

ADDRESS BY
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THE CHALLENGES OF SMALL STATES IN PROMOTING
DEVELOPMENT FOR A SUSTAINABLE FUTURE

Mr. Chairman (Distinguished Rector)
Excellencies,
Ladies and Gentlemen:

I deem it a special privilege to have been invited to address the United Nations University on the occasion of my visit to Japan.

Allow me to express my appreciation to the University authorities, the Government of Japan and the Inter-American Development Bank for your collaboration in organizing this event.

The challenging mission of this University is to find solutions to the most pressing problems which concern the membership of the United Nations. This mission, so admirably reflected in your motto of “advancing knowledge for human security, peace and development” is as important as ever.

Small states, the subject of my presentation today, comprise more than half the total membership of the United Nations. These states are constantly engaged in the search to fulfill the main purposes of the United Nations Charter viz: peace, security and development. Interestingly, it is those very Charter provisions which require the equitable participation of small states in international affairs.

The objectives and interests of small states are very similar to those pursued by the United Nations University. An enhanced appreciation of the challenges of small states in promoting peace and sustainable development can therefore help to inform and direct the institution’s programme of work.

Small States and the Promotion of Sustainable Development

It should be noted, at the outset, that small states are not alone in their efforts to promote development but are assisted by friendly and like-minded states to achieve their political, economic and social objectives.

In this regard, I wish to make specific mention of the cooperative relations which exist between Japan and the Caribbean region of which Guyana is a part. These relations illustrate the value of partnership to achieve development with equity and social justice.

As you are aware, the special challenges facing small states as a group have been recognized and are advanced internationally primarily through the SIDS Process embodied in the Barbados Programme of Action in 1994. Small Island Developing States (SIDS) also include low-lying coastal countries such as Belize, Guyana and Suriname that share similar sustainable development challenges, such as small population, lack of resources, remoteness and insularity, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. In addition, these States often suffer from a lack of economies of scale, high transportation and communication costs, and inefficient public administration and infrastructure.

In September 2002, the World Summit on Sustainable Development (WSSD) reaffirmed the special case of SIDS and highlighted a series of SIDS-specific issues and concerns in the Johannesburg Plan of Action, adopted by the Summit. Since then, efforts to recognize the vulnerabilities of Small States and to support their sustainable development have been advanced with the adoption of both a pro-active strategy to further implement this programme of action, called the Mauritius Strategy, and of a political declaration, the Mauritius Declaration.

UN Conferences from Rio to Johannesburg and Monterrey have sought to rally the world behind the cause of small states. There has been some progress — with a few countries carving-out new market niches, particularly in services such as finance, tourism and information technologies — but for the majority, major challenges remain to sustain adequate levels of development. It is to these challenges that I now wish to turn.

For convenience I have chosen five areas for this presentation, namely: the challenge of inequality, financing sustainable development, the preservation of the environment, security, the Caribbean experience and response and the role of multilateralism in addressing the problems of smallness.

The Challenge of Inequality

The 2006 UN Report on the Global Economic and Social Outlook warns that globalization is giving rise to increased income inequality and alludes to its deep impact, consequences and manifestations. The realities of growing disparities within and across countries speak to the need for systematic approaches to reverse these trends. It is clear not only that small countries have become further marginalized as a result but that there are no automatic in-built measures for correction at the domestic, regional or global level within the neo-liberal paradigm. In this environment, in which small states have little ability to cope with vastly fluctuating fortunes and extremes of prosperity and discontent, governments have to explore policy options to safeguard the welfare of their citizens.

Financing Future Development

Achieving sustainable development entails particular attention by small states to an agenda with certain priorities including: increasing foreign direct investment (FDI) flows, particularly to build infrastructure and expand export capacity; the removal of all existing tariff and non-tariff barriers; support to overcome supply-side constraints; expanding levels of technical expertise; and providing greater support for social sector development with special attention to health, focusing on HIV/AIDS - education, population issues and women's empowerment; and cooperating to establish food security.

