Where do we go from here?

Entrepreneurship Eco-system | Market-led business models | Radical change in priorities
We continue our discussion on competitiveness as we strive to engage our readers on issues that are critical to supporting sustainable and higher levels of growth in the region. We welcome our third discussant, Felix Lewis, General Manager, Centre for Enterprise Development, St. Vincent and the Grenadines.

Your Financial News: How do we attain sustainable and higher levels of growth in the ECCU in light of our present economic challenges?

Felix Lewis: I think that even in the context of the current situation, there is still significant space for business expansion. One of the problems is that we have a private sector that is not very aggressive. The sector is largely dominated by a few family owned businesses that appear to be very risk averse at this time in their business development.

What we have to do is create the environment where entrepreneurs (people who are willing to take risks to exploit the available opportunities) are facilitated. However, I do not think we are doing enough in terms of providing the type of ecosystem necessary to sustain and support the emergence of this type of entrepreneurial class in St. Vincent and the Grenadines. This type of ecosystem will make a major difference in how we perform; not only in this period of challenge but in the future when we emerge from this economic crisis.

I think that even though policy makers speak a lot about the need for an entrepreneurship ecosystem - in terms of recognising this as an issue and saying that it is important, - we are not seeing the resources invested in this area: financial, human or otherwise. We need to get beyond the talking and actually do something about it. That is what will make the difference.

YFN: What should this ecosystem look like? Is it that we have to devise a new model to spark effective on-the-ground action to drive, support and move private sector development forward?

Felix Lewis: In the case of St. Vincent and the Grenadines, we have several policy documents which can guide government to implement modern strategies that can get us out of this economic downturn and support private sector development. The problem is that the resources are not there to support institutional recommendations and policies. It is not that we have to start from scratch. We have a body of work already; we have a policy document for instance on the cultural and creative industry and a strategy for moving from the way we currently practise the cultural arts to commercialising aspects of it - creating opportunities for persons in music, craft, fashion, etc. Some resources are going into this area but they are not sustained and they are so disjointed that I am not sure what the outcome will be.

We have information asymmetry between the Caribbean and the Europe and I don’t think enough work is being done or enough resources are being channeled into capacity building to have us participate in a meaningful way in the opportunities that exist through agreements like the EPAs (Economic Partnership Agreements).

For example, between 2007-2010 the European Union Special Framework of Assistance (SFA) 2004 was dedicated to private sector development. The amount of money we are talking about during that period coupled with government counterpart funds

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Source: www.eccb-centralbank.org
P = Preliminary  Pj=Projected  E-Estimated
Dated: February 25 2013
NOTE: Estimates and Projections are continuously revised based on the emergence of new data.
approached 18 million over a three year period. When that was implemented a number of institutions were established and others expanded including my organisation, the Centre of Enterprise Development, which is part of the ecosystem. The Centre provides technical support to new and existing businesses.

However, coming out of the project not even one of the institutions has been sustained by government due to the severe economic downturn. No resources were forthcoming for the business incubation programme and so we had to close that programme. That was a new programme to our region and one that is used to nurture new business development all over the world. But due to the lack of funding we had to close our programme.

**YFN:** There are several international agencies providing funding for business development. Why aren’t we taking advantage of these?

**Felix Lewis:** Part of the problem is the design of the projects funded under these agreements. Sometimes the counterpart contributions are so significant that local businesses cannot meet these requirements. If you were to look at the graphs identifying the utilisation of these initiatives in the OECS, only those funds that are easily accessible are being taken advantage of in the region.

**YFN:** What do we mean when we talk about competitiveness?

**Felix Lewis:** This is my spin. Last year I attended a programme at the University of California on technology transfer. The focus was on transforming intellectual property generated by research into real and applicable commercial enterprises that can benefit the community via the provision of opportunities and/or goods and services.

One of the initiatives that I am trying to do is to convince the community college to re-strategise, to see how it can include innovation as part of what it delivers so that all students going through the education process would develop an innovative way of thinking that would allow them to use their academic training to address real problems and in so doing develop business opportunities; because at the heart of competitiveness is innovation. If we can get people thinking very creatively to find unique solutions to real world problems, that knowledge can be leveraged globally and provide a unique value proposition that would make us competitive. That is what I am working on now.

