbean countries, particularly Haiti. Over the years, with oil too expensive, charcoal from burnt trees has provided 85 per cent or more or more of the energy in Haiti for decades. The denuding of trees from mountain slopes allows rainwater to rush down into villages unimpeded. As of last year, only 1.4 per cent of Haiti's forests remain. Severe flooding caused by three days of heavy rain in May, 2004 killed over two thousand people.<sup>xviii</sup>

A recent report in 'The Economist' revealed that there were long terms trends in the North Atlantic that show an increase both in the number of storms and the length of time they last. As 'The Economist' put it: "That is unfortunate news for Caribbean countries and the United States which bear the brunt of these storms".

Another recent report - in the International Herald Tribune - shows that scientists are convinced that "irreversible warming is already happening and will continue for a century even if pollution emissions are controlled by the Kyoto Protocol".

Although the scientific community appears to be divided on the extent of the damage to the world's environment from climate change and the length of time that it will take for such damage to be irreparable, the fact is that damage is being done now.

A further fact is that small islands of the Caribbean and elsewhere are already suffering, as are the coastlines of many countries which can ill afford the high cost of continuously maintaining sea defences; among these countries are Belize and Guyana both of whose coastlines are not only the habitat for the majority of their populations, but are also the centres for their main economic activity.

## **WORLD GOVERNANCE VERSUS 'NATIONAL INTERESTS'**

The first issue that arises out of the hurricane disasters that are ravaging the wider Caribbean boils down to world governance versus national interests or, at least, national interest as expressed by governments.

The Kyoto Protocol is an international agreement setting targets for industrialised countries to cut their greenhouse gas emissions which are considered at least partly responsible for global warming.

Of course, the US has not signed up to the Kyoto Protocol and does not consider itself bound by it in terms of limiting the greenhouse gas emissions that contribute to global warming.

When President George W Bush came to office, he reversed a US decision to commit to the Protocol saying it would gravely damage the US economy. In domestic political terms, neither President Bush nor the US Congressmen were prepared to tell US industry, upon whom they depend for election campaign funds, to cut back their dependence on fossil fuels and to develop alternative technologies.

President Bush also dubbed the treaty "fatally flawed", partly because it does not require large developing countries such as China and India to commit to emissions reductions. He believes that adherence to the Kyoto Protocol would put US industries at a disadvantage in relation to industries such as China's.

Of course, the argument of developing countries is that global warming and other global environmental damage has been caused by the industrialised nations, and they should now pay the price of their excesses while developing countries get the opportunity to grow.

In Argentina in early December last year at the Global Conference on Climate change and the Kyoto Protocol, the US refused to change its position. So too did the large developing countries. Powerless in all this were the small countries such as those in the Caribbean who are suffering from the effects of global warming without contributing to it in any significant way.

So, where does this all leave countries in the wider Caribbean? The truth is, it leaves them victims of the refusal of both the United States and large developing countries, such as China and India, to curb harmful greenhouse gas emissions.

The future of the world – and the immediate problems of small islands and countries with low lying coastlands – should not be matter for barter. In the 21<sup>st</sup> Century, there should be a more enlightened approach to governance of the common areas of mankind's survival. And that enlightenment should be encouraged amongst all the world's nations – industrialised and developing.

## THE IMPORTANCE OF A DISASTER FUND

The second issue that arises from the increase in powerful hurricanes in a global context is the absence of effective international machinery to help affected countries to adapt to the effect of climate change, and to reconstruct in the wake of storms.

After Katrina, President Bush committed the Federal government to what he called “one of the largest reconstruction efforts the world has ever seen”. Estimates of such a reconstruction effort have been put conservatively at US\$200 billion.

No Head of Government in any of the wider Caribbean countries could make the declaration that President Bush did. Caribbean leaders know that their governments simply do not have the resources to rebuild their countries in this way. What is more, they do not have access to outside resources for grants or borrowing that would permit them to rebuild quickly.

And, in a nutshell, that is the problem that Caribbean countries have been facing since the 1990s when hurricanes began plaguing them more frequently and with greater intensity.

Despite the growing evidence that there is a link between climate change and more powerful storms in the Caribbean, calls by regional leaders, for an adequately funded and responsive Disaster Fund, have fallen on deaf ears.

Of course, the IMF, the World Bank and the Inter-American Development Bank would claim that they now have lending facilities for emergency assistance after natural disasters, but their rules on access to these facilities and their slow response time in disbursing funds are unhelpful to countries which need urgent responses in order to rebuild.

As an example, over a twenty-year period in the 1980s and 1990s, the World Bank funded post-disaster projects worldwide to the tune of US\$14 billion. When it is considered that large countries such as Bangladesh, Pakistan, Sri Lanka, India and other developing nations would have competed with the Caribbean for a share of what would have amounted to less than US\$1 billion a year over the twenty-year period, the region obviously got very small crumbs from that particular pie.

