

NATURAL RESOURCES ECONOMICS IN THE CARIBBEAN

Challenges and opportunities 20 years
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COTE 2011. UWI St. Augustine.

Global SD Scenario 20 years ago (1)

- ▣ Term SD had just been introduced, (1987) debated in UNGA, Rio conference agreed.
- ▣ Rio (1992) produced Principles, Agenda 21, UNFCCC, and related agreements
- ▣ Historic consensus after 20 years of North-South divide on environment and poverty
- ▣ Ecological Economics was spawned from its predecessors Environmental & Natural Resource econs (NRE), but with a paradigm shift: economic system as a subsystem of the ecosystem & invoking 2nd Law of Thermodynamics

Global Scenario 20 years ago (2)

- ▣ Search for tools, strategies, programs and policies to implement agenda 21, UNFCCC, Forestry Principles, preps for SIDS (Barbados, 1994), etc.
- ▣ Intensive efforts on measurement, indicators, national accounting systems, triple bottom lines for business , greening the economy
- ▣ Bilateral and multilateral funding prioritize SD
- ▣ Significant increase in research on ecological economics and NRE.
- ▣ Most significant policy concern was unequal global economic growth, and lack of significant growth in most developing countries

Regional Scenario (20 years ago)

- ▣ Caribbean joins the Pacific and other SIDS to form AOSIS
- ▣ UWI establishes CERMES (Cavehill) and chair in SD (Mona), SD course at CGSS (Mona)
- ▣ CARICOM establishes CEHI, PoS Accord, Ministers meetings on Environment etc
- ▣ Many NGO'S establish international collaborations
- ▣ Caribbean main stream economists become engaged . (Caribbean Ecology and Economics conference 1989 etc.)
- ▣ Some countries establish EPA'S and national action plans
- ▣ Topical issues included linkages between agriculture, tourism and ICZM in islands , hazardous wastes, Caribbean sea protection , sewage and solid waste, climate change etc.
- ▣ Slow economic growth, challenging terms of trade, heavy reliance on island tourism, heavy debt, etc

A lot has happened in NRE globally since then

- From fish, tree and ore models of optimal extraction to including air, water and environmental benefits
- From mainly commercial interests to including recreational and aesthetic values , and ecological services
- From UNFCCC to Kyoto, CDM, JI, Carbon Markets, Taxes, Credits, Finance etc..
- New economic valuation tools for biodiversity, coastal zone resources, forestry etc. Some classic tools remain useful, (Hartwick, Hotelling, Solow etc...) with appropriate critiques.
- Elinor Ostrom wins 2009 Nobel Prize in Economics common property, institutions, political economy
- Poverty, Equity, Resource ownership nexus, including legal empowerment of the poor
- Most importantly growth has recovered in the many southern economies, and global convergence in growth is on the horizon, with its implications for geopolitical power shifts, increased consumption, and natural brakes of environment and energy

And in the region too...

- ▣ CARICOM Single Market and Economy (CSME): free movement of goods and services, labor, skills, common external tariffs , harmonization of laws
- ▣ Caribbean Catastrophe Risk Insurance Facility (CCRIF), first of its kind in pooled risk sharing
- ▣ Caribbean Climate Change Center
- ▣ These must now become pillars of our international relations

Big Picture Regional NRE issues

- ▣ How do we increase the contribution of natural resources to economic growth in a sustainable way?
- ▣ How do we balance commercial and recreational values?
- ▣ How do we improve our negotiation positions and capacities to deal with increasing globalization, WTO rules , bananas in Europe, low world sugar, but higher oil, bauxite and gold prices ?
- ▣ How do we make the case that resilience and vulnerability are as important as GNP per capita in small open economies prone to natural disasters?
- ▣ How do we benefit from our vulnerable position as front line states in global climate change?
- ▣ Would wider and deeper regional integration help?