But to get that type of innovation, the innovation ecosystem has to be developed to include education as well as other elements that provide opportunities to support entrepreneurial emergence - like the supportive policies, legislation, finances, technical support, etc. All these things have to be in place. If we only put one or two things in place, it will not work.

**YFN:** Why is it that in this part of the world everything has to be in place for us to move, but in other regions it is the lack of things that provides the momentum to innovate and move forward. “Necessity becomes the mother of invention”. Why is this not happening here?

It may be happening but the scale is so small, because of our population size and limitations, that you are not seeing it. If you look at an African country with a population of over 50 million people, the chances of that happening, emerging and affecting communities is much greater. Just because of the sheer numbers. It is the law of averages.

But that is not to say they don’t have the systems in place to support this. Innovation and research is not done in a vacuum. A lot of monies are invested in research and innovation in the countries that are achieving success in private sector development. For example, Latin America has been very aware of these issues. In fact I was trying to get some of those universities to assist us in the region to start to devise systems to spur innovation. The Korean government is providing money to support innovation. Innovations don’t just benefit the country that produces them; it can have a global benefit.

**YFN:** We have access to the technology. We are in a global village. What is preventing our
young people or anyone for that matter from developing something that has global export possibilities?

Felix Lewis: There is an engineer in St. Vincent and the Grenadines who has developed software that is being sold on the global market for tuning vehicles. But this and other similar stories are not publicised.

In St. Vincent and the Grenadines the community college began a programme some years ago in app development and a number of students are learning to develop apps for mobile telephones. We have set up an incubation programme for the persons trained in app development. We have been able to gain training assistance in ICT from India to help with capacity building.

YFN: If all of these developmental programmes are taking place, why is unemployment high and why is the business environment still characterised as being below the desired standard in relation to competitiveness, productivity and business sophistication?

Felix Lewis: The response comes back to my original statement. For that to happen, the private sector has to be the sector driving employment, and for that to happen entrepreneurship has to be at the heart of it. But we don't have the systems that really encourage that. The environment makes it as difficult as you can get it to be an entrepreneur. When you have that type of situation you won't have the type of growth and job creation in the private sector that is desired. That is why you are not seeing the desired level of job creation because governments cannot create all the jobs and with small economies the ideal thing is for government to
facilitate economic development and let the private sector create the jobs. Remember, entrepreneurship is the best wealth creator.

**YFN:** Isn’t this catch 22? We need an aggressive private sector to drive growth but our private sector is very conservative. So where do we go from here?

**Felix Lewis:** This is not a stagnant phenomenon. One of the things I notice in Malaysia and Singapore is that they introduce entrepreneurship very early. It is tutored from as early as the primary school level. So it is not by chance that they have enterprising populations. What we have to do is to embrace this in mainstream education.

In 1998 in consultation with a consortium of universities from Canada we developed a paper, “Critical Training Needs for Entrepreneurship Development in SVG” in consultation with the Ministry of Education. However, from 1998 to present not even one of the recommendations has been implemented. The Ministry of Education cannot see entrepreneurship as anything other than an extra-curricular activity. Officials cannot see it as part of the mainstream curricula. The view is that the curriculum which has been in existence for 40 years is filled and there is no available space for introducing anything new. The irony is that we are preparing our young people to work for companies but we are not preparing them to start those companies.

The Small Business Development Act with incentives built in for private sector development has been developed and ratified in St. Vincent and the Grenadines for more than three years now, but has not been implemented. We need to get this piece of legislation working for us.

**YFN:** Isn’t that part of our culture? That we are slow to implement?

**Felix Lewis:** This is why we are not creating employment. We have instruments that can help us promote the best possible conditions for growth and job creation but we are not leveraging them. It is not hard to understand why we are where we are. This is one of the issues that was recognised at the Caribbean Growth Forum Investment Climate Committee. We have all these legislations on the books to spur private sector development that have not been implemented.

