

# Dire Economic Prospects for the Caribbean shown by ECLAC Report

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The Economic Survey of Latin America and the Caribbean, published today (21<sup>st</sup> July) by the United Nations Economic Commission for Latin America and the Caribbean, shows a dire situation and prospects for Caribbean countries. The cost of the global financial and economic crisis to the subregion is estimated at a huge 10% of GDP in 2009. 10 of 14 Caribbean countries experienced negative growth in that year, the worst performers being the eight countries of the Eastern Caribbean Currency Union (ECCU), which contracted by 7.3% on average. Although the external current account deficit improved and inflation was moderate, debt levels in excess of 100% of GDP were recorded for Barbados, Grenada, Jamaica, and St Kitts and Nevis. Unemployment also increased in the six Caribbean countries for which data were available.

Although ECLAC forecasts a slight recovery in 2010 of 0.9% overall growth, this rate is one third of that expected for Central America and one sixth of that expected for South America. Indeed six Caribbean countries are forecast to experience further economic contraction in 2010; including the Bahamas and the ECCU bloc. Further, this modest recovery is clouded by uncertainty arising out of the impact of the recent European financial crisis as well as events specific to the subregion, including the aftermath of the Haitian earthquake and of civil unrest in Jamaica.

In presenting the report at the ECLAC subregional headquarters for the Caribbean in Port of Spain on 21 July, Dr Dillon Alleyne of ECLAC emphasised the importance of strategies including:

- Fiscal Consolidation--but not at the expense of reducing inequality or employment
- Public/Private investment programmes to boost internal and regional demand
- Promoting a favourable investment environment
- Increasing technological sophistication or exports and diversifying export products and markets

However, the question arises as to whether these strategies are mutually compatible. For example, fiscal consolidation normally involves cutting expenditures and/or increasing taxes. How compatible are such measures with the maintenance of equity, employment and human development generally? Can increased public/

private sector investment and increased technological sophistication of exports be accomplished while public expenditure is cut back on research and development and the training of high level manpower?

Another issue on which the ECLAC presentation was silent is the role of regional cooperation and regional integration. Is there no scope for a Caribbean food security programme, energy security programme and science and technology cooperation aimed at increasing the technological sophistication of exports? The principal institutions of regional economic cooperation are the Caribbean Development and Cooperation Committee of ECLAC the CARIFORUM group and CARICOM. How well are these institutions functioning? And how adequate are they to the task of fashioning a robust Caribbean response to the dire economic situation in which the region finds itself? These are some of the questions raised by the ECLAC report.

The report can be accessed at [Economic Survey of Latin America and the Caribbean, 2010](#).

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