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**ACP Small Island Economies: from Vulnerabilities to Opportunities**

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**Ambassador Shirley Skerritt-Andrew**  
**Ambassador of the Organisation of Eastern Caribbean States (OECS) and Chair of the ACP**  
**Committee of Ambassadors**

***Introductory Remarks***

Ladies and Gentlemen,

SIDS represent a heterogeneous group of countries, scattered all over the Caribbean Sea, and the Pacific, Atlantic and Indian Oceans. They are often described either by their territorial exiguity or by their limited demography. However, no matter how they may be analyzed, SIDS are incontrovertibly vulnerable in many ways: they suffer from the limitations within their natural resource base, they often specialize in monoculture with insufficient diversification of their exports, they have a high emigration rate where the most intellectually gifted leave to search for greener pastures in more developed countries, they suffer from the negative effects of high population density, a narrow internal market and limited economies of scale; they are also highly exposed and open to external shocks including natural disasters and international economic and financial volatilities. The insularity of SIDS has another consequence: isolation from other regions and markets. The implications of these are glaring: small island developing countries face an amalgamation of situations whose cumulated effects are none like any other country on the earth currently faces.

Yet today, SIDS face serious difficulties in convincing the international community of the importance of providing them with specific treatment commensurate with their vulnerabilities and that would assist in alleviating some of their intractable handicaps. Rather, they continually suffer from the “island paradox” as described by UNCTAD, according to which they are categorized as upper middle income countries but remain economically vulnerable while running the risk of increased marginalization in the world economy, and most recently, in development cooperation with traditional donors. Even within the Caribbean, made up mainly of SIDS, the micro-States of the Eastern Caribbean represent only 5% of the total Caribbean population and only 1% of its mass surface, are all middle-income counties with high HDI levels, yet like other SIDS, are 12 times more exposed to climate change than other larger countries of the world. Thus, all their development gains achieved since the onset of development cooperation could be wiped out by just one persistent hurricane, within the space of 12 hours. Their physical situation is further exacerbated by the current economic crisis that have led to exorbitant costs of food and energy, a global slowdown in tourism, diminished remittances, an increase in natural disasters as well as high levels of debt and deficits. This grave reality has resulted in retarded social inclusion, slowed investment and increased unemployment in SIDS.

Colleagues, this is why I find today’s briefing session to be pertinent, timely and necessary. We must state once again what the vulnerabilities of SIDS are, for it is only in exposing our nemesis that can we jointly work towards pinpointing and carving out the opportunities that we must seize to be able to overcome these challenges that bedevil our development efforts.

We are aware that some of the realities that SIDS face might never change. Their small territorial and population size mean that they will have consequential limited representation in international and multilateral negotiating fora, limited opportunities for trade, high investment, infrastructural and production costs, and budgetary vulnerability.

However, SIDS must be given opportunities to integrate into the world economy despite their structural and permanent handicaps and exposure to exogenous shocks. The vulnerability indices developed by leading think tanks such as

UNCTAD and the Commonwealth Secretariat, among others, must be taken seriously as they adequately encompass the risks and the inherent challenges they face to their resilience.

How then do we build resilience in SIDS? Many options are open for consideration. On a national level, we can encourage the global strategic repositioning of SIDS on a national level through respecialization, the development of niche products and value adding like some ACP SIDS already do, optimizing the services sector, including the development of a modern offshore sector, financial or academic, rendering their maritime sector more competitive, carving out a place in ICTs, or even exporting the peculiar island culture like we know in the Caribbean.

Resilience must also be built on a regional level, through integration. Over time, the Eastern Caribbean States, harbingers of regional cooperation, have made efforts to establish joint institutions to overcome the disadvantages of small size and limited market access. Some of these institutions such as the OECS Currency Union (ECCU) administered by a single Central Bank (ECCB) have clearly been largely successful in making the sub-region more attractive to international capital and have helped in leveraging business and inward investment into what is demonstrably a stable financial and capital market environment. On a wider level, the CARICOM/CARIFORUM have been the vehicle for OECS' integration into the world economy through jointly negotiated and signed trade agreements, with the EU but also with other partners from the North and South. Further, the Joint Caribbean-EU Partnership Strategy currently being developed is designed to advance the partnership in areas considered to be shared priorities including sustainable development, regional integration, climate change and natural disasters. These major themes embody some of the most critical components of the region's long term development strategy. However, these are not enough to build resilience.

SIDS are therefore at a crossroads. They must reposition themselves by building resilience and reducing vulnerability amid global change characterized by volatility, inequality and uncertainty. It is imperative that these States continue to undertake effective change management and targeted investments to cope with global shifts. In so doing, the principles of green growth will be essential to any such plans. This approach engenders a strong focus on renewable energy, ICTs, science and innovation, green investments, training and education and complements efforts of adaptation and mitigation to combat the catastrophic effects of climate change all while transitioning to a green economy. Studies have shown that this path to growth is replete with benefits, particularly among countries such as SIDS that already rely on the environment for economic growth. To jumpstart the implementation of the green agenda, to build on the Mauritius Strategy and Barbados Plan of Action and to take forward any result coming from the Rio+20 conference in June, the continued political and financial partnership of major development partners will therefore be pivotal. It is for this reason that the current debate taking place in the EU regarding its development policy brings into focus a critical challenge for SIDS, i.e. their vulnerability as a deterrent to their development. With all of the inherent structural limitations resulting in entrenched vulnerability, should the EU's development policy shift away from the traditional strong support to some of the most vulnerable states in the world?

Colleagues, I still have a concern though. Unless there is palpable traction at the international level, resilience efforts may never be as effective as they could be. Will we one day be able to speak of a new international order for islands? Many efforts have been deployed to foster internal recognition of their vulnerabilities, such as the UN, World Bank, Commonwealth, or even differentiated treatment for SIDS in light of their paradox. We need therefore to create policies that focus on alleviating those handicaps that can be alleviated, we need to monitor structural handicaps that won't go away, and adopt approaches that take into account the multifaceted challenges that SIDS face.

With these words, I wish you successful deliberations at today's briefing session.

Thank you.