



Brussels Development Briefing no. 27

Small Island Economies: from Vulnerabilities to Opportunities

Brussels, 4 April 2012

On 4 April 2012, CTA organized the 27th Brussels Development Briefing – part of a series of bimonthly Development Briefings on ACP-EU rural development issues. More than 100 participants discussed the vulnerabilities and opportunities that small island economies face.

Partners in the Briefing:

- European Commission
- ACP Group and ACP Secretariat
- Concord
- Media

Ambassador Shirley Skeritt-Andrew, Chair of the ACP Committee of Ambassadors and Ambassador of the Eastern Caribbean States, opened the Briefing by outlining the importance of the many vulnerabilities of small islands, such as the limitations of their natural resource base, the high emigration rate, the high exposure to external shocks, including natural disasters and the impact of the international economic and financial volatilities. Furthermore, their representation at the international level is low and they continually experience the 'island paradox' – although categorized as middle-income countries, they remain economically



vulnerable and are more exposed to climate change than larger countries. Thus, raising awareness of the vulnerabilities of small island economies is important, in order to move towards finding ways to overcome these challenges and for them to be given the opportunity to integrate into the world economy. Many options for building resilience exist, for instance by developing niche products and optimizing the services sector at the national level, through further integration at regional level, repositioning at the global level and establishing a green economy that focuses on renewable energy, innovation, education among others to combat the effects of climate

change. The Ambassador emphasized that these efforts would need political and financial support at the international level and change in policies in order to alleviate the multiple challenges that small islands face.

Denis Salord, Head of Unit, Regional Programmes Sub-Saharan Africa and ACP wide from the European Commission, highlighted the concern of small islands for all ACP regions and the necessity of the renewed political initiative, in order to optimize the impact of policies on the ground. Mr. Salord spoke about the funds that have been earmarked for ACP countries, such as EUR 60 million for the Pacific to provide support for management, the development of sustainable tuna-fishing and for trade in basic commodities; EUR 40 million for the implementation of the Mauritius strategy; EUR 20 million for ACP countries to promote a better response to natural disasters and changes linked to climate change and to limit exposure to risks. He highlighted the commitment of the EU and stated that the common goal must remain the development of small islands, in order to allow them to benefit from resources and capacities to confront the challenges they face.



Michael Hailu, the Director of CTA, highlighted the role of this Briefing in helping to build synergies and learning platforms among small islands in ACP countries, and facilitating the

exchange of knowledge and information. Small islands are among the most vulnerable to the intensity, frequency and impact of natural disasters, which result in environmental, financial and economic costs. Special attention should be paid to protecting the environment and people's livelihoods, and enhancing their resilience through research, knowledge generation, awareness-raising, strengthening governments, disaster risk management, climate proofing of infrastructure and developing new partnerships to move the agenda of small islands further.

Reducing vulnerability, enhancing resilience

In the first panel moderated by H.E. M. Jagdish Dharamchand Koonjul, Ambassador of Mauritius to the EU and Belgium, the presentation from H.E. Mr. Cheick Sidi Diarra, United Nations Under Secretary-General and High Representative for LDCs, Land Locked Developing Countries and SIDS, stated that Small Island Development States (SIDS) had raised concerns over their inherent vulnerability to external shocks long before the financial and food crises of recent years. SIDS are highly dependent on income-generating sectors, such as tourism and fisheries, and the global economic downturn led to a fall in export demand, a decline in remittances from migrant workers and reduced Foreign Direct Investment (FDI). SIDS must continue developing and allowing an enabling environment, in order to attract FDI. Private-public partnerships need to be strengthened and small- and medium-sized enterprises need to encourage entrepreneurship. The financial crisis led to a record drop in remittances in 2009 which had a bigger impact on the economies of SIDS than on any other countries. The financial crisis has also compounded the debt problem, as many SIDS do not have access to an international debt initiative. The food crisis had a wide-ranging impact on SIDS due to the dependence on imports and high transport costs, which led to higher food prices.



Many SIDS are now developing policies that promote the consumption of domestically-produced staples, including root crops. There is a need to focus on climate-resilient root crops and climate-proof projects and to implement adaptation measures. A broader recognition of SIDS by the international community and financial institutions is necessary.

Measuring economic vulnerability of SIDS

Lino Briguglio, Director of the Islands and Small States Institute at the University of Malta, emphasized that many successful small states, such as Mauritius, Malta, Barbados and Singapore are not necessarily vulnerable due to their successful economic governance structures, which have strengthened their resilience. Briguglio defines resilience as the ability to withstand shocks and not the ability to reduce vulnerability due to the permanence and inherent nature of the vulnerability of SIDS. Vulnerability is measured through three indices: openness to international trade, export concentration and dependence on strategic imports. Strengthening resilience to external shocks is important for all countries, but SIDS are in most need of building their resilience through good economic governance, stable macro-economic policies, market efficiency and social development. The risk of being affected by external shocks depends on the coping ability of a country and the economic resilience-building and adaptation.



Robert Read, Professor at the University of Lancaster in the United Kingdom, highlighted that there are no solutions to the long-term impacts of climate change rather that strategies have to be built to deal with the inherent problems of SIDS. Their openness to trade has implications in terms of growth, vulnerability, and policy-making and greatly constrains the policies that can be adopted by governments. The more open an economy is to trade, the more vulnerable it is to growth



volatility and the greater the need for resilience. At the same time, a greater extent of trade openness is the factor that brings a significant element of growth to small economies and any reduction of openness to trade would decrease incomes and increase trade volatility further. In spite of the many challenges that small economies face, many of them have achieved growth and high incomes. However, resilience must be built and governance strengthened, in order to protect them from natural disasters.

