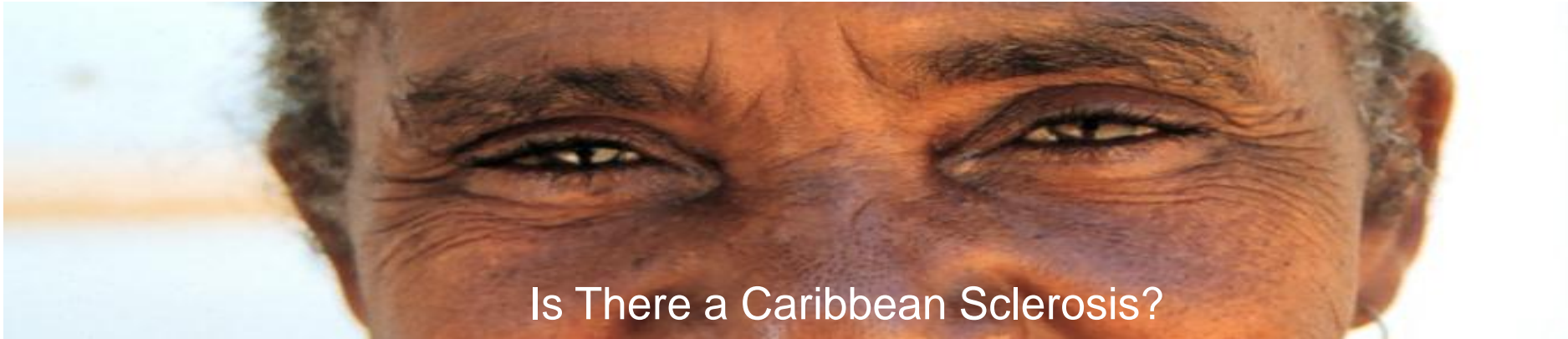


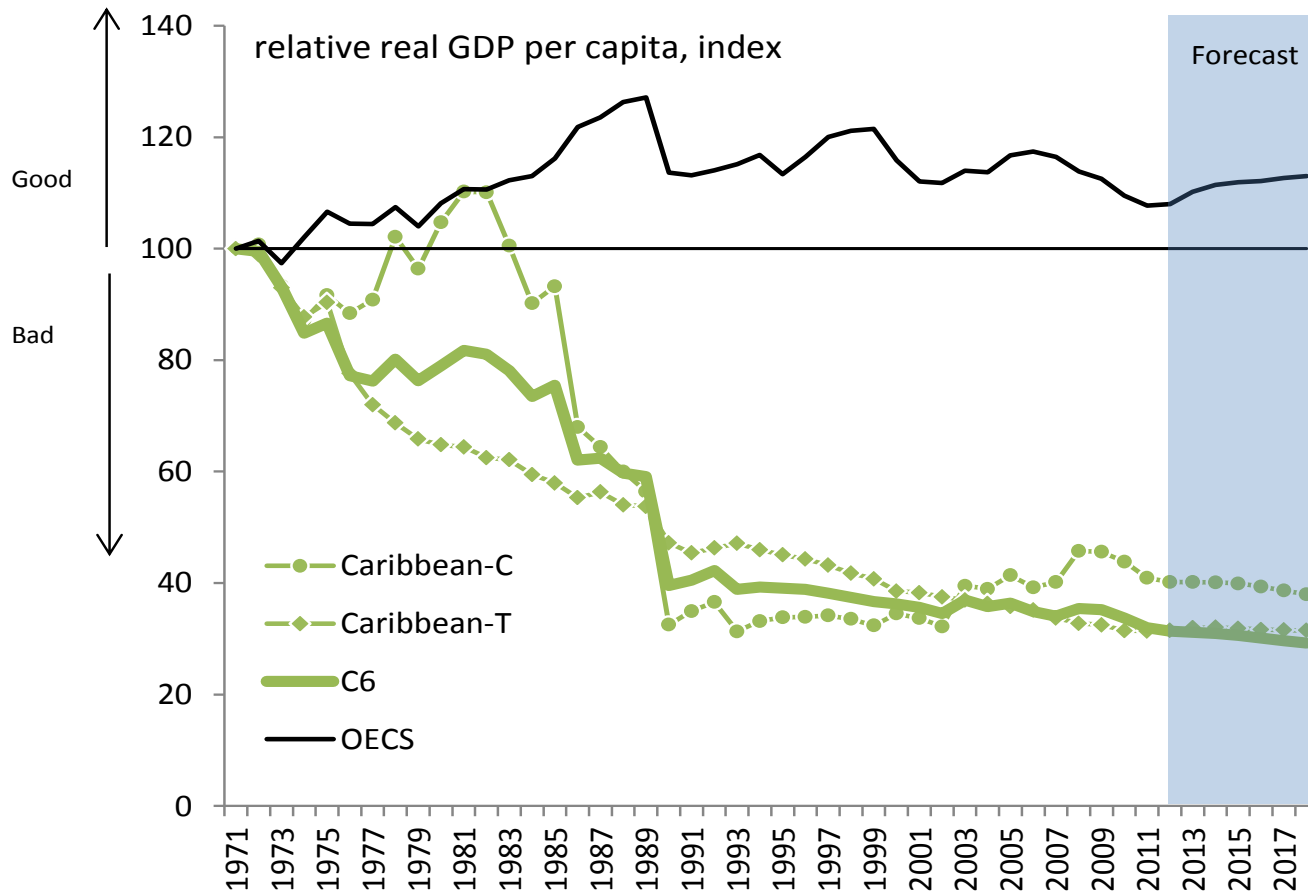
# WHITHER THE CARIBBEAN?



