

Development Imperatives for Small Open Economies in a Challenging Environment

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Main Propositions

- ▶ We don't have to remain "Small Open Developing Economies"
- ▶ Need a shift in perspective and attitude
- ▶ All need to embrace a Collective National Responsibility to support leadership of a strong vision

Basic Paradigm

Basic Objective

- ▶ Production:
 - ▶ Quality product
 - ▶ At a competitive price
- ▶ Question:
 - ▶ What product (traditional/nontraditional)
 - ▶ What market (traditional/nontraditional)

How to Produce

- ▶ $Y = f(\text{Capital, Labor, Energy...})$
 - Savoir faire
 - Supporting Environment
 - Macro economic and financial stability
 - Physical and social infrastructure
 - Ease of doing business
 - Worker/investor rights
 - Legal and regulatory framework

How to Finance

- ▶ Intermediation
- ▶ Access
- ▶ Amount
- ▶ Cost

Getting it Done!

- ▶ Consensus for implementation
 - Government
 - Political Parties
 - Private Sector
 - Civil Society
 - Thought Leaders

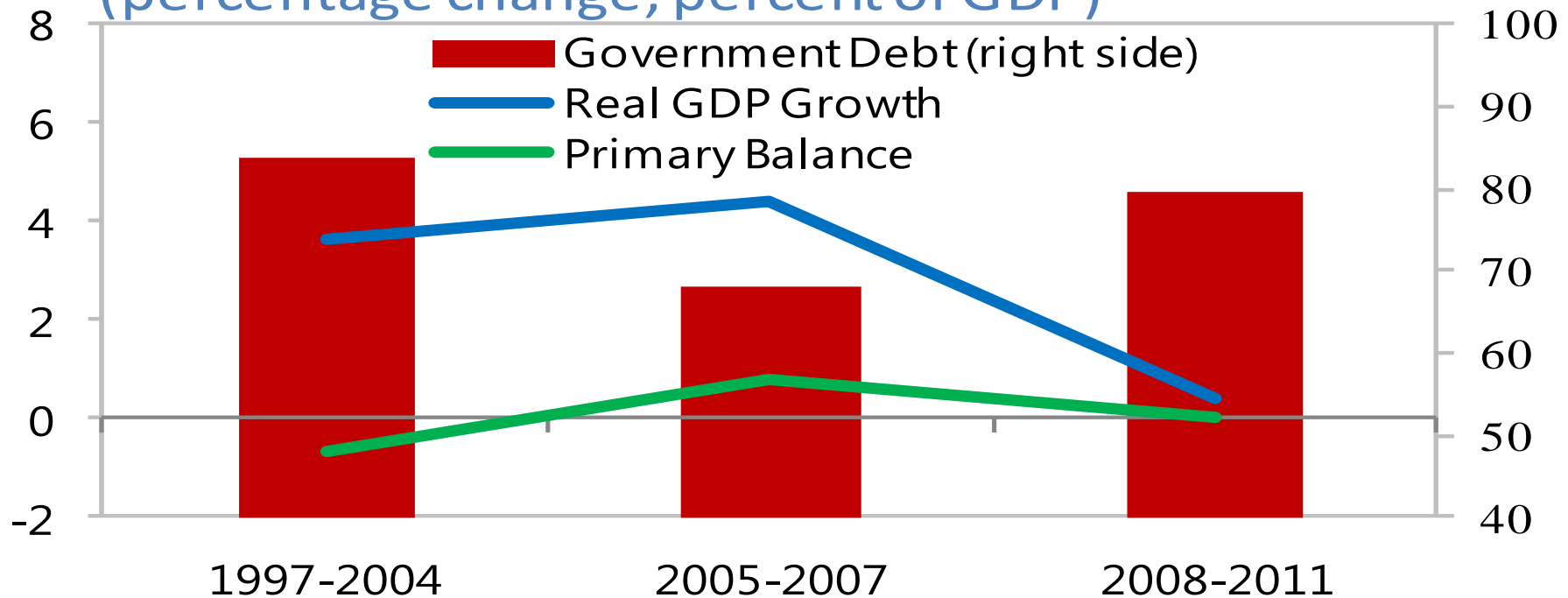
Imperatives for Small Open (Developing) Economies

1. Take a hard look at where we are: Assess Initial Conditions

- ▶ Global Competitiveness Indicators (GCI)
- ▶ Doing Business
- ▶ Human Development Index
- ▶ Corruption Perception Index
- ▶ Millennium Development Goals

Low growth; high debt

Growth, Primary Balance and Debt (percentage change, percent of GDP)



Source: IMF staff estimates.