**YFN:** Do you agree with the view expressed by one business man who indicated that what is required for us in the region to move forward is complete failure? He says that even with the economic downturn we are not in crisis mode, hence our inaction. Businesses are still in a mode of waiting it out and looking to governments to help them out in the interim. He concludes therefore that there needs to be a complete failure of the Caribbean for us to understand what it takes to move ahead given that we appear to be good at responding to crisis.

**Felix Lewis:** I don’t share that completely pessimistic view. There is certainly a great need for leadership. We need to get persons in the political arena that understand the value of business and what needs to be done to support private sector development.

**YFN:** Isn’t there an even greater responsibility for leadership at the private sector level?

**Felix Lewis:** That too. That is the challenge put out to the private sector at the recently held Growth Forum in St. Vincent and the Grenadines. The apathy of the private sector was highlighted.

**YFN:** As we talk about solutions, how do we address the challenges we are facing in manufacturing, construction, tourism, agriculture?

**Felix Lewis:** We are 13 years into the 21st century and we are still focusing on primary agriculture. We are not focusing on those areas of agriculture that can drive higher levels of economic growth. A hundred years ago we used to do cocoa – we would dry and export the dry cocoa. Now the current buyer will only buy wet cocoa not dry cocoa. So we have gone back to exporting wet cocoa, which means we have gone backwards, doing less value added than we did 40-50 years ago. But that is what we have and the farmers are locked into that agreement with the buyer for 50 years.
If the issue is that the drying/curing process has to be standardised then the solution is to form the farmers into cooperatives, help them design a system for drying that meets the exports standards, but not go backwards. My view is that we should be producing chocolate.

**YFN:** So, as long as we are focusing on primary agricultural production, we lose the bulk of our potential income and so agriculture impacts our GDP very minimally.

**Felix Lewis:** Also part of the decline in agriculture has to do with young minds. We have more educated youths now and they will not be satisfied with primary agriculture production especially in the way our fathers practise agriculture, so we have to create opportunities in agriculture beyond primary production (and utilize technology in primary agricultural production) in order for agriculture to make a significant impact on GDP.

Additionally, this is a market driven age, we have to study the market to see what the market wants in order to determine what we should produce, not just produce what crops we want and try and sell them.

**YFN:** If we know what is wrong, why aren’t we moving forward to make the adjustments required?

**Felix Lewis:** I don’t have an answer. I sit in meetings and make those points and I am not the only person making these points.

**YFN:** Our business models are largely based on low cost labour. Isn’t this at variance with our goal to achieve higher growth?

**Felix Lewis:** This is the point I have been making at several forums. We are operating in a highly sophisticated global market place. Even for agricultural produce there are so many new issues in relation to taste, variety, timing etc. therefore it is not just the average typical farmer who is critical to the sector. You want the best and the brightest attracted to this sector - people who are commercial farmers, people who are investors in agriculture. Those are the ones who will be the leaders in exporting. Those are the persons who will be spearheading the industry. Those persons can bring traditional farmers along and assist those who can be assisted to deliver consistency in supply, quality, etc.

The approach which we have been using for over 40 years where we are trying to make subsistence farmers into commercial farmers will not work because we have to attract investments into the sector where persons invest not only in primary production but in value added production. These market leaders would then increase the demand for private produce from subsistence farmers. But you can’t get those persons who are challenged by education, age or otherwise to readily adopt new technologies. They don’t understand a lot of the new stuff. The focus on just the subsistence farming limits the growth of the agricultural industry and the economy. Dealing with the challenge of subsistence farming must take a long term view.

**YFN:** Where do you see us five years from now?

**Felix Lewis:** Opportunities still exist even with the challenges of the global economy but we don’t have the minimum infrastructure in place such as a culture of enterprise, support systems and the entrepreneurial eco-system to allow us to take advantage of these.

We need to move from buzz words like “entrepreneurship development” to action. Unless we start to put resources to match our rhetoric, we will probably be having this same conversation five years from now. We can’t just talk about things. We have to put the words into action to drive the results we want.

**YFN:** Who should take the baton and make the first step to move the action forward?

**Felix Lewis:** A lot of the controls are at the policy making level to commit the resources both human and financial to do it.

**YFN:** Considering the fiscal challenges currently being faced by our governments, isn’t it time for the private sector, the NGOs, the individual business person, and other stakeholders to act and move forward?

