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Statement delivered by H. E. Ambassador Marion Williams of Barbados at the Fifty-ninth Session of the Trade and Development Board, 18 September, 2012

Agenda Item 4: Interdependence: Coordinating stimulus for global growth.

Many of the presentations have tended to be made in the context of the global economic recession, and point to the deterioration in inequality, increase in poverty and a worsening of income distribution among other things.

I think however, that the point "something structural has changed to hold back growth" is a profound point which goes beyond the after effects of the global recession and the inability of monetary policy despite the expansionary postures of many economies to reverse the global slowdown.

Unbridled trust in the market and the maximization of shareholder value at all costs may be major causes. In the same way that the belief in the power of market forces to find the most efficient solutions led to a collapse of the financial sector, we are possibly looking at a similar outcome in the real sectors. This means that countries will need consciously to use fiscal and incomes policies to try to correct the drift towards, not just the survival of the fittest, but the demise of the poor and vulnerable.

The fact that the global economic recession has brought these issues to centre stage may in fact only have served to highlight the flaws in the systems which we have followed. For decades many developing countries, particularly small vulnerable economies like my own, cried out in the face of demands for financial liberalization coupled with trade liberalization. This has led to de-industrialization in many developing countries who in the 1970s and 1980s were attempting make breakthroughs into the manufacturing and the industrial sector generally.

Many were forced to find ways of attracting capital which forced them into offering tax concessions and in a highly competitive world were forced to keep wages down in order to keep foreign investors happy with profit levels and to keep the cost of goods competitive. This was especially challenging for small vulnerable economies who did not have a domestic market of any significant size and depended on export markets to survive. For them, it was essential to be competitive. This meant that industrialization was at the expense of squeezing tax revenues because of tax exemptions and holding wages at levels which would help to make products globally competitive.

However, global pressures from more cost competitive jurisdictions however led to a withdrawal of several foreign investors and to their relocation elsewhere particularly from jurisdictions where organized labour was strong and there were redlines as to the extent to which the demand of investors for "flexible" labour markets started to infringe on commitments to provide social safety nets and other social support services.

These pressures faced by some jurisdictions were translated to other jurisdictions in the search for low costs and increasingly higher profits, and might have culminated in the situation we see today. The spectre of increasing inequality widening disparities in wealth and incomes which we see today has reached worrying proportions largely because the fiscal scope which was available to governments has been severely circumscribed because of their high indebtedness as a consequence of revenues not being replenished as growth faltered.

Large developing economies and highly populated developing economies have able to manage these pressures because they begin by having large domestic markets, so even without protection they have ready-made markets at home. That could explain why some Latin American countries and many south-east Asian countries have been able to do relatively well. However the small vulnerable economies and the SIDS of this world whose markets are small and who do not have the buffer of a domestic market of any significant size to absorb their products are the countries which suffer. Corporate domestic/foreign partnerships and government and private partnerships have also tended to be increasingly used, and may tend to avert this race to the bottom which can otherwise occur.

The situation, for example, of highly indebted governments in the developed countries did not arise from the same causes but probably was negatively influenced by issues of income redistribution at the national level. Debt forgiveness and debt reduction approaches are already being used in Europe, since the Keynesian type approaches of massive increases in government spending are proving difficult to accommodate given the already burgeoning fiscal deficits.

However, there is a category of countries, the small vulnerable economies, many of whom are highly indebted who look on and witness the debt reduction approaches. They note that the last time this was applied on a significant basis, it was to HIPC countries and question whether there will be a greater inclusiveness here in terms of identification of the highly indebted in other jurisdictions. I would point out that the CARICOM countries are among the most highly indebted in the world.

These solutions, though necessary are palliatives, in that they offer only a breathing space. We go back to the point that “something structural has changed to hold back growth”. It may well be that disparities have become so wide, within countries and among countries and among corporations as well, that economic management can no longer be guided only by the market, that governments have to take a greater role in shaping fiscal and incomes policies, that the role of governments must include some element of income redistribution, and that international governance systems must be revamped and made more relevant, and be replaced by one that recognizes the disparities among countries, offers flexible solutions and permits developing countries a greater voice in the decision-making.

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Permanent Mission of Barbados to the United Nations
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