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OPINION

Globalisation has left Commonwealth Caribbean Small States Behind

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'The tide of globalisation has yet to lift all boats. For too many, the path to prosperity has proven elusive'. That was the profound observation of United Nations Secretary-General, António Guterres, at the opening of the Belt and Road Forum in Beijing on 14 May 2017. 'We also know', he said, 'that millions of people are being left behind'.[1]

The 12 Commonwealth Caribbean small states certainly fall among the millions of people that globalisation has left behind, and their predicament is likely true for all Commonwealth small states.

Unquestionably, in the last two decades large developing countries, such as China and India, have taken advantage of globalisation and profited enormously. But, apart from a handful of countries in Southeast Asia—the so-called 'Asian tigers', the rest of the world has not gained the benefits that the proponents of globalisation touted. The scale of inequality in the global political economy has worsened.

Small Commonwealth economies in the Caribbean, taken collectively, did not gain at all from globalisation.

A few statistics tell the story:

- China's share of the world's gross domestic product (GDP) rose from 4.1% in 1990 to an astonishing 17.86% by 2016; India's share grew from 3.6% to 7.3% over the same period.
- The major advanced economies—the G7—Canada, France, Germany, Italy, Japan, the United Kingdom and the United States—fell from more than 50% in 1990 to 30.96% in 2016. But having started off from a high level of development, even their reduced market share contributed to their growing prosperity.
- The improvement in sub-Saharan Africa's share was less than half a per cent; and the Middle East and North Africa's share was also marginal.
- Latin America and the Caribbean's share of the world's GDP actually declined from 10% to 7.9%. The small countries of the Caribbean were the worst losers in the region.

The increase in GDP share by some developing countries did little to close the gap between first-world countries and developing nations. For example, a study by Bertelsmann Stiftung, a non-profit think-tank in Germany, revealed that while the income per head of population

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increased in the top 20 industrialised nations by roughly US$1,000 per year, people in countries such as Mexico, China and India received less than US$100. Further, as one example of how well the industrialised nations did, Germany's real GDP grew by an average US$100 billion every year between 1990 and 2011—a total of US$2 trillion.

For the Caribbean, globalisation has been a one-way street of impositions by powerful countries: fiscal sovereignty has been violated by the strong; tax competition remains under threat from the mighty; economic growth and development have been impeded by unfair and unequal trade arrangements; and the real perils that global warming and sea-level rise pose to the very existence of Caribbean islands are intensifying. As a consequence of this, many, if not all of them, are unlikely to achieve the much-vaunted 17 Sustainable Development Goals set out by the United Nations in 2015 in its '2030 Agenda for Sustainable Development'.

Despite current forecasts by the International Monetary Fund (IMF) of world growth rising from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018, Caribbean countries, with a few exceptions, will continue to face fiscal and structural constraints that will make it hard to manage financial, economic and other forms of volatility.

The most pressing challenges confronting the Caribbean are discussed below.

A high debt-to-GDP ratio plagues the majority of Caribbean countries. The cost of debt service is so high that it severely constrains the spending capacity of governments to provide goods and services immediately needed by their people, and to invest in projects for economic growth.

A study, commissioned by the Canadian think-tank, the Centre for International Governance Innovation (CIGI), projects that, on its present course, by 2020, debt will remain unsustainable in 11 of 13 Caribbean small states, and there will be no change in 2030 when the UN's Agenda for Sustainable Development will have run its course.

It is important to note that the CIGI study found that in seven of the largest debtor countries in the region, debt rose due to the following things: infrastructure reconstruction after natural disasters; reduction in aid; little or no access to concessional financing, forcing governments to borrow on tough commercial terms; erosion of European Union trade preferences since the early 1990s; and the impact on tourism of the global economic crisis which began in 2008.

The problem is exacerbated by the poor terms of trade that Caribbean countries experience. It is significant that while the present administration in the United States complains of the high balance of trade deficit that the US experiences with the rest of the world in total, it enjoys a huge balance of trade surplus with the Caribbean, and particularly with the small island states.

In 2016, the US balance of trade surplus with the 14 independent states of the Caribbean Community (CARICOM)—12 of which are Commonwealth small states—was US$5.2 billion, an increase of US$600 million over the 2015 figure of US$4.6 billion. The US is the largest trading partner of Caribbean states, accounting for approximately 60% of their total trade.

A similar situation exists with the Caribbean's second largest trading partner, the now 28 member states of the European Union (EU). In 2008, the 14 CARICOM countries plus the Dominican Republic each signed an Economic Partnership Agreement (EPA) with the EU collectively. The relationship, therefore, is not between the two regions; it is between the EU as a whole and each Caribbean country individually—a relationship between a huge elephant and tiny mice.

In 2015, the EU balance of trade surplus with these countries was €2.8 billion; in 2016, the surplus rose to €3.3 billion. The EU claims that the 'purpose of the agreement is to make it easier for people and businesses from the two regions to invest in and trade with each other and thus to help Caribbean countries grow their economies and create jobs'.[2] But, figures show that this objective was not achieved.