The major shortcoming of past efforts and a critical challenge to sustainable development for most small states is finding adequate resources to undertake all that is required. Much of the possibilities of globalization are premised on the existence of sound basic physical, economic, legal, social and technological infrastructure. However, difficulties in securing support for pre-investment phases for country development — especially in relation to infrastructure development, growing inequality owing to globalization, the impact of HIV/AIDS, and the lack of resilience from natural disasters in small states, combined with high levels of migration of skilled personnel place at risk the hope of a stable future.

Within the last five years, the economic performance of small states has been marked by a decline in the average GDP growth rates relative to larger low and middle income states, continued high levels of income volatility, growing importance of the service — particularly tourism — sector; the increasingly significant role of remittances and an increase of the debt burden.

In order to promote sustainable development, countries of the Caribbean need increased levels of funding for core initiatives ahead. There will be an increased need for both internal and external sources of funding. Unfortunately, this intensified need coincides with a period of declining sources of revenue. As a result of their classification as middle income states, many CARICOM countries do not now qualify for debt relief assistance and are increasingly being considered as ineligible for development aid.

A consequence of the pursuit of new pro-market policies for development appears to be a more austere financial aid environment. The assistance needed to foster and sustain the development of the region is increasingly under threat. There are thus fewer avenues available to finance Caribbean development and as recent experience — especially in relation to skyrocketing energy costs — demonstrates, that threat is made even greater. There is a critical need to find sources that allow for borrowing at sustainable levels in order to foster more investment, in such areas as infrastructural development, health, education and the social sector generally.

Preservation of the Environment

Susceptibility to environmental impacts is the greatest area of vulnerability for small states

The Mauritius Strategy for Further Implementation of the Barbados Programme of Action, emphasizes that small states “are located among the most vulnerable regions in the world in relation to the intensity and frequency of natural and environmental disasters and their increasing impact, and face disproportionately high economic, social and environmental consequences,” as highlighted by such tragic disasters as the

Indian Ocean Tsunami and the recurrent hurricane/cyclone/typhoon seasons in the Caribbean and Pacific.

In fact, the Mauritius Strategy indicates that SIDS “believe that they already experiencing major adverse effects of climate change” and therefore “adaptation to adverse impacts of climate change and sea-level rise remains a major priority” for them. Although SIDS contribute the least to the emission of greenhouse gases, they are the most vulnerable and have the least capacity to adapt to the adverse effects of climate change.

The growing linkage between environment and development has inspired a renewed commitment by the international community to prevent environmental degradation. This challenge which offers tremendous scope for collaboration [reference Cool Earth 50, Japan / Guyana Joint Declaration on Climate Change Issues] will have to be definitely resolved to make development truly sustainable.

The Threat to Security

In the post 9/11 world, security concerns have been significantly elevated on the international agenda.

Previously unforeseen requirements must now be factored into the development enterprise both as a response to real or perceived threats, from internal and external sources and as a condition for engagement with major partners. These demands place an additional burden on both resources and capacity.

There are of course internal and external dimensions of security as there are positive and negative aspects. The recently concluded Cricket World Cup hosted in the Caribbean promoted collaboration among the states of the region in the staging of the third largest global sporting event after World Cup Football and the Summer Olympics. It led to unprecedented levels of coordination of security arrangements within the region.

Another illustration of the importance of security in the efforts of small states to promote sustainable development is to be seen in the growth of trans-national crime, especially the trafficking of drugs and small arms.

For a country like Guyana where there are large expanses of unprotected borders and uninhabited regions, the capacity of law-enforcement agencies is severely stretched. In some instances, it proves difficult to acquire the levels of assistance from bilateral partners and at the international level the resources required to comply with obligations or to meet this challenge effectively.

The interrelation between development and security is far more enhanced for small countries. Procedures as seemingly routine as a travel advisory - couched in discouraging terms, and the criminal actions of isolated nationals highlighted in the international media, are quite often enough to impact negatively not only on our tourism but other sectors of our economy.