1/ Government debt measured as end of period, growth and primary balance represent average over period.

GCI – Macro Environment Ranking

<i>Country</i>	OVERALL	Government Budget	Gross National Savings	Inflation	Interest Rate Spread	Government Debt	Credit Rating
Barbados	126	115	125	95	81	137	51
Dominican Republic	96	45	138	107	94	41	84
Guyana	119	62	131	68	124	110	105
Jamaica	142	106	133	137	127	140	111
Trinidad and Tobago	57	81	20	131	99	72	43

1/ Index ranks 142 countries

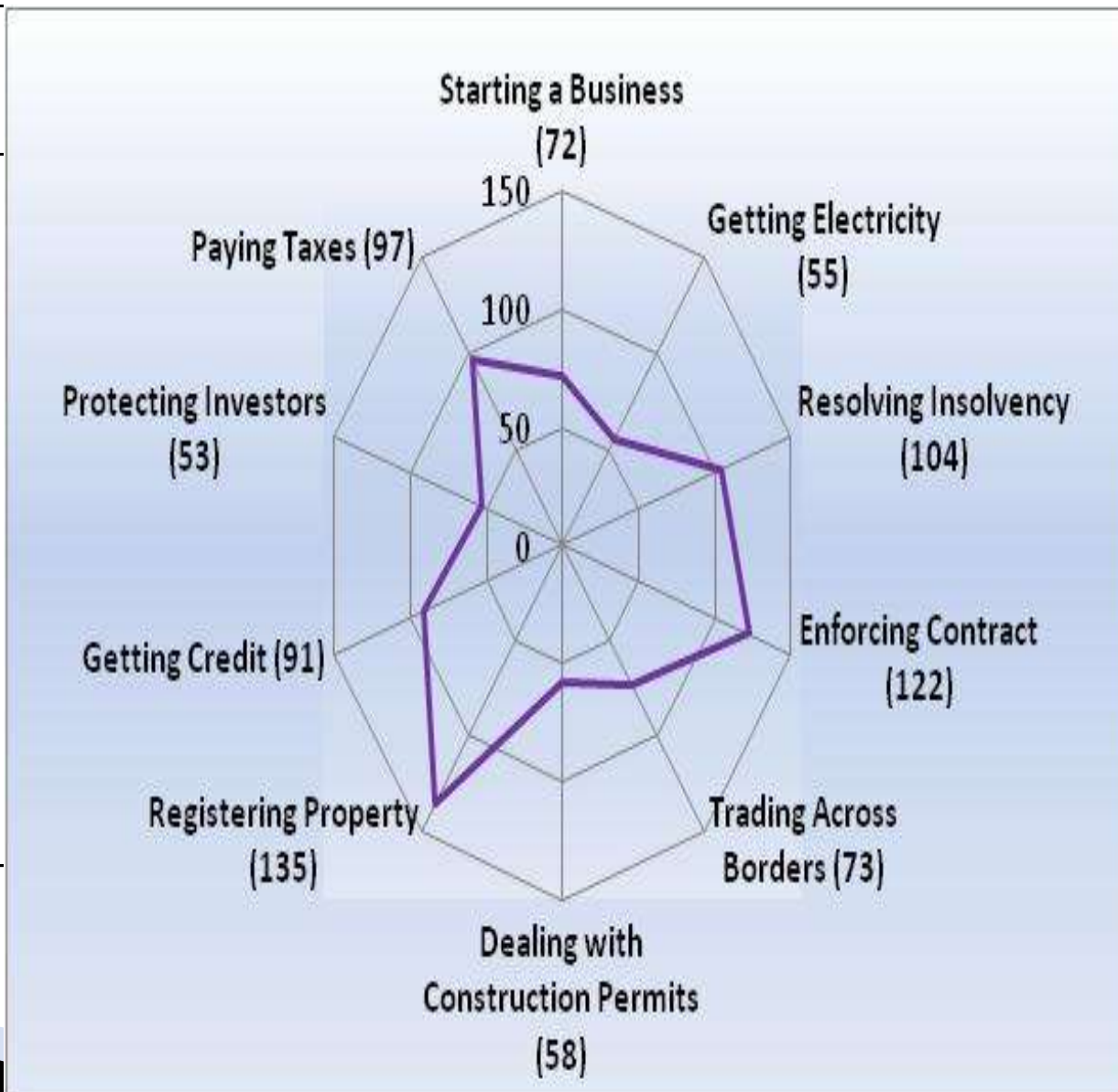
Source: Global Competitiveness Report 2011-2012