Notwithstanding the EPA, signed by the EU Commission on behalf of each of its member states, non-tariff barriers and 'national' laws still prohibit ease of exports to the EU market. Further, a five-year review of the EPA indicated that the level of EU investment into Caribbean territories was low and there was no concrete example of EU investment. Arguably, the EPA, signed on the basis of reciprocal market access, remains one of the most unequal treaties signed in the modern era.

In international trade, under World Trade Organisation (WTO) rules, terms are imposed on Caribbean small states as if each of them is equal in physical space, market size and resources to the US, China, India or Japan. Small Caribbean countries enjoy no special and differential treatment despite their small land space, their small populations, their limited human capital and their susceptibility to shocks that originate from outside their borders. Yet, in the case of every small Caribbean country, its global market share of trade is under 0.12%.

Small states in Africa, the Caribbean and the Pacific are now faced with what has been described as a greater danger to their economies 'than a Category 5 hurricane'.[3] The danger is the effect of the withdrawal of correspondent banking relations (CBRs) by global banks in the US and the UK from banks in the small countries of these regions. A complete withdrawal of CBRs would exclude these countries from participation in the global trade and financial systems, with grave consequences for maintenance of financial stability, economic growth, remittance flows and poverty alleviation. At the time of writing, several banks across several countries in the Caribbean (including Barbados, The Bahamas, Belize, the six smaller Eastern Caribbean countries, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago) have lost some or all of their CBRs.

The origins of this serious problem date back to the early 1990s—indeed, coinciding with the rise of globalisation—when small countries in the Caribbean and the Pacific sought to take advantage of the promises of globalisation by developing financial services with a global reach. In doing so, they presented unwelcome competition to industrialised nations that had, hitherto, cornered the global financial services sector.

For more than three decades the major member states of the Organisation for Economic Co-operation and Development (OECD) have been embarked upon a campaign to eliminate competition in financial services from Caribbean countries and other developing states. That campaign has never waned. It has gained validation in the international community by seducing or coercing some developing countries into participation in groups, created at the behest of G7 countries, ostensibly to establish globally acceptable rules on tax information exchange, transparency, common reporting standards, anti-money laundering, and to counter terrorism financing and tax evasion. The primary group is the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

The entire process remains one of pushing the agenda of automatic access to tax information and ending tax competition in keeping with the prevailing ideology of EU countries especially.

It is significant that the OECD Global Forum places all but one Caribbean country in the same categories of compliance as the US, the UK and many other EU nations. And, the Financial Action Task Force (FATF), created by the G7 countries to set standards for anti-money laundering and countering terrorism financing (AML/CTF), does not name a single Caribbean country on its current list of 'high-risk jurisdictions'. But, despite this, the playing field is not level. For instance, unlike Caribbean countries, such as Antigua and Barbuda, the US has not signed-up to the OECD's Common Reporting Standards (CRS) by which it would be required to report to their country of origin the identities of beneficial owners of Trusts, International Business Corporation and financial assets. As a result, the US enjoys a global advantage in the establishment of Trust structures that have moved there to avoid disclosure. In all this, the principle of transparency is applied by the OECD with a double standard, punishing and disadvantaging small states while ignoring the violations by its more powerful members.

Weak and vulnerable small states are powerless to respond. In fear of sanctions, such as blacklisting by OECD countries and the EU Commission, and penalties from the United States, they acquiesce, surrendering their autonomy. For these small states, globalisation has best manifested itself in frustration and marginalisation.

This article provides only some of the areas in which globalisation has created new forms of inequality and worsened others for small states. In the past, the Commonwealth has been a vigorous champion of small states in the global community. For instance, it led the way in promoting debt forgiveness for highly indebted poor countries. In the 1990s, it mobilised resources to help small states negotiate with the OECD over the latter's 'harmful tax competition initiative'.[4]

The Commonwealth could play a role again, but it would require leadership from its richer countries, Australia, Britain, India and Canada especially, to galvanise a new, vigorous and genuine international effort to address issues of power and inequality in ways that would bring the excluded, particularly the small and vulnerable, into the mainstream of global economic activity.

Unless such an international effort is forthcoming, the main result of globalisation in Commonwealth small states will be dissatisfaction and disenchantment.

Notes

1. https://www.un.org/sg/en/content/sg/statement/2017-05-14/secretary-general%E2%80%99s-remarks-opening-belt-and-road-forum-delivered.
2. See, Monitoring the Implementation & Results of the CARIFORUM–EU EPA Agreement, Final Report, September 2014, EUROPEAID/129783/C/SER/multi Lot 1: Studies and Technical assistance in all sectors; p. 104.
3. Gaston Browne, Prime Minister of Antigua and Barbuda, in a statement at the Opening of a Conference on De-risking and its consequences, Antigua, October 2016, (Type script).
4. https://www.oecd.org/ctp/harmful/37446434.pdf.