Pierre Encontre, Chief of Special Programmes in the Division for Africa, Least Developed Countries (LDCs) and Special Programmes at UNCTAD, shared the history of SIDS with the UN over the past four decades. The many vulnerabilities of SIDS are often still not recognized by the international community, leading to their graduation from the status of LDCs, in spite of the various vulnerabilities they still experience, such as currently in the case of Tuvalu. Resilience-building is the main aim of UNCTAD's work on SIDS, which should be the responsibility of both parties. SIDS have a large responsibility, but, at the same time, require a significant amount of external support, particularly in the form of 'special treatment', including preferential market access, development financing and technical assistance. Thus, UNCTAD has been involved in identifying international support measures to help SIDS build their resilience. An important step towards achieving this, however, is the clarification of the SIDS status, in order for development partners to take them seriously.



In the debate, issues were raised relating to the importance of agriculture in SIDS, emphasizing the importance of necessity to define the status of SIDS, and the need to combine academic approaches with practical strategies. Another issue that was raised was the importance of social capital, education, gender and youth. Furthermore, emphasis was put on the need to improve downstream processing in the linkages within the economy in terms of growing and devolving domestic volume added and employment. H.E. Cheick

Sidi Diarra stated that he would submit policy recommendations relating to SIDS to the General Assembly of the United Nations.

Sustainable development of SIDS

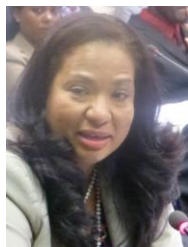
In the second panel moderated by H.E. M. Roy Mickey Joy, Ambassador of Vanuatu to the EU and Belgium, the presentation by Constance Vigilance, Economic Adviser at the Commonwealth Secretariat, pointed out that most of the recent discussions have revolved around creating a green economy and not enough on establishing an institutional framework for the sustainable development of SIDS. Due to the high reliance of most SIDS on merely one sector, their vulnerability is inherent. Thus, she proposed a stronger emphasis on increasing interregional collaboration. Until now, the regional dimensions of implementing the Barbados Program of Action (BPOA) have been weak, and a more structured approach, resource mobilization, identification and access for environmentally-sound technologies are needed. Furthermore, an institutional and intergovernmental platform should be provided to further strengthen regional collaboration, and facilitate interaction and coordination. The proposed institutional framework aims to provide technical advisory services, facilitate project studies, interregional collaboration, and bridge the gap between the national and regional levels. Further proposals were the establishment of a SIDS Commission in the General Secretariat of the UN, creating a SIDS sustainability secretariat, establishing a SIDS/Small States trust fund to facilitate the further implementation of the BPOA and the Mauritius Strategy of Implementation.



Agro-tourism: a renewed opportunity

Ena Harvey, Agro-tourism Specialist and Caribbean Management Coordinator at the Inter American Institute for Cooperation on

Agriculture (IICA), highlighted the linkages between the tourism and agri-food sectors. IICA has been involved in linking the two sectors in



the Caribbean and Latin America since 2002. The Caribbean is the most tourism-affected region in the world with approximately 40 million visitors annually. Ample opportunities to increase resilience can be found along the tourism value chain: from the farm, forest and sea to the table, spa and gift shop. Ms. Harvey provided many examples of linkages between the tourism and foodservice markets. Agro-tourism can have many benefits, such as reducing foreign exchange through direct transfers from farmers to tourists, promoting domestic and intra-regional trade, reducing vulnerability in terms of food and nutrition security. It also presents a variety of opportunities women and youth in niche markets, selling products that are all natural, eco-friendly, and fair trade, as well as in the health and wellness sectors. There have been many positive impacts of agro-tourism on the economy, which created employment, strengthened ties within the community, and involved the youth. For a further strengthening of the agro-tourism sector, a multi-sectoral and proactive approach is required. Currently, a strategic plan on agro-tourism in the Caribbean is being created in joint partnership with the Caribbean Community Secretariat (CARICOM).

Building climate adaptation and resilience

Walter Kennes, Environment and Climate Change Expert at the European Commission, shared information on the Global Climate Change Alliance (GCCA), where SIDS have been singled out as the target group along with Least-Developed Countries (LDCs). Through



policy dialogue on climate change and an increase in financial cooperation, the Alliance aims to promote a convergence of visions on a post-2012 climate change regime between the EU and the targeted countries and regions; promote the dialogue relating to climate change at the national level

with adaptation to climate change being the most important priority. Achievements until now include a deepened dialogue and increased cooperation with SIDS. Among the next steps are the strengthening of cooperation among EU Member States; continuing a political dialogue with partner countries; supporting the inclusion of climate change in development strategies; exchanging experiences and coordinating with international institutions.

The questions from the audience raised the need for a wider recognition of SIDS, in order to better allocate resources, including increased financial support from the EU. The importance of advocacy to highlight the vulnerabilities of SIDS was also emphasized. The example of Singapore was used to demonstrate how a small economy was able to attract FDI. Science and technology should be promoted in education, and the knowledge of locals will continue to be important for resilience-building and adaptation measures.



In the **conclusions**, H.E. Cheick Sidi Diarra highlighted the importance of raising awareness of the many vulnerabilities of SIDS and of special international support measures to build their resilience through environmental protection, economic diversification, regional integration, technical assistance and technology transfer. SIDS not only face many challenges, but also have great opportunities. Thus, there is a need to harness these opportunities to make the economic growth of SIDS more sustainable and their development more inclusive. Mr. Hailu stated that the continuation of further discussions would proceed at the Regional Briefing and he reassured the audience that CTA will continue to collaborate with various institutions in the different regions to advance the achievement of objectives for SIDS.

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