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Small island economies: from vulnerabilities to opportunities Building resilience of SIDS through agricultural trade and agribusiness development

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<http://brusselsbriefings.net>

1. Background

The United Nations currently classifies 52 countries and territories as Small Island Developing States (SIDS). It is a diverse group with more than 50 million people, 43 of them located in the Caribbean and the Pacific regions. The group includes relatively rich countries but also some of the poorest countries in the world. SIDS were recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil in 1992. The UN has been supporting the SIDS in their sustainable development efforts through the Programme of Action for the Sustainable Development of SIDS finalized at the Global Conference held in Barbados in 1994, known also as the Barbados Programme of Action (BPOA). This programme was reviewed in Mauritius in 2005 and the Mauritius Strategy for Implementation of the Programme recognizes the seriousness of the disadvantages most SIDS suffer from in the global economy. In 2010 Member States undertook a 5-year review of the Mauritius Strategy for the Implementation of the Barbados Plan of Action for the Sustainable Development of Small Island States during the 65th Session of the General Assembly. 2014 is the “International year of Small Island Developing State” and one of the milestones is the [UN Conference on Small Island Developing States](#), which will be held on 1-4 September in Apia, Samoa, and will focus on building partnerships for sustainable development.

While they have many things in common, the standards of living among small islands differ widely.

SIDS WITH THE HIGHEST AND LOWEST GDP	
Singapore	222.7 billion
Puerto Rico	96.3 billion
Cuba	62.7 billion
Dominican Republic	51.6 billion
Bahrain	20.6 billion
AVERAGE	13.7 billion
Anguilla	175.4 million
Palau	169.7 million
Marshall Islands	155 million
Kiribati*	151.2 million
Tuvalu*	31.4 million

Source: The World Bank 2011

Based on the gross national income (GNI), SIDS can be classified as low-income, middle-income and high-income economies. 64 percent of SIDS, fall into the category of middle income countries, 29 percent are high-income economies and only 7 percent are classified as low-income countries.¹

¹ UN-OHRLLS. Small Island Developing States in numbers. 2013.
http://unohrls.org/custom-content/uploads/2014/04/SIDS_IN_NUMBERS_121813_FA_WEB.pdf

Upper-middle income	Lower-middle income	High-income	Low-income
American Samoa	Belize	Aruba	Comoros
Antigua and Barbuda	Cape Verde	Bahamas	Guinea-Bissau
Cuba	Fiji	Bahrain	Haiti
Dominica	Guyana	Barbados	
Dominican Republic	Kiribati	French Polynesia	
Grenada	Marshall Islands	Guam	
Jamaica	FSM	New Caledonia	
Maldives	Papua New Guinea	Puerto Rico	
Mauritius	Samoa	Singapore	
Palau	São Tomé and Príncipe	St. Kitts and Nevis	
Seychelles	Solomon Islands	Trinidad and Tobago	
St. Lucia	Timor-Leste	U.S. Virgin Islands	
St. Vincent and the Grenadines	Tonga		
Suriname	Vanuatu		
Tuvalu			

Similarly, the importance of the **agricultural sector** varies across countries. For example, in Papua New Guinea, agriculture contributed to 36 percent to GDP in 2012, whereas in the Bahamas and Puerto Rico this figure was only 2 percent and 1 percent respectively.

2. SIDS face many economic vulnerabilities

A substantial body of research has demonstrated that SIDS are more vulnerable to economic shocks and natural hazards compared to other countries or regions.

Although they have significant differences in terms of size, population, socio-economic conditions, infrastructure and standards of living, there are many disadvantages that derive from their small size. These include a narrow range of resources, excessive dependence on international trade, high transport and communication costs, high population density, and so on. Due to their small size, isolation and the fragility of island ecosystems, their renowned biological diversity is among the most threatened in the world. Natural disasters are of special concern to small islands because of their dependence on agriculture and tourism which are particularly vulnerable to natural and environmental degradation.

Food security is also of concern due to the vulnerability and limited scale of agriculture, already facing uncertain impacts from temperature and precipitation changes. Agriculture has been the mainstay for survival and economic development in many SIDS. Many islands are highly dependent on imported food and agricultural products, and very susceptible to changes in world food prices. Such prices may spike upwards as climate change exacerbates droughts and floods in the world's major agricultural producing regions. There is usually great competition for land resources from tourism, agriculture and other land based activities, and the various uses should be carefully planned.

In islands where tourism is the dominant activity, most, if not all, foods and beverages are imported, leaving their economies susceptible to fluctuations in global food prices. Promoting local supply linkages in agriculture will therefore have a two-fold benefit; improving food and nutrition security, and enhancing value added for domestic and regional agricultural products.

