

Feature Address At the Seventh Development Conference, ECCB Headquarters

By
Sir K Dwight Venner, Governor, ECCB
(21 November 2002)

Mr Chairman:

We have entered the 21st century with the vast majority of the people of the planet hoping for social, political and material improvement in their lives. This hope surely is legitimate and expected in a world of such technological sophistication.

Such hope is also possible judging by the historical record. There are a number of countries in the world which enjoy a high standard of living and even in many developing countries, there are sections of the population which have standards of living which compare with those of the middle classes in the developed countries or even the elites in developing countries.

The possibilities of economic growth are therefore not in doubt, it is the sustainability and equitable distribution of such growth. For two thirds of the last century from roughly 1916 to 1989, there was competition between two systems of resource allocation in the race for development namely capitalism and socialism.

With the demise of the latter in 1989 and the end of the Cold War, there was a presumption that there would be a peace dividend and that the system which had survived would provide the impetus for increased growth and development throughout the international system.

This clearly has not been the case although it would be true to say that the atmosphere and opportunity for addressing the issues of development on a global and national scale have significantly improved.

For one thing, the spread of democracy and democratic institutions at both the global and national levels has been dramatic. We have experienced what Samuel Huntington has called the Third Wave of Democratization. The first was in the 1970s involving the French and American Revolutions. The second occurred at the end of World War II with the rapid spread of decolonisation and the third started with the collapse of dictatorship on the Iberian peninsula and accelerated with the events of 1989. Of the 200 countries in the world nearly 140 have had multi-party elections. It is therefore fair to say that the climate in the international community is not conducive to the continuation of authoritarian regimes and that the work of many official and unofficial organizations is dedicated to the enlargement of social and political freedoms.

This is very crucial in an era where, in order to meet the increased expectations of the global community, we have had to broaden the scope and definition of development to encompass more than just economic growth but also ultimately the freedom of individuals to exist in a secure environment and to be able to take advantage of opportunities for social, political and economic advancement.

The question then becomes, both at the global and national levels, how can the impediments to the taking of these opportunities be removed?

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The task is indeed a formidable one which must engage the international community as a whole. The task has to be quantified; and the United Nations Human Development Report for 2002 entitled “Deepening Democracy in a Fragmented World”, sets out to put the situation in perspective.

The results of the analysis are deeply disturbing as it paints a picture of great inequality and deprivation on a global basis. The report also concedes that some of the millennium development goals adopted by world leaders at the U N General Assembly in 2000 may not be met.

The reduction of poverty, which is a major goal, will be quite a challenge based on the current statistics. In 1999 2.8 billion people lived on less than \$2 a day (they were classified as the poor), 1.2 billion of them barely surviving on less than \$1 a day (they were referred to as the extremely poor). At the same time 1 per cent of the world population had as much income as the 57 per cent of the poorest. Of the 680 million children of primary school age in developing countries, 113 million are not in school. Every year 11 million children die of preventable diseases, often for want of simple and easily provided improvements in nutrition, sanitation, and maternal health and education. 1.1 billion people lack access to safe water, and 2.4 billion do not have access to any form of improved sanitation services.

Mark Malloch Brown, Administrator of the UNDP concludes that, and I quote, “at current trends, a significant proportion of the world’s states are unlikely to achieve the Millennium Development Goals, including the overarching target of halving income poverty by 2015. Many countries are poorer than 10, 20, and in some cases 30 years ago.”

How is the international community mobilizing to deal with these challenges and what is the institutional framework at hand to address the issues.

Since World War II, an elaborate and ever-revolving governance structure has emerged for the international system. The U N and its specialized agencies have responsibility for peace, security, human rights and development, the Bretton Woods institutions, the IMF and the World Bank have responsibility for finance, the W T O for trade.

The countries of the world have been classified by region, by income status and by power and status. We now have only one superpower, the United States, but there is also, according to one Canadian economist, a gaggle of Gs starting from the G 1 to the G 3, G 7, G 8, G 24 to the G 77. By region, Europe seems determined to become a significant global player through integration, consolidation and the accession of new states. In the Americas, Asia and Africa, there are associations mainly based on trade of a relatively looser character.

There are also a number of NGOs and Civil Society Organisations of a global and influential nature such as Human Rights International, Transparency International, Greenpeace, etc.

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Significant efforts are being made by the U N System to address the issues as evidenced by the several major conferences on Development, Financing, Sustainable Development and the Environment, Gender etc. The problem has been with the willingness of the rich countries to fund these efforts.

Jeffrey Sachs in a very interesting and provocative article in the Economist of 26 October 2002, takes the current American Administration to task for neglect of global development problems in contrast to their willingness to pursue their security interests. Sachs is not the only commentator to suggest that these issues are not dissimilar, as poverty is the breeding ground for disaffection and the radical groups which are springing up to challenge American hegemony and security interests.

Sachs calls for the mobilization of weapons of mass salvation as opposed to weapons of mass destruction. He also points out that U N “Development Inspectors” going into the United States would discover “a nearly total disconnect where global commitments and domestic politics are concerned” and also “a complete disarray with regard to the organization, budgeting and staffing necessary to fulfill the commitments.”

The sensitivity of the developed countries to the nature of the crisis of poverty in developing countries and their tangible commitment to assisting in providing solutions to these problems is a necessary, though not a sufficient condition for substantial progress.