Experience and Response of Small States of the Caribbean

Caribbean small states have consistently pursued initiatives to place their development and development cooperation on a sustainable footing based on a

coherent vision of the region as an area of peace, progress and prosperity. There have been some important gains but the overall situation is still precarious.

For Guyana, a HIPC country, the effort to restore the country to financial and economic viability has been an arduous one. The Government has had to institute stringent economic policies to cope with the intricately intertwined challenges faced by developing countries in an increasingly more inhospitable international environment. We have for some time now implemented a prudent debt strategy that has allowed for progressively higher expenditure in the social sector, especially in education and health and greater focus on funding developmental and poverty alleviation strategies.

Reinvigorating the traditional sectors of the economy so as to increase competitiveness has required the massive injection of capital investment. Our attention is being directed to expanding new growth areas such as tourism, information technology, agro-processing and investment in a number of major infrastructural projects, including hydroelectricity and the industrial production of sugar-based ethanol. These efforts are beginning to bear fruit as spending in the social sector is now almost 23 percent of GDP, its highest level ever and the country has already attained two of the MDGs.

At the regional level, while per capita income growth has remained fairly modest in the last decade, the GDP growth rate for Caribbean small states has slowed in each decade since the 1970s and the gap between rich and poor states in the region continues to grow. In fact, on average, the GDP growth rate of Caribbean small states has been lower than all the other sub regions over the last 15 years and also below the average overall growth rate for the low income countries.

In addition to the faster than anticipated erosion of trade preferences, the impact of the aftermath of September 11 has also been particularly severe on account of the Caribbean region's reliance on tourism. Further, the 2006 Commonwealth Report on Small States notes that debt almost doubled in the OECS (Organisation of Eastern Caribbean States) between 1997 and 2003 with seven Caribbean countries now among the 10 most indebted in the world. The Caribbean has also not benefited from the recovery in global ODA flows as it is increasingly being viewed as less deserving of ODA given its increasing classification as being middle - income based solely on per capita income considerations.

Although most assessments suggest a positive outlook with respect to CARICOM's achievement of the Millennium Development Goals, inadequate account is taken of the high vulnerability of the Region. This is well illustrated in relation to economic fragility, the rising incidence and impact of natural disasters, distinctive aspects of inequality across and within countries of Latin America and the Caribbean and a plethora of formidable social challenges, including rising levels of trans-national crime, disease and social instability. The emergence of new challenges, and especially, the HIV / AIDS epidemic — which impact disproportionately on women and youth — bears particular mention.

Caribbean small states have nonetheless been optimistic in their continued pursuit of strategies and options to guarantee the development of the region and the well-being of their people. These states are committed to complementing national action with coordinated regional approaches.

This has been evidenced by the progressive strengthening of the regional integration movement and specific regional initiatives to respond to the major challenges including the establishment of the CARICOM Single Market and Economy (CSME); a supra-national approach to multilateral trade negotiations with the formation of the Caribbean Regional Negotiation Machinery (CRNM); the creation of a Regional Development Fund— on which the major donors have been approached to help to provide resources to cushion the necessary transformations of the regional economy by assisting disadvantaged countries, regions, and sectors; and recently, at the request of CARICOM Heads of Government through the World Bank, the Caribbean Catastrophic Risk Insurance Facility — a reserve fund that would provide the participating governments with liquidity if hit by a hurricane or earthquake.

The creation of the CARICOM Single Market and Economy (CSME) responds to the internal dynamic and logic for the deepening of the regional integration movement. This major stage in the deliberate process started with the Caribbean Free Trade Area (CARIFTA) in 1965 and then deepened into the Caribbean Community and Common Market (CARICOM) in 1973. It consolidates the market for goods produced in the region, defines trade relations with the rest of the world, incorporates a coordinated foreign policy component and lays the basis for the provision of common services and cooperation in social sector development.

The region has a long record of cooperation with external and internal partners, including civil society, in working to achieve its development objectives. CARICOM has concluded a Charter of Civil Society which facilitates an on-going interaction between governments and other important actors in the development process. Cooperative arrangements are also in place with major countries, groups of countries and institutions in the economic and political spheres.