Is There a Caribbean Sclerosis?

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# It is withering: The Caribbean is getting poorer (w.r.t. its small economy comparators, ROSE) and is forecasted to continue doing so.



Comparators, ROSE, are rest of small economies i.e. population of less than 3 million; forecasts from WEO/IMF 2013 Caribbean-C and T commodities and tourism; C6 members of CCB/IDB

# Economic explanations: in a comparison with ROSE the Caribbean has:

- Lower total factor productivity
- Lower competitiveness
- Worse macroeconomic balances
- A weaker private sector composed of smaller, older, less engaged in international trade, firms
- Worse partners, i.e. connected to relatively stagnant economic partners and a fruitless regional integration agenda

# Political explanations: in a comparison with ROSE

- Lower “public trust in politicians”
- Higher “diversion of public funds”
- Higher “wastefulness of government spending”
- Higher “irregular payments and bribes”
- Higher “favouritism in decisions of government officials”.

Facing a stark choice:  
1. Wait for Godot, or  
2. Cross the Rubicon

# Godot arrives! prospects are better mainly due to pull up effect from economic partners

	GDP (% change)		Debt-to-GDP			CA balance-to-GDP	
	Average 2009-2013	Projected Average	2009	2013	2018	Average 2009-2013	Projected Average
		2014-2018					2014-2018
The Bahamas	0.44	2.38	37.89	56.07	59.94	-13.38	-10.66
Barbados	-0.77	-0.01	61.41	92.00	112.15	-6.81	-4.46
Jamaica	-0.70	2.03	141.41	142.73	108.11	-11.44	-6.66
Guyana	4.65	4.42	64.81	58.24	60.16	-13.38	-14.45
Suriname	4.26	4.44	15.55	37.08	40.16	2.63	-2.21
Trinidad and Tobago	-0.99	2.01	30.59	33.37	44.52	12.00	6.73
Tourism	-0.3	1.5	80.2	96.9	93.4	-10.5	-7.3
Commodities	2.6	3.6	37.0	42.9	48.3	0.4	-3.3

CA current account of the balance of payments; Forecasts from World Economic Outlook, IMF, October 2013

# To cross the Rubicon requires:

- **Get the macro policy right**

Traditional fiscal-exchange rate-debt macroeconomic adjustment

- **Get private business going**

In period of fiscal retrenchment growth has to come from an exporting private sector but the policy-regulation framework is inadequate)

- **Get new neighbors**

Need to diversify source countries towards growing & enlarging middle class countries: mainland Americas)

# But

There appears to be a generalized sclerotic effect on institutions and policy. This conclusion has troublesome implications: policy inaction may be due to the resistance of the powerful few (who may lose out) to the detriment of the many (who may gain), that is, an economically and politically powerful alliance against policy changes.



# IDB: Special Caribbean Initiatives

- Caribbean Growth Forum (public private dialogue towards pro-business policy reforms) together with CDB, WB and CC
- CONSECs (civil society groupings) in each country
- Delivery Units (planned to start in 2014 in 3 countries)
- Caribbean Energy Initiative (facilitate transition to new energy sources)
- Air bridge to new markets (diversify away from traditional markets)
- Primary data collection and its analysis (towards evidenced based policy), surveys: enterprises, informal labour markets, households -social programs, violence and crime, violence against women.