**Felix Lewis:** Yes, that is true. But if you have unfriendly policy,
legislative, tax and fiscal frameworks there are only a few businesses who will take on the risk to move forward. Governments need to make sure that administrative burdens are moved, or alleviated and provide the type of support in terms of policy, legislation, and facilitation to spur private sector development.

You can’t just expect the private sector to wake up and decide they are going to invest. They are not going to invest until they feel that the risks they are taking are manageable, they are not going to invest if they feel that they are being taxed too heavily or there are not enough support systems to manage the risks involved in the investment.

One of the sustainable ways that government can expand their revenue is by expanding the private sector so that they expand their tax base.

**YFN:** One would wish that it was that clear cut, but when you take all the factors into consideration, it is not.

**Felix Lewis:** Maybe we have to have a long-term view and nurture the new generation of entrepreneurs to understand what entrepreneurship is about - entrepreneurs who are willing to take the type of risks to secure the type of rewards that one can get from entrepreneurship. Additionally, we have to have the measures in place to make sure that the next generation of entrepreneurs are not so risk averse and conservative as the current private sector. We have to broaden the entrepreneurial base.

**YFN:** So in your view we are not going to get fundamental changes from the existing private sector so we have to focus on the future generations of entrepreneurs to see change. This means that the change we want to see is a medium to long-term prospect?

**Felix Lewis:** We have to provide the systems that will support the development of our human resources in the region; the acquisition and application of knowledge. We have to look at it systematically to see how little by little we can put the right things in place to achieve the results we want. We may not be able to put everything in place all at once, but we need to do those things which are critical to make it work. If we don’t put the things in place which are critical, we would make the investment but not see the desired results.

There are several changes that we can make which are not very costly but will have major impact. For example if we move from a production-led model to a market–led model for agriculture, this would have significant and immediate impact on the confidence of the farming community, their willingness to take risks and the attractiveness of the sector to investors.

There is also a need for a strong review of our education system – the focus and what is pushed. We tend to focus on a strictly academic line. I am not saying that is not necessary, but we need to add other things to that. In St. Vincent and the Grenadines we have upgraded the programmes from our technical and vocation college to be associate degrees and so some strides are being made but more is needed.

We have to find a way. We have to nurture and motivate our ordinary inventors to find solutions to problems in our communities, some of which would have potential for export beyond our borders. Innovation and research are not done in a vacuum.

We also have to address the skills gap in the management of processes and resources. In this part of the world we have the notion that if for example you have a guest house you are automatically an expert in tourism and if you are a tradesman within a few years you automatically graduate to becoming a contractor and so on. This feeds the reluctance by these individuals to pursue training opportunities and to build technical knowledge and management capabilities in their respective disciplines.

Finally, we have to look at those things that are working and those that are not working. Where they are working keep them but make fundamental changes where things are not working to move our economy forward.
Sutcliffe Hodge is the former Executive Vice President for Lime in the Windward Islands. An entrepreneur since 1982, he holds an MBA, Business Administration with concentration in Marketing and International Business. He is passionate about economic transformation and human development in the Caribbean.

YFN: The region has been grappling with the challenges posed by the external and internal environments. What do businesses have to do in light of the obvious contractions in the economy?

Sutcliffe Hodge: We have challenges in the region and many of these challenges have been here for sometime; challenges with productivity, energy, transportation and critical mass.

Productivity - Because of our colonial past, most persons from the former British territories tend to have an employee mind-set and mentality, so there is not a focus on delivery. The focus is on doing just enough to get paid. We have to fix that. We need to engender a spirit of ‘entrepreneurship’ i.e. entrepreneurship within an organisation. We need to engage a spirit of entrepreneurship within our culture. The way that can be addressed is to allow participation by way of profit sharing or ownership and then management has got to communicate effectively the drivers to achieve profitability. We need to have more incentive based pay; you don’t just get paid for showing up, you have to deliver.

YFN: That will require a total revamping of the management and leadership styles at the levels of the public and private sectors. But you know that we are slow to change.

Sutcliffe Hodge: Either that we change or we perish. Those are the options right now.