Country Case Example: Guyana

- ❑ Good institutional framework 2 decades ago: GNRA, GAHEF succeeded by EPA, NEAP, Environment in OP,
- ❑ Good regional and international political leadership through (CARICOM, Iwokrama, UN-REDD, carbon economy, etc,
- ❑ President Jagdeo as Champion of the Earth (UNEP special award 2010 biodiversity & forest conservation) for leadership in inviting donors(Norway, WB et al .) to pay for forest protection through carbon credits, ecotourism and pharmaceuticals and use these resources for infrastructure development, job creation etc)
- ❑ Some important national efforts: in agriculture (sugar, rice other crops) hydro, etc.
- ❑ In spite of 5.9% GDP growth in first half 2011, fisheries and forestry contracted by approx 5 and 20 % respectively
- ❑ Much room for improvement: scant recent natural resource economic valuation data to guide policy, lack of systematic NRE policy making, weakening institutional framework , weak human and organizational capacity

Resource Case example: Coastal Capital (WRI 2011)

- ▣ Current beach erosion rates at Negril, Montego Bay and Ocho Rios after 10 years will result in annual losses of US\$19 M and likely increased rates will lead to annual losses of approx. US\$ 33 M to tourism sector alone
- ▣ Fish catch in Jamaica declined from US 64 M sales in 1996 to US\$ 34 M in 2005
- ▣ Current beach erosion rates in DR will result in US\$ 52 M to US\$ 100 M over the next 10 years. Local fishermen incomes from fishing had declined by 60% over the last decade
- ▣ In Belize coral and mangrove reefs tourism contributed US\$150M –US\$196 GDP (12 to 15 %), US\$15 M from related fisheries and approx. US\$ 300 M from physical protection

Extend such valuations

- ▣ Such coastal capital valuations now need to be completed for all Caribbean countries
- ▣ The economic valuation of the other important natural resources such as forestry , biodiversity, land, minerals, natural energy resources such as wind, sunshine, waves, geothermal , biomass etc need to be done.
- ▣ Recognize that economic valuation is a limited but powerful data base for national policy making, and international negotiations
- ▣ Yet, even where the data is available, use for policy making is rare. Why ? What can be done?

From Evidence to Policy

- ▣ Evidence for change is never enough
- ▣ Policy change is a function of competing political and economic priorities, contestation among unequal stakeholders , perceptions of winners and losers, levels of corruption, and presence of political will
- ▣ Bridging the gap between those who know and those who need to know must be done tactfully and strategically. Brokering is usually helpful through e.g. effective dissemination, linking experts with policy makers , co-production of evidence, building trust through carefully chosen interlocutors etc ..
- ▣ If NRE data is not used in policy, incentive to do such critical research in the region will dry up

Global Economic Outlook

- ▣ An increasingly multi-polar geopolitical world (G-20 etc. Post financial crisis policy fall out.
- ▣ The decline of the US economy
- ▣ Economic growth in a lot of the south even in Sub-Saharan Africa
- ▣ Rise of “*southern donors*”.
- ▣ Importance of BRICS as trading partners
- ▣ Increased connectivity in the south and opportunities for self-organizing growth of the private sector.
- ▣ Uprisings in the middle east and the drive to self-empowerment, influence on future oil prices
- ▣ Convergence in growth and consumption patterns between north and south and need for enlightened capitalism, (inclusive, democratic , intergenerational)

New Thinking in Economics

- ▣ Rise of behavioral economics. Happiness studies. Multi-dimensional measures of poverty,(MDI).
- ▣ Increasing recognition of inadequacies of general equilibrium models and gaps in growth theory
- ▣ New insights from evolutionary and complexity theories : Agent based modeling and beyond.
- ▣ Law-Economics interface :Legal Empowerment of the Poor –human rights/ markets nexus

Conclusions and Recommendations:

- ▣ Seriously re-examine opportunities for strategic natural resources management towards greater and more sustainable contributions to economic growth
- ▣ Driven by the global financial and economic turmoil , need to help cushion the region from global shocks
- ▣ Changes in global growth patterns, geo-politics, new thinking in economics , carbon markets etc provide new opportunities for creative NRE policies.
- ▣ Advances in the CSME process provide a new framework to rethink NRE opportunities in the region
- ▣ Good time to revisit NRE research & policy making linkages.
- ▣ Broad NRE for SD can provide new framework for CARICOM relations with international community

Towards an action agenda

- ▣ Take few NRM policies or programs and examine extent to which they are based on NRE evaluations. Will reveal soundness , or not or need for better evidence base.
- ▣ Collect most relevant up to date NRE tools and see to what extent researchers are familiar with them and conduct capacity building workshops as necessary
- ▣ Review regional experience with evidence based policy making , indentify opportunities for improvement and design fundable program
- ▣ Assess current IR thinking to see how regions needs in security, trade, aid, tourism, optics, etc can best be met and assets best shared with the international community in a new NRE approach to IR.