Over the past ten years, many SIDS have experienced considerable increases in trade deficits. SIDS are among the most trade-open economies in the world, and thus particularly vulnerable to external shocks. The continuing global economic and financial crisis, coupled with the uneven pace of integration into global trade and development processes, have exacerbated the structural vulnerabilities of SIDS and have had dire consequences for their economies.

These challenges and opportunities are typified by some of the major trade developments being faced by Caribbean and Pacific SIDS. In the Caribbean, challenges include the erosion of trade preferences and the increase of the global market share of the Caribbean's trade competitors². Changes in global markets

² World Bank, Organization of American States (2009), Accelerating Trade and Integration in the Caribbean: Policy Options for Sustained Growth, Job Creation, and Poverty Reduction, Washington DC.

and loss of preferential market access for traditional products - such as sugar, bananas, rice - have led to the further marginalisation of many SIDS, putting them under increased pressure. New opportunities have arisen in value-added goods and services and niche markets at local, regional and international levels and to benefit from these, it is necessary to ensure that producers receive the right incentives, and that governments make strategic investments targeting institutions and infrastructure that will bolster the potential of the agricultural sector and assist with its transformation.

The ongoing process of regional trade integration offers several opportunities but slow progress in achieving regional integration has thus far limited some of the gains.

3. Enhancing economic and trade resilience should be a priority

To move from a position of vulnerability and dependence to one of resilience, small island economies must also explore new areas of economic development and strengthen their diversification strategies. Sound policies focused on broadening the “options” for small island economies should be designed to exploit the inter-linkages between sectors like agriculture, tourism, industry, ICTs, finance etc. The services sector, and in particular agro-tourism, represent a genuine opportunity to link local producers to agribusiness.

The tourism sector is the key economic sector for SIDS in terms of earnings and employment. Tourism has strong links with other sectors such as agriculture, environmental services, financial services, ICTs....

Transition into the Green economy transition promises multiple benefits for SIDS to better manage natural capital, protect the environment, create green jobs and achieve sustainable development, according to studies by the United Nations Environment Programme (UNEP)³.

Agribusiness and the private sector is an important development tool for poor countries, promoting growth, generating employment and promoting Public-Private Partnerships. Small and medium-sized enterprises (SMEs) are key to the economies in developing countries in terms of employment creation. The agribusiness potential is underutilized leading to high levels of imported food products, often higher prices and lack of investments, and support to local producers and exporters. There is a need for greater involvement of the private sector in designing and implementing viable local and export food industries.

Globalization imposes new conditions and rules for competitiveness in international markets. It poses the imperative for SMEs to link up with other actors, both at the local and at the global level, and find new ways to interact and learn.

The global competitiveness and productivity, the public-private collaboration in education and research, the transport infrastructure, the standards required by global markets with regard to quality, health, and environmental sustainability and the analyses of industry clusters and global supply chains are key factors influencing the upgrading process of local SMEs.

Access to finance by the private sector has always remained a major challenge and SMEs still struggle to access finance due to some stringent requirements by commercial banks. Marketing and quality certification is another challenge for the private sector and sometimes private-sector associations are better at international marketing and quality certification, but international nongovernmental organization certification programs are unexplored, through which conscientious firms can seek a competitive advantage in global markets, where consumers are increasingly aware of social and environmental standards.

Building resilience against increasing volatility and external shocks requires appropriate agricultural and trade policies to reduce import dependence and boost local production.

Developing the capacities of SIDS to diversify production, enhance productivity and add value through quality niche products requires an optimisation of the use of indigenous capacities and resources. In order for this objective to be achieved sustainably, SIDS will have to innovate, develop new technologies, and transform their adaptation and mitigation techniques.

³ <http://www.unep.org/newscentre/Default.aspx?DocumentID=2762&ArticleID=10719&l=en>

Objectives of the Briefing

To improve information sharing and promote networking, the CTA, DG DEVCO from the European Commission, the ACP Secretariat, and Concord organise bimonthly briefings on key issues and challenges for rural development in the context of EU/ACP cooperation. The Briefing on 11th July 2014 will address issues related to vulnerabilities and opportunities for ACP small island economies. It will: (i) raise awareness on economic challenges in SIDS; (ii) increase exchange of information and expertise on economic and trade resilience of SIDS; (iii) capture key messages from the Briefing for the upcoming SIDS Conference in Samoa; and (iv) facilitate networking amongst development partners.

Target group

Around 150 ACP-EU policy-makers and representatives of EU Member States, civil society groups, research networks and development practitioners, and international organisations based in Brussels.

Available material

Input and comments before, during and after the meetings will be included in the Briefings blog: <http://brusselsbriefings.net>. A short report and a Reader in printed and electronic format will be produced shortly after the meeting.