When I was at university years ago I had a professor who was talking about the geo-economic and geo-political blocs around the world and he spoke about his views on Europe, Asia and Latin America and I raised my hand and asked about his thoughts on the Caribbean and he responded that the Caribbean nations would be beggar nations forever. I went cold, I felt insulted and that gave me the motivation to come back to the Caribbean and make a contribution.

The next issue is energy. We are at the mercies of the oil companies. Oil prices around the world are expected to continue to rise as we see more and more consumption of oil in the emerging countries around the world. This means we are going to be challenged with fossil fuel energy. But God has blessed us with the best energy sources in the world. He planted us where there are solar, wind and wave energy sources and geo-thermal potential in a number of our jurisdictions. The question is; “What are we doing about it?”

The Caribbean should have led the way in solar energy. The reason why the developed world has not been able to lead the way in solar energy is because most of these countries have weather seasonality. We can boast that we have sunshine in most of our islands almost 350 days per year- so energy is something that we should be taking
advantage of solar energy in particular and wind energy.

**YFN:** What is in our mindset that prevents us from fully recognising the strength of our own natural resources? We tend to focus on our lack of oil, diamonds, bauxite, and other traditional resources and have in the past only looked to the sun mainly in relation to providing the environment of sun, sea and sand tourism.

**Sutcliffe Hodge:** We have a dependency mind-set. Someone from outside has to do it and when that outsider steps forwards and does it, then it is good.

**YFN:** How do we get out of this dependency mind-set?

**Sutcliffe Hodge:** A lot of education. We have to become bold. We are not naturally bold persons. We have got to be assertive in pursuing things that will make a difference. We have to be assertive and we have to be deliberate.

Energy is an issue that we have to deal with because we are at the mercy of oil companies. When you stop and think about how much money leaves our region and goes into the hands of foreign oil companies (directly and indirectly) for the importation of gasoline and diesel, it is a drain on our economy. Meanwhile if we were exploiting our solar and wind resources decades ago we would have solved our energy problems, our transportation problems and our economic problems. Could you imagine how the Caribbean could be, where all we had was the one off cost to put in the supporting infrastructure?

**YFN:** We are slow to change, we are less likely to uproot and start over.

**Sutcliffe Hodge:** Yes but this conversation is about the need for a paradigm shift.

**YFN:** Who drives this paradigm shift because we have been talking about shifting for some time now? In the past, when we shifted, it appeared that all we did was to take a small step to the side in the same path that we have always taken?

**Sutcliffe Hodge:** What we are very good at in the Caribbean is talking. We talk, talk, talk and we write reports and toss them aside but very few people are prepared to roll up their sleeves and make things happen and this is not about money, it is about having a vision and driving that vision forward.

**YFN:** You spoke about critical mass. How does that impact growth in the region?

One of the questions that will always challenge us in these small island is; ‘How does one support the infrastructure, the cost of keeping a country going and achieving economies of scale without having critical mass?’ Anguilla is a good example of this. How do the grocery stores survive? How do the telecommunication companies survive? How does the electricity company survive? What level of patient population is required to maintain the hospital? We have to be creative in how we provide services. My view with respect to health care is that we should have specialised medical care services in the various islands with each island focused on separate areas e.g. diabetes, plastic surgery, cancer. So what would be required is to...
stabilise the patient in country and then get the patient to the country where the specialist care is available.

**YFN:** So you are a proponent of the OECS economic union?

Absolutely, but it has to be an economic union that functions. Not a union that talks. We are known to be people who talk. We need to act now. Our survival as a region will be threatened unless we wake up and take those bold moves that are going to reposition our people, not just for survival but for success.

**YFN:** This is a good segway to ask about your take on the region’s level of competitiveness?

**Sutcliffe Hodge:** We have to recognise that we would probably not get to the point of “sufficient” competitiveness with critical mass being an issue, transportation being another issue and depending on industry, terrain being an issue.

**YFN:** Is critical mass really an obstacle to competitiveness in a global economy where the world is a click away and we can provide goods and services globally and access information and knowledge globally?

**Sutcliffe Hodge:** That may be true but we have to be realistic. What do we have to compete with the rest of the world? In tourism we actually have something to offer but we are not driving a strong value proposition so that we can actually gain a real competitive advantage.

