

Caribbean Diplomacy For A World in Flux



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A world in flux



- Financialisation
- Inequality
- Volatility
- Restructuring
- Unsustainability
- *Caribbean at sea?*

'Global Financial Elites Control \$46 Trillion In Wealth'



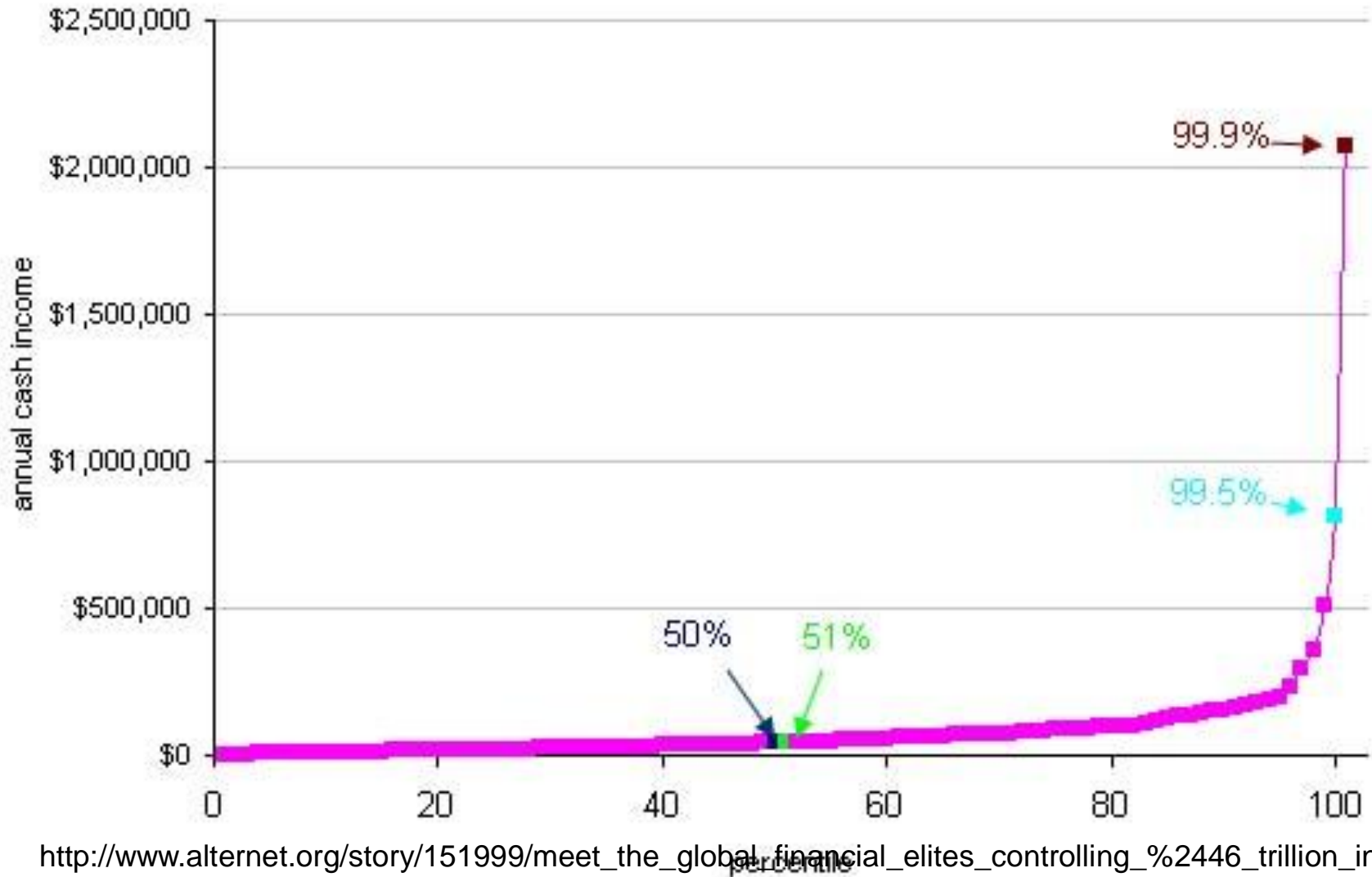
- “US millionaire households have at least \$45.9 trillion in wealth, the majority held within the upper *one-tenth of one percent* of the population.
- Last year the entire cost of feeding all 40 million Americans on food stamps was \$65 billion.”
- $(45,900,000,000,000 / 65,000,000,000 = 701)$

Source: David DeGraw, Meet the Global Financial Elites Controlling \$46 Trillion In Wealth

- http://www.alternet.org/story/151999/meet_the_global_financial_elites_controlling_%2446_trillion_in_wealth

- The richest 400 people in the US have as much wealth as 154 million Americans combined
- The top economic 1 percent of the US population now has 40 percent of all wealth, more than 90 percent of the population combined
- This group and the corporations they control are major financiers of the US political parties, the US Congress and US presidential campaigns

Household Income for Each Percentile, All Tax Units, 2011



http://www.alternet.org/story/151999/meet_the_global_financial_elites_controlling_%2446_trillion_in_wealth?page=2
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“There’s class warfare, all right, but it’s my class, the rich class, that’s making war, and we’re winning.”

- Warren Buffett, Chairman and CEO of Berkshire Hathaway

‘The Quiet Coup’



Simon Johnson, a former chief economist of the International Monetary Fund, has written that “the finance industry has effectively captured (the US) (and that) recovery will fail unless we break the financial oligarchy that is blocking essential reform. And if we are to prevent a true depression, we’re running out of time.”

<http://www.theatlantic.com/magazine/archive/2009/05/the-quiet-coup/7364/>

“The Ideological Crisis of Western Capitalism”

Joseph E. Stiglitz , Nobel Prize-Winning