In this connection, it is worth noting that Pakistan will need approximately US\$5.2 billion to effectively implement a relief, recovery, and reconstruction strategy, for the parts of the country that were devastated by a massive earthquake last month.<sup>xix</sup>

The donations of friendly governments and agencies also hardly relieve the heavy losses incurred by hurricanes. As examples, a study shows that after the 1995 hurricane season, pledges and grants to Dominica constituted about 40 percent of storm damage; and in Grenada, after Hurricane Ivan in 2004, pledges amounted to only 20 percent of the damage.

Clearly then, Caribbean countries cannot and should not depend on the good nature of governments and charities to help them to reconstruct.

And this is the point. Small and vulnerable Caribbean countries which are hurricane prone need the means to help them prepare for disasters and to rebuild after them.

In the absence of such a facility, Caribbean countries could be faced, year after year, with the costs of rebuilding after hurricanes, but with no place to turn for financing. This will increase unemployment and poverty in the region and, in turn, it will adversely affect crime rates and investment.

### **ACHIEVEMENTS IMPRESSIVE; IMMENSE CHALLENGES REMAIN**

I have painted a gloomy picture of the Caribbean. It is much different from the picture postcard of sunny days, golden sand beaches, blue skies, and turquoise waters that lures the tourist but masks the reality of the region.

It is not that I am oblivious to the achievements of the Caribbean. I am well aware, as Caribbean Economist, Dr Clive Thomas, has pointed out, that:

- in comparison with many other regions of the world, the Caribbean, with the exception of Haiti, is classified at a high level of human development;
- the per capita income of the region is much higher than others in the developing world;
- life expectancy is the equivalent of the United States, and higher than many parts of the globe;
- infant mortality rates have fallen;
- education and training are high for a developing region;
- in comparison with other developing countries, standards of housing is good;
- social security programmes, particularly health care, while they vary from country to country, are much better than in many other developing regions; and
- access to modern Information technology such as computers, the internet, and mobile telephones is also high and in some cases better than Europe.<sup>xx</sup>

I also recognise with pride the resilience and creativity of the Caribbean people which is the base of their survival so far. Grenada was flattened in 2004 by Hurricane Ivan, but people did not die on the roadside because they couldn't get their diabetic medicine as happened in New Orleans. And, even without social welfare programmes, they somehow rebuilt homes and schools, fed their children, and carried on.

Governments too have performed remarkable juggling acts with scarce resources to continue to provide education, health care, basic services and infrastructure.

But, like Professor Thomas, I am acutely conscious that “immense challenges remain and these need to be addressed, or the achievements will be reversed and the region’s intrinsic vulnerability exposed”.<sup>xxi</sup>

If the challenges detailed in this lecture are not met and overcome, CARICOM countries, and the wider Caribbean, could become the world’s next least developed region, requiring from the industrialised nations a constant transfer of humanitarian assistance, a regular transfer of significant resources to fight drug trafficking and to meet international standards for security, and even to maintain democracy and stable government. The drain on the resources of the developed world could be substantial.

Early action now would allow the region to continue to be peaceful and stable, and to continue to contribute to the progress of the world community.

In the course of this lecture, I have attempted to identify many of these challenges. There is an urgent need both for an international response and a programme of action within the Caribbean itself if these challenges are to be overcome.

## **INTERNATIONAL RESPONSE NECESSARY**

The international response must include changes to the rules of the international institutions. The membership of the WTO – led by the EU and the US – have to acknowledge the smallness and remoteness of the CARICOM countries and accord them ‘special and differential’ treatment, including a continuation of preferential treatment for their agricultural exports - bananas and sugar in particular - over a realistic time period during which they can either modernise their production, or train their people for new economic activity which they must be helped to develop.

The rules of the IMF and the World Bank also have to be amended to place Caribbean small states in a special category that would allow them to access concessionary funds to finance the cost of their human resource development, and to be able to put in place the security and anti terrorism and drug trafficking requirements that are priorities of the international agenda.

In the case of natural disasters, the international community must also recognise that because of global warming, the Caribbean is now confronting increased destruction by far more powerful storms on a yearly basis than it ever has. A funding facility needs to be established that would help the region to adapt to climate change, and until such adaptation is fully in place, help it also to rebuild when it is ravaged by these storms.

There is, of course, much that the region should do for itself, and should be doing together. Not as disparate – and desperate – states but as a confederated grouping working conjointly to overcome the obstacles before them, and to convince the international community to support them.

At the start of this year, CARICOM countries should have brought a Caribbean Single Market into operation with the prospect of advancing to a Single Economy in 2008.

It didn't happen.

In July this year, CARICOM's Secretary-General, Edwin Carrington, said that Barbados, Jamaica and Trinidad and Tobago were already CSME compliant and he appealed "to all Member States to take whatever steps are possible and necessary" to meet a new date set as January 1<sup>st</sup> 2006.

However, many doubts and tensions have arisen within CARICOM, particularly from its smaller members – those that comprise the Organization of Eastern Caribbean States (OECS) – about the value of joining the CSME.