We have challenges with crime, energy and we have issues with who owns the plant. Most of our economies in the region rely on tourism but the major portion of the tourism plant is owned by Europeans or North Americans. The time has come for us to become greater holders of the tourism plant so that the profits can remain here and develop our countries. In a similar way, we sit back and allow cruise ships to come from all over the world into our territory. I am of the view that we know the Caribbean better than anyone else, so why can’t we take care of the tourists when they get to the gateway of our Caribbean region.

**YFN:** How can we take on such an industry if we don’t have the skills and mind set to do that?

**Sutcliffe Hodge:** We have some isolated examples in our region. For example, in Grenada there is a local hotelier, Sir Royston Hopkin, who owns Spice Island Beach Resort which is a AAA Four-Diamond resort. If we can replicate this across the region, we can impact the development and growth of our economy. Yes we can. But we have to be serious about our tourism. For starters, customer service in our region generally leaves a lot to be desired.

**YFN:** How do we forge ahead and change those shortcomings that we can so ably articulate?

**Sutcliffe Hodge:** It starts with leadership at the levels of the public and private sectors. But, I think the best place for it to start would be the private sector; then the private sector
would push hard on the policy makers. But it should be private sector led. We have to change the mind-set in our region about who and what steers our economies.

**YFN:** In terms of tourism, what will create a more competitive industry?

**Sutcliffe Hodge:** It is a value for money proposition. We have to present our islands as cleaner with better customer service and safer.

**YFN:** Isn’t crime in large part reflective of the economic challenges?

**Sutcliffe Hodge:** While it may be true that crime is in part a factor of our economic situation, I think it reflects a shift away from traditional values.

We have to reconstruct our communities and our families. We have to place more emphasis on core values. We are allowing our region to shift away from honesty, respect and other core values and that shift in values has become ingrained in the psyche of our people. With that shift we are seeing a lot of negative elements. Education no longer holds the same level of importance and many core values have disappeared. So we have challenges in the construction of our family which is the core of who we are as a people, so we have some work to do. And our economies are threatened because of all of this. It is all tied in.

**YFN:** If knowledge and innovation are critical to driving private and public sector institutions forward, how do we embrace this in our business models?

**Sutcliffe Hodge:** We exist in a very competitive global economy, and so we need to make that shift.

**YFN:** What does that shift look like?

**Sutcliffe Hodge:** It is a shift that demands radical education reform, where we challenge our young people and leave a lot of room for innovation. It is a shift that demands identification of our real priorities. I am not sure that we are identifying and focusing on those things that should be our priorities.

**YFN:** How can the private sector spark innovation and create the environment for young persons to enter the workplace driven to try more, experiment more, and produce more?

**Sutcliffe Hodge:** As a business person some of the challenges are really complex. You can hire that young employee who is highly knowledgeable and skilled but because you do not have the volume of business to keep him stimulated, he will get frustrated and even leave the sub-region. So what do you do?

There are certainly opportunities for us in fishing and fish farming. We can focus on agricultural products that complement the tourism industry. I think those are the things with which we can become more creative and innovative. Yes, there are opportunities in high tech areas, but it is a very competitive space in which to operate. Additionally, I think there is a need for us to do more sharing of our resources and ideas. We need to build an electronic bridge between our islands so that we can see ourselves in a single space and create more progressive high-earning jobs for our people.
**YFN:** Where do you see your business in five years?

In five years we will still be challenged. We have to keep our eyes on cost because our margins will continue to be squeezed as consumers don’t have much spending power.

**YFN:** When do you see us coming out of this economic malaise and returning to the better years?

**Sutcliffe Hodge:** Five years from now we may still have a soft economy because of what is going on globally. Europe is going to be struggling for some years. North America is being challenged because there is low productivity relative to wages so America is not competitive relative to other places in the world such as China, India, and other BRIC countries - Brazil, Russia, India, China. In the Caribbean, we tend to focus on surviving on the crumbs from North America and Europe to a lesser extent. We will not move forward unless we take deliberate steps to take control of tourism; address the issue of energy, and become more of a trading bloc in the OECS. If we focus on these, then in five years we will be repositioned for higher levels of growth.