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UNCTAD/Commonwealth Secretariat Seminar: Building Economic Resilience in Small Island Developing States (SIDS)

Notes for Welcome Remarks by Dr Arjoon Suddhoo, Deputy Secretary-General, Commonwealth Secretariat

Excellencies, Distinguished Participants

On behalf of the Commonwealth Secretariat and the Secretary General, it is my great honour to welcome you to this seminar, which is jointly organised with the United Nations Conference on Trade and Development (UNCTAD).

Today's event provides a valuable platform for our member countries, partners, and stakeholders to critically examine some of the inherent vulnerabilities and challenges facing Small States *and* Small Island Developing States - or SIDS - especially in the midst of a global health, economic and social crisis.

It is also an opportunity for us to think - boldly - about the possibilities for alternative development strategies that build economic resilience, transform productive capacities, adapt to climate change and its effects, harness new digital technologies, and create jobs, livelihoods and prosperity for *diverse* Small States *and* SIDS.

Towards the end of last year, the Commonwealth Secretariat gratefully accepted UNCTAD's invitation to join this research partnership about building economic resilience in these countries. The fruits of this endeavour, in the form of an initial report, are being presented today. This paper is intended as a first step towards more detailed analysis, policy advice and technical assistance on formulating development strategies adapted to the needs of the different types of Small States *and* SIDS.

As we know, these economies depend heavily on international trade for their growth and development, largely due to their small domestic markets and limited resources. But they also face unique structural challenges and vulnerabilities related to their size and geography, which constrains their fuller participation in global trade.

Foremost on our minds is the COVID-19 pandemic, which has demonstrated in stark terms how exposed and vulnerable these countries are to global shocks. SIDS, with

their high dependence on services and especially tourism, which is a major source of foreign exchange inflow, have been especially hard hit by the economic consequences of the pandemic. In addition, multiple interrelated factors including climate change and natural disasters, from seasonal cyclones to hurricanes, create persistent vulnerabilities for these countries.

With vaccines being administered globally, albeit unevenly distributed among countries, safely reopening economies and reviving cross-border movement and trade, especially tourism, are the stepping stones for economic recovery in SIDS.

The issues raised in our joint report resonate personally with me, as I myself am from a small island state, the Republic of Mauritius.

Many small island states confront daunting challenges and vulnerabilities and these include both external shocks as well as environmental disasters, as we had witnessed the oil spill in Mauritius. Yet, we should not allow geography and smallness limit economic development prospects, especially in an era of digital connectivity, global value chains and the Fourth Industrial Revolution. Smallness also imply agility and flexibility to quickly adapt to steer towards more sustainable developments and social inclusion.

This message is at the heart of our ongoing research project; namely, that these diverse countries, with smallness and vulnerability in common, can identify and implement development strategies that are adapted to their unique circumstance to build resilience to multiple vulnerabilities.

We hope this project - and your involvement - contributes in a humble way to reviving the international commitment to these smaller economies, especially as we prepare for UNCTAD XV in Barbados.

The Commonwealth Secretariat and UNCTAD have a proud history of assisting these countries with their development efforts, including in a collaborative manner as demonstrated by our joint event today. Of the 54 Commonwealth members, 32 are Small States; and among those, 25 are SIDS. This means that more than half of our Commonwealth family are Small States *or* SIDS.

The Commonwealth Secretariat has always championed the development interests of our smaller members. Our network of support includes the Small States Offices in

Geneva and New York, the Climate Finance Access Hub in Mauritius, and the Small States Trade Finance Facility, among others. Today's event is another knowledge exchange and advocacy platform to support these countries. We need to consider all the important issues raised by this initial study and plan the next steps to assist individual countries to identify and implement alternative development strategies, adapted to their unique circumstances.

We know that the development challenges faced by these countries will not simply disappear. They require our collective efforts, shared responsibility and flexibility to build a global economy that benefits all countries and people.

In concluding my remarks, I would like to express my appreciation for this collaborative work with UNCTAD, which is a practical expression of our commitment to work together as envisaged by our Memorandum of Understanding.

With less than a decade remaining before the target date for implementation of the 2030 Agenda for Sustainable Development, we can further strengthen our partnership to support Small States *and* SIDS. For example, by:

- Firstly, Supporting their meaningful participation at UNCTAD XV in Barbados and at COP 26 later this year at Glasgow, the United Kingdom;
- Secondly, supporting their economic recovery from the COVID-19 pandemic;
- Thirdly, advocating for enhanced international support and global cooperation to quickly recover and build-back-better from natural disasters; and
- And fourthly, assisting developing countries, more broadly, to attain their Sustainable Development Goals (SDGs).

Finally, I would like to thank all member countries, participants and stakeholders who have joined us today. The Commonwealth Secretariat looks forward to constructively working together to support the development of SIDS *and* Small States.

Thank you.

Background brief notes

- Challenges faced by SIDS to trade and development include limited resources and endowments, lack of export diversification for products and markets, inadequate infrastructure, high costs of doing business (owing to high energy, transport and communication servicing costs), distance from major markets, and vulnerability to external and endemic shocks, including recurrent natural disasters.
- Despite facing the above challenges and vulnerabilities to trade, SIDS total trade in goods and services contribute significantly to Gross Domestic Product (GDP) compared to the world average - African SIDS are around 93 per cent; Asian SIDS are over 116 per cent; Caribbean SIDS are around 89 per cent; and Pacific SIDS are 106 per cent, compared to a world average of 60 per cent.
- It is challenging for SIDS to participate in global value chains. Yet, by specialising in specific tasks within value chains, SIDS can, to a certain extent mitigate their lack of economies of scale and help diversify their export baskets and create employment. In addition, most SIDS are positioned at the initial stages of value chains. As a result, they are less integrated into the goods value chains. Available data show that except for Singapore, most SIDS use significantly less domestic value-added in producing goods and services for exports; use far less imported value-added inputs to produce intermediate or goods/services to be exported, and their domestic value is used less as inputs by industries in other countries to produce goods and services for export to third countries compared to the world average.
- The lower share of indirect and foreign value-added reflects the relatively lower integration of SIDS into GVCs as well as their product specialisation and diversification. Notwithstanding the numerous unsuccessful efforts in developing domestic production and value-chains, which has mostly been related to the inability of these countries to compete, resulting in low productivity and poor-quality products. Yet, value chains are of significant importance for SIDS in terms of exports. This raises a need for new approaches to developing value chains in SIDS such as linking tourism and other economic sectors through the development of value chains.
- The COVID-19 pandemic exposed the vulnerability of SIDS due to the concentration of their export baskets and reliance on few markets as they experienced losses in tax revenue due to export adjustments, which affected commodities exporters, reducing the capacity of governments to extend public services in response to the pandemic such as the provision of medical supplies and ensuring adequate food supplies during the crisis. Ballooning public debt resulting from fiscal stimulus measures adopted by some SIDS could also weigh in on trade and economic growth over the long term. Most SIDS are likely to find an increase in debt burdensome and onerous. Besides, deficit spending could influence trade balances, reducing national savings and increase trade deficits in some SIDS.