The Role of Multilateralism in Promoting the Interests and Concerns of Small States

Small states have long utilized the multilateral arena as their main recourse for influencing International actions.

An effective multilateral system based on international law, supported by strong international institutions, with the United Nations at the centre, is fundamental for achieving international peace and security and sustainable development.

Consolidating and deepening effective multilateralism, on which the successful execution of the critical foreign policy objectives of small states is premised, has become a major priority. More directly, small states rely on effective multilateralism to assure more efficient implementation, increasing institutional attention, and gaining assistance in negotiations and global regime setting in various theatres of action, especially the WTO.

Although small states have undertaken the major burden of implementing the Barbados Programme, their activities have been seriously hampered by a lack of financial and other resources including technology, and human-capacity constraints. Problems have also emerged with coordination amongst the different stakeholders beginning with regional bodies, the various UN system and other multilateral organizations that have the mandates and capacity to implement the different facets of the Programme but over which the small states themselves seem to have little influence.

I should also say that good governance both at the national and international levels is essential for sustainable development. Multilateral institutions are expected to exemplify best practices to retain their moral authority and legitimacy. Accordingly, small states attach much importance to the reform of these institutions to facilitate their full and effective participation in relevant deliberations and the decision-making processes, address the implementation gap between promise and delivery and to complete the unfinished multilateral agenda by addressing such issues as energy, climate change, small arms and light weapons and disarmament.

A more fundamental Issue, as I stated a few days ago at a luncheon address at the IDB Headquarters in Washington, D.C. is that of recognition or rather, the lack thereof, of a special category for small states by the donor countries as well as the multilateral financial institutions. As you may know, we have tried over many years to persuade the development community of the particular vulnerabilities of small states especially CARICOM. An impressive array of studies was done by several agencies including the World Bank and the Commonwealth Secretariat, all testifying to the particular problems of small countries. In 1994, the Barbados Programme of Action, to which I alluded earlier, was adopted intending to address the challenges faced.

More than a decade later however, there is little evidence that these efforts have produced any significant benefits for our countries. We can only conclude that despite the many protestations of sympathy and support on the part of the donor community and the Multilateral Financial Institutions, there is a lukewarm reception to the idea that there is this category of small and vulnerable countries deserving of special consideration and attention. Although there has been occasional acknowledgement of the need for special and differential treatment for such states, such acceptance has been at best grudging and perfunctory.

The debate I feel, most now cease and a declaration clearly made by the developed countries and the multilateral financial institutions as to whether they are prepared, as a matter of policy, to state definitively that small economies need help in order to assure their seamless integration into the global markets. As small states, we need to stop making the case for vulnerability and special and differential treatment and demand answers as to whether our partners are prepared to accept this position.

If the answer is in the affirmative, then the international community must go beyond mere words to create specially designed measures and mechanisms to enable our countries to overcome their current difficulties. Although it may not be generally known, the IMF measures our countries along the same standards as Brazil and India. Special instruments are required to measure our performance so that development programmes could be suitably tailored. The Multilateral Financial Institutions should not look narrowly at the per capita income of countries and graduate them out of soft loans. Those countries which have been designated as Middle Income Countries still face problems which are magnified because of their small size. It must be recognized that despite their MIC categorization they still need debt relief.

Role of the United Nations University

Finally, I would observe that there is still a great deficit in international awareness of the specific social, economic and environmental vulnerabilities of small states which detracts from a fuller appreciation of the difficulties which they face in promoting sustainable development. There is need to continuously retain international interest in

the development agenda of small states. A consistent campaign on their behalf needs to be maintained in order to keep small states' issues high on the international agenda. The United Nations University I believe, can play an even greater role in the future to attract international attention to the particular problems of small states. Small states are continuously engaged in efforts to respond to various issues and challenges and the role of the University in researching and providing policy advice to governments, especially on longer term/strategic aspects, can be most useful. May I therefore conclude my statement by appealing to you to direct your energies towards the empowerment of small states.

I thank you.