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Session 2. **The potential for diversification towards and through digitally deliverable services**

Statement by

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*The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



According to the World Bank¹, in 2021 services accounted for 65.1% of the total value added to GDP in Latin American and the Caribbean. Today, in the region, services lead economies and are critical to the further development of countries, the diversification of economies, strengthening of resilience, strengthening of welfare systems, economic growth, job creation and poverty reduction. It is for these reasons that economic diversification is so imperative, particularly for Small Island developing states (SIDs) such as those in the Caribbean. The diversification of the region's economies which were traditionally agriculturally based is vitally important to a country's management of its volatility and to providing a stable path for sustained growth. As the world battles with a plethora of challenges including slowing global economic growth, supply chain crises, war, rising fuel costs, climatic changes, cries of citizenry for relief and support and a pandemic, economic diversification has never been more critical or urgent.

During the height of the COVID-19 pandemic all sectors of the economy, particularly tourism, was deleteriously impacted as flights were grounded and ships docked. Non-tourism services were also severely disrupted. This crisis with all its challenges presented opportunities. While the pandemic exposed the region's vulnerabilities to a "myriad of global risks"² it also served as an accelerant for digital transformation in the region"³. According to the World Economic Forum "the rapid digitalisation catalysed by COVID-19 presents the opportunity to rethink how we make decisions and how we apply technology in new and meaningful ways"⁴. Embracing the technology and technological innovations in the fourth industrial revolution will augur well for the region by assisting us in dealing with development challenges. Timothy Antoine, Governor of the Eastern Caribbean Central Bank articulated that "there is absolutely no way we're going to survive in this global economy if we don't go digital"⁵. Digital technologies can open the door for MSMEs in the Caribbean to participate in global trade as it eliminates geographic barriers.

¹ <https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=ZJ>

² [How digital transformation and sustainability can flourish | World Economic Forum](#)

³ [Digital transformation in transport to boost Latin America | World Economic Forum](#)

⁴ [How digital transformation and sustainability can flourish | World Economic Forum](#)

⁵ [Harnessing Digital Transformation to Boost Socio-Economic Development in the Caribbean](#)



Digital transformation in the Caribbean does not require a reinvention of the wheel, several SIDs across the world such as Mauritius with ICT enabled services, Peru and Kenya with Financial Services, Ethiopia with Health Services and Costa Rica with Technology services to name a few, have done an excellent job at using ICT to become economically diversified. What these case studies reveal is that it is possible to achieve economic diversification regardless of the country's stage of development or size. The studies also show according to Pacheco and Pacheco that “small size and low resources do not invariably imply economic catastrophe owing to globalization.”⁶

While ICTs can be seen as the way to overcome Caribbean states resource constraints and unleash its development potential, ICT cannot however achieve this goal single handedly. ICT must work in tandem with an enabling environment for economic growth to be realized. This therefore means the existence of a strong political will, training and retraining of the labour force, robust infrastructure, financing and policies that regulate and protect data.. In the region efforts have been made to digitize for example Mmoney in Barbados, in Jamaica, data centres and networks were upgraded to improve business processes and disaster response. There is still significant opportunity in the region for further economic diversification and growth in the areas of animation and film, financial services, BPOs, green economy, music and tourism. The region now needs to institute the enabling environment for these sectors to thrive, Tim Fargo, author, angel investor and entrepreneur advised: “Opportunity doesn't make appointments, you have to be ready when it arrives”.

⁶ [Small States & Territories. 3\(2\), 2020. pp. 413-432 Digital business service transformation of Caribbean economies](#)