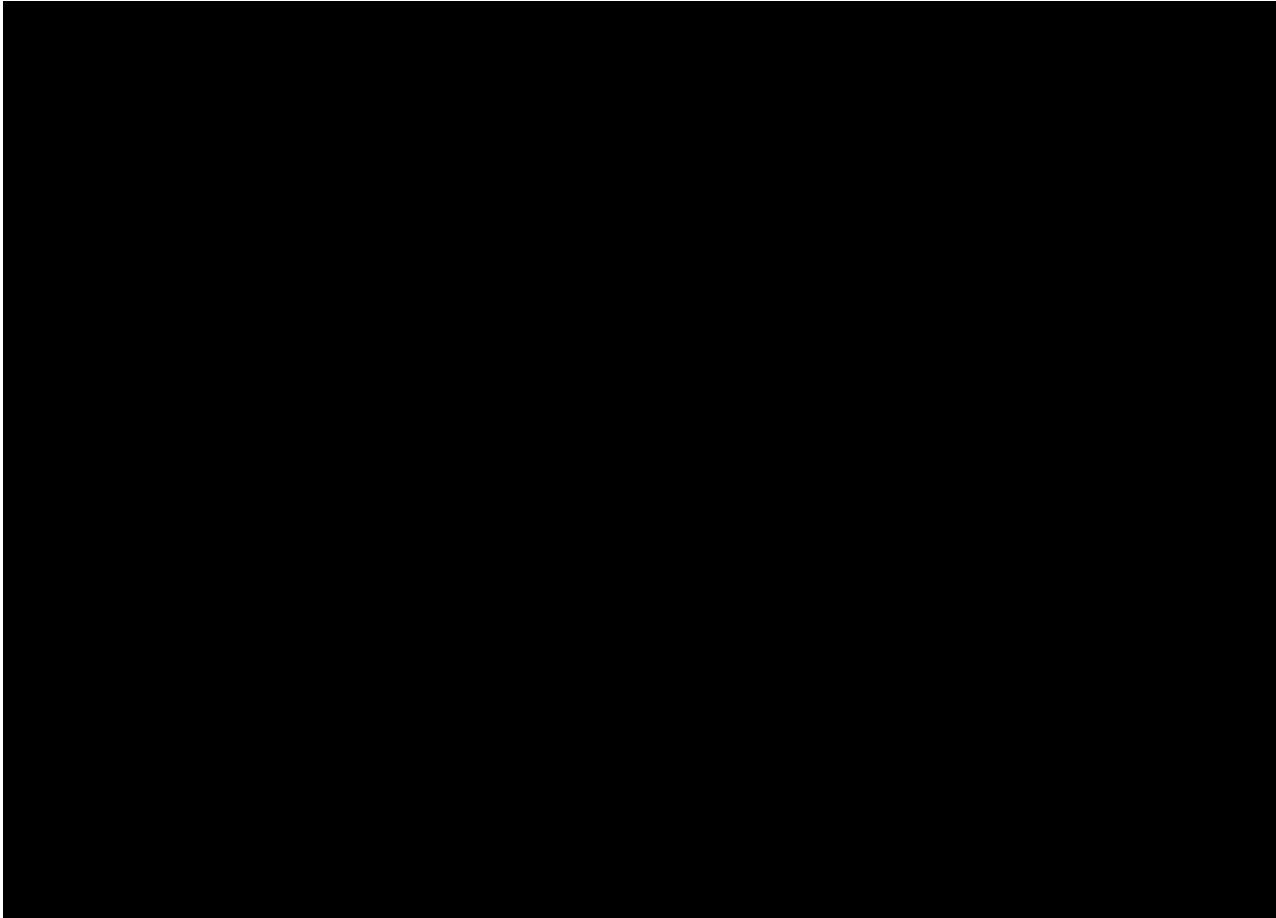
# Original reaction to CGF proposal:

- Just another talking shop
- Another example of GOBSTTT
- Waste of money and effort

# Reform history littered with frustration



But it is not impossible



# Concluding Observation

The Caribbean has been here before. Back in the 1970s and 1980s, facing the dismantling of preferential trade agreements, declining aid, and serial exogenous shocks, the countries designed and adopted a new development model that was successful for a given period of time. That model has now run its course, and the region today again faces myriad challenges. The Caribbean has overcome such challenges before. It can do it again.

For an electronic version of the report can be found at:

<http://publications.iadb.org/handle/11319/6450?locale-attribute=en>

*Thank you*



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