It is very clear that equal responsibility lies with the developing countries in resolving their development challenges. These challenges are at several levels, namely, the state or nation, the community, the firm and the individual.

Three critical factors which are significant determinants of development are:

- (a) Resources
- (b) Capacity
- (c) Institutions

Traditionally, the endowments or factors of production identified as providing the basis for production and comparative advantage were land, labour, capital and natural resources.

There is a group of new endowments among which would be included:

- (a) Geography - distance from markets
- (b) Technical Knowledge
- (c) Human Capital
- (d) Public Infrastructure
- (e) Quality of Institutions
- (f) Ability of firms to provide the right products to the right markets at the right time.

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With respect to capacity, my interpretation relates to the political and social constraints on economic growth and development as well as the technical and administrative capabilities of both the public and private sectors.

In the case of institutions, they represent the rules, enforcement mechanisms and organizations which govern the consistent interplay between political and economic actors over reasonable periods of time.

Developing countries, particularly those whose natural evolution was attenuated by colonialism and imperialism, have no long history of state formation and nation building and in many cases lack the institutional framework for development. Development over the past several decades has been a sometimes confusing and fast changing concept with new fashions or issues being added from period to period.

A broad brush approach in the current times would cite not only higher per capita incomes but also equitable education and job opportunities, greater gender equality, better health and nutrition, a cleaner and more sustainable natural environment, a more impartial judicial and legal system, broader civil and political freedoms and a richer cultural life.

This is consistent with the views of the Nobel Laureate in Economics, Amartya Sen, who sees development as a process of expanding the real freedoms that people enjoy.

To quote Sen, “Development requires the removal of major sources of unfreedom, poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states.”

Given the statistics on global poverty, it is clear that a tremendous effort is required at both the global and national levels. Without individual capacity, development efforts are doomed to failure as freedoms are not only an end in themselves but a means to secure development for the individual, the community and the nation state.

Sen himself, identifies and outlines distinct types of freedom.

1. Political Freedoms
2. Economic Facilities
3. Social opportunities
4. Transparency Guarantees
5. Protective Security

One can find a critical link between liberal democracy, market systems and development in providing empowerment, opportunity and security to individuals. These factors involve giving voice and social inclusion to individuals, opportunities for funding markets and investment as well as improvements in health and education, and the security from reduced vulnerability to

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economic and physical shocks. The state can provide the environment and climate for the individual if it can establish a balance between intelligent intervention and suffocating protectionism. This requires in turn a balance between good policies and viable institutions. The state must establish a proper regulating framework, provide good public infrastructure, create appropriate incentives and facilitation for private production and have the capacity to engage in regional and international negotiations which will provide market access for domestic producers. It must also provide the political and social space for individual creativity and development.

Democracy and freedom are not strangers to this region, which since the social upheavals of the 1920s has moved smoothly from adult suffrage to Independence with very few hiccups. If Sen wanted any concrete empirical evidence of the correlation between development and freedom, he could easily check the position of the Caribbean countries in the United Nations Human Development Index. Of the 173 countries in this index, five from the Caribbean are in High Human Development and seven are in Middle Human Development. This is not to say that we have no problems or that we are on the verge of becoming developed countries. Far from it - we need to consolidate our gains and endeavour to make further progress up the development ladder.

The Caribbean region and the OECS/ECCU face enormous challenges as the world turns, so to speak.

We face tremendous challenges from the increasing pace of globalisation and like all countries, we need to restructure and transform our economies to survive and prosper in the new conditions of the 21st century.

The major issue for the region in my opinion is commitment to and implementation of higher levels of political and economic integration. This will give the individuals and firms of the region more freedom and space to access the resources, capacities and institutions that an all-embracing regional entity can provide.

These will allow us to leverage the high levels of literacy, which already exist, on to a higher educational platform which is essential for success in today's knowledge economy. This would be the critical prerequisite for our successful entry into the global economic system.

The choice in going in this direction has to do with the kind and quality of jobs we want to create in the new economy or economic system. Given the nature, size and characteristics of our populations we have to be very careful that we do not get drawn in a disproportionate way into low level jobs in Export Promoting Zones, long distance teleservicing and tourism. We have to seek higher order jobs in ICT, designer products, cultural products and the hospitality and financial service industries. It is for this reason that we have to target the educational sector as the precursor and prerequisite for the appropriate economic strategy to achieve our development goals.

Geography and geographical location play a critical role in the calculations from two points of view. Firstly, the demonstration effect of living in such close proximity to the United States raises both material and psychic expectations. Secondly, it offers an opportunity to access the

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markets and resources of that country. The strategy we adopt will be pushed by the need to satisfy these expectations on the one hand, and the ability to satisfy them on the other. The critical question then arises as to whose responsibility it is, state or citizen, to meet this challenge? The answer lies in the balance both literally and figuratively.

Governments must not give the impression or be coerced into believing that they have to supply all the wants of all the people. The citizens must be prepared to accept their responsibilities to be productive and positive contributors to the development effort.

This is the challenge for Caribbean societies as we face the future. How can we build on our democratic traditions by carefully identifying the roles and responsibilities of state and citizen? How do we successfully interface with the international economic and financial systems? How do we create and maintain free societies in which growth is sustained and sustainable? There is high quality and meaningful employment, and there is equitable access to opportunities in the society. These are challenges we must and can successfully meet in this new millennium.