Doing Business 2012

	Ease of Doing Business
Antigua and Barbuda	57.0
Bahamas	85.0
Dominica	65.0
Dominica Republic	108.0
Grenada	73.0
Guyana	114.0
Haiti	174.0
Jamaica	88.0
St. Kitts & Nevis	95.0
St. Lucia	52.0
St. Vincent and the Grenadines	75.0
Trinidad and Tobago	68.0
Average	87.8

1/ Index ranks 183 countries

Source: Doing Business 2012



Human Development Indicators

	2000	2005	2009	2011
Arab States	0.578	0.609	0.634	0.641
East Asia and Pacific	0.581	0.622	0.658	0.671
Europe and Central Asia	0.695	0.728	0.744	0.751
Latin America and the Caribbean	0.68	0.703	0.722	0.731
Sub-Saharan Africa	0.401	0.431	0.456	0.463
World	0.594	0.660	0.676	0.682

Source: UNDP International Human Development

Corruption Perception Index 2012

	Corruption Perception Index
Bahamas	21.0
Barbados	16.0
Dominica	44.0
Dominica Republic	129.0
Guyana	134.0
Haiti	175.0
Jamaica	86.0
St. Vincent and the Grenadines	36.0
Trinidad and Tobago	91.0
<i>Average</i>	81.3

1/ Index ranks 183 countries

Source: Corruption Perceptions Index 2011

MDG Policy Challenges

- ▶ Halving poverty requires rapid sustained economic growth and a reduction in inequality.
- ▶ Focusing social spending on reducing poverty and hunger, and for investing in human capital.
- ▶ Strengthening social institutions to ensure transparency, efficiency, and accountability.
- ▶ Increasing investment in infrastructure
- ▶ Implement early warning systems to reduce vulnerability to natural disasters

2. Articulate a Long-term vision

- ▶ Address core areas of development
 - Consider Resource and Financial Constraints
 - Develop clear Prioritization relative to objectives
 - Sequencing
 - Stay the Course