The OECS governments have recently set the establishment of a Regional Development Fund to provide compensation for any disadvantages, such as collapse of businesses and labour dislocation which they might suffer, as a precondition of their involvement in the Single Market.

Detailed proposals in respect of how best to implement the Fund were put to the CARICOM Ministers of Finance in March 2005 by a team led by representatives of the Caribbean Development Bank. But they have not been able to convene a meeting to discuss the matter since then. A special meeting is scheduled for 12 December in Jamaica, after which the proposals will be considered by CARICOM Heads early next year.

What is now clear is that no Development Fund will be established by January 1<sup>st</sup> 2006, and this may mean that the OECS countries will not join the CSME on that date.

But, not to proceed with the Single Market would be a disaster for CARICOM and for the wider Caribbean, for what the region as a whole requires is more, not less, integration.

## **DANGER OF A WEAKER CARIBBEAN**

If the integration movement is not deepened and strengthened, there is a real danger that, in the competition for individual national survival that will ensue, the fabric of the existing integration arrangements will unravel leaving a weakened and far more vulnerable Caribbean than presently exists.

There are already ominous signs of such national competition – even within CARICOM.

In February last year, under the UN Convention of the Law of the Sea, Guyana submitted an offshore dispute with Suriname to an International Tribunal. In June 2000, the Surinamese navy had forced an oil exploration rig to abandon exploration in an area whose ownership is disputed by the two countries.<sup>xxii</sup>

Then, this year, Barbados took an offshore boundary dispute with Trinidad and Tobago to compulsory arbitration under the Law of the Sea Convention after five rounds of talks on maritime delimitation and four sessions on fisheries collapsed. Barbados disputes a 1990 Trinidad-Venezuela maritime boundary treaty which encroaches on Guyana and Barbados' maritime zone. That case has been heard by an Arbitration Tribunal at the International Dispute Resolution Centre here in London, and the outcome is being awaited.<sup>xxiii</sup>

And, only this month the dispute that has raged for some time between Venezuela and several CARICOM countries over Aves Island – a rock in the centre of the Caribbean Sea, reared its head again.

Aves Island is a remote, treeless speck of land whose immediate waters teem with fish, and oil and natural gas are believed to lie under the sea floor. Three hundred and eighty miles away from Venezuela's mainland, it is closer to Dominica, but Venezuela claims ownership of it. To emphasize its ownership, Venezuela has 17 sailors living on a newly established base on the rock, and earlier this month two couples were married there.<sup>xxiv</sup>

OECS Heads of Government at a meeting shortly after the marriage ceremonies on Aves Island called "for a cessation of recent activities (by Venezuela) and indicated their intention seek early negotiations to resolve what they called "this long-standing issue".<sup>xxv</sup> Though it is left to be seen how hard they can negotiate with Venezuela in light of their acceptance of the 'Petro Caribe' arrangements under which they would buy oil from Venezuela at market price, but with part of the purchase price converted into loans.

The CARICOM states, at least are seeking the solution to their disputes, within an international legal framework and subjecting themselves to binding arbitration under the Law of the Sea Convention. However, this cannot be done with Venezuela since it is not a party to the Convention.

In any event, the point I am making here is that, in the absence of deeper integration, national competition for resources and advantage will set Caribbean counties against each other and render them even weaker and more vulnerable than they are now.

## NEED FOR A RECOMMITMENT TO REGIONALISM

At the outset I suggested that the title of this presentation might have been: ***The Caribbean 2005: Is there Hope after Disasters?*** For me the answer is unequivocally yes, despite all the challenges I have identified.

But, the Caribbean needs a recommitment to the spirit of regionalism, and a reaffirmation of the mutuality of their destiny in an increasingly hostile international environment.

The wider Caribbean's challenge now – and its hope – is to recognise that it has historically been divided by imperialist powers competing for control of the resources of the area. And, in that recognition, they should resolve to bridge those divisions, and make them a relic of the past. They should break down the barriers of language and legal systems, replacing them with binding treaties and agreements that are collectively negotiated and provide for cooperation between all of them.

And such cooperation should include international trade and finance negotiations; joint machinery for combating drug trafficking and for fighting serious crime; establishing the means for meaningful trade with each other including transportation; and managing for the good of all the resources of the Caribbean Sea in which they reside together.

Only in this way will they avoid the conflicts that arise from national competition, and instead, share the gift of their resources for the good of all – resources that include oil, gas, financial services, tourism, an abundance of agriculture, gold, diamonds, bauxite, and creative people in the arts, literature, music and intellectual accomplishment.

The countries of CARICOM are best placed to take the first steps along this road by bringing the Single Market into effect in January as planned or at the earliest opportunity in the New Year.

In doing so, they would help to protect the Caribbean from the dictates of larger powers, safeguard the region as a zone of peace, and preserve the unique culture of its people.

Then, and only then, will the Caribbean have real hope, and prevent disaster.

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