April 27th 2018

Economic Challenges we have to address
(Excerpt from the 2018 budget address)

Introduction

Two economic features of tremendous significance to Saint Vincent and the Grenadines are: First, the extent to which our country is enmeshed, or integrated in a multiplicity of economic, financial, and trading relations of a global economy that is dominated by monopoly capitalism and its variants; and, second, the huge, and comparatively disproportionate, dependence of our small-island economy on the external trade in goods and services.

The economic well-being of Saint Vincent and the Grenadines depends heavily on the knock-on effects of strong economic performances of the economies with which we are inextricably linked. Concomitantly, job creation and economic growth in Saint Vincent and the Grenadines increases when trade in goods and services are enhanced.

To be sure, the domestic market is vital, but it is a reality that a relatively small demand of 110,000 persons is unable to provide by itself the requisite economic propulsion for competitiveness, job-and-wealth creation. This realization is at the core of the establishment of the Economic Union of the Organisation of Eastern Caribbean States (OECS) and the quest for a Caribbean Single Market and Economy in CARICOM; these regional integration efforts effectively enlarge our country's small, domestic, economic space.

The World Economy

Mr. Speaker, in the first three quarters of 2017, the world economy experienced an upswing in economic activity. Global growth was estimated at 3.7 percent fuelled largely by economic recovery in the USA, by strong performances in several other advanced economies, and by the major emerging markets and developing economies, mainly in Asia (including China and India) which racked up an impressive 6.8 percent economic growth.

During the first three quarters of 2017, the economies in Latin America and the Caribbean rebounded to realise 1.3 percent growth compared with a 0.9 percent contraction in 2016. This growth was mainly due to stable performances in Central America and in the Caribbean, as well as recoveries in a few economies, including Argentina.

In the member states of the Eastern Caribbean Currency Union (ECCU) the modest growth momentum of 2016 carried over into the first half of 2017 due to an expansion in tourism and construction. In the second half of 2017, there was a contraction in economic activities mainly because of the impact of two devastating hurricanes, Irma and Maria, which adversely affected Anguilla, Barbuda, Dominica and St. Kitts-Nevis.

Mr. Speaker,

The IMF's latest *World Economic Outlook*[1] ("WEO") forecasts global growth of 3.7 percent, driven largely by better than expected – though still modest – growth in developed countries. Within the Eastern Caribbean Currency Union, the *WEO* predicts growth of 2.8 percent in 2018.[2] I anticipate this projection to be adjusted downwards in the wake of the devastation wrought by Hurricanes Irma and Maria on ECCU member countries.

More recently, in Saint Vincent and the Grenadines, the IMF's Article IV consultation[3] predicted that our 2018 growth would be in the neighbourhood of 2.1 percent, increasing to 3 percent in the medium term. We consider these predictions to be somewhat conservative, but recognise that they depend in part on our ability to improve our productivity and the implementation rate of the public sector capital programme and private sector investments in the real economy.

Significant Risks

Nonetheless, there are significant risks to even that conservative prediction, including tightening global financial conditions, a rollback in regulatory enhancements to the post-crisis financial architecture, a rise in economic protectionism and anti-migrant attitudes, political shifts in USA, UK and EU, geopolitical tensions and other upheavals; and, of course, the ever-present threat of climate change-related events.

Our largest and more reliable traditional partners in trade, cooperation and migration – the United States and the United Kingdom – are undergoing periods of significant political change that may have exogenous knock-on effects on our own growth and development.

The United States of America has recently withdrawn from the Paris Climate Accord. It has signaled a desire to cut USAID development assistance to Barbados and the Eastern Caribbean to zero dollars. It has sadly voiced its intention to slash funding to the World Bank,[4] which is a major development partner of Saint Vincent and the Grenadines. It has engaged in an unnecessary war of words and expressed interventionist intentions towards Venezuela, a major development partner and a fulcrum of regional integration and south-south cooperation. Additionally, certain ruling elements have been explicit in expressing their desire to curtail migration from within our CARICOM region, and from countries predominately populated by people of colour. I am confident that the majority of Americans and their elected representatives, as a whole, will not cave in to these nativist and un-American sentiments.

However, each of those five policy emphases: anti-climate, anti-aid, anti-development, anti-solidarity and anti-immigrant, have potential direct medium and long-term impacts on Saint Vincent and the Grenadines and our developmental goals and aspirations. The degree to which our superpower neighbour's evolving worldview of important political forces will alter our own developmental trajectory remains to be seen, but requires careful attention and focused advocacy. Still, I reiterate that St. Vincent and the Grenadines is a friend of the United States of America and its people; we are neighbours; our relationship has been mutually beneficial in socio-economic terms; and we share excellent security ties. We remain confident that opportunities exist for strengthened relations.

The United Kingdom is also radically reorganizing its relationship with the European Union and the world. For Saint Vincent and the Grenadines, there are both potential pitfalls and opportunities in this reorganization. The extent to which a post-Brexit United Kingdom may reorient its trading relationships, and the degree to which the European Union may adjust its development cooperation in the absence of UK advocacy for its former colonies, are great unknowns.