3. Target High Value-added

- ▶ In general, net importers of:
 - Capital
 - Skills
 - Technology
 - Energy

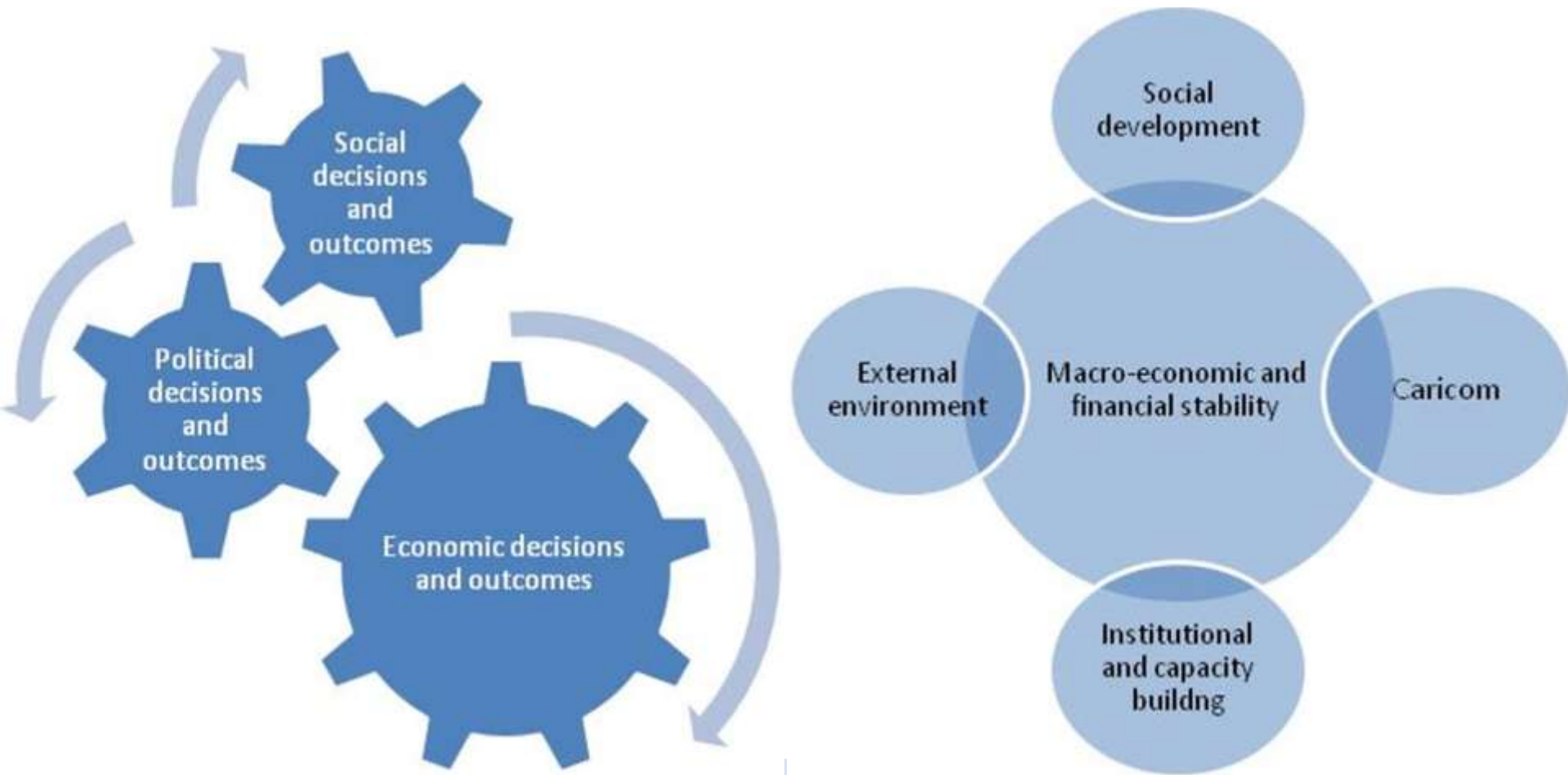
Can we be net exporters?

4. Embrace Good Governance

- ▶ Transparency
- ▶ Accountability
- ▶ Responsibility
- ▶ Information Dissemination (communication)

5. Adopt an Holistic Approach

Consensus



An Application for CARICOM

What: Knowledge, Innovation Diagnostics, and Strategies (KIDS)

- ▶ **Honoring Knowledge Accumulation**
 - Constant in human existence
 - Archive the cumulated experience
 - Build a database on the region
 - Allow each country to benefit from the sourcing, data entry, and sharing aspects of the project
 - Involve the accumulated experience of our richly talented Diaspora.
 - Broaden by gathering and archiving successful endeavors from the global village.

KIDS Cont'd.

- ▶ **Innovation Diagnostics** (leverage information into value-added products)
 - Create a center of knowledge excellence.
 - Leverage educational establishments as complementary knowledge centers.
 - Establish knowledge tourism.

KIDS Contd.

- ▶ **Create Specific Strategies**
 - Knowledge center able to craft specific strategic solutions.
 - Consulting to foreign corporations on success factors relating to opportunities in the region or elsewhere.
 - Develop subfield specialties from these at the regional level.

- ▶ **Become a net exporter of capital**

Environment: Role of Government

- ▶ Commit to fiscal responsibility, prioritization, and better public financial management.
- ▶ Commit to improving the environment for doing business (simplify tax systems, reduce crime, and target an improvement in worst rankings).
- ▶ Invest in human capital towards a well educated, flexible work force (manpower planning).
- ▶ Build buffers to mitigate the impact of frequent natural disasters.

Environment: Role of Private Sector

- ▶ Develop viable business cases independent of the need for government direct support
- ▶ Commit to international competitiveness and pursuit of excellence
- ▶ Pursue greater economic diversification in goods and services, and new markets
- ▶ Build support for R&D through partnerships with tertiary education institutions
- ▶ Play a leading role in defining qualifications and occupational standards,

Environment: Role of individuals

- ▶ Commit to national pursuit of excellence and international competitiveness
- ▶ Subscribe to “A healthy and educated nation is the road to a wealthy nation”
- ▶ Commit to social values of national interest
- ▶ Embrace an ethic of citizenry

Conclusion

- ▶ Can we develop dynamic and sustainable new paradigms? Yes!
- ▶ Need leadership and vision
- ▶ But buy-in and concerted and collective national responsibility is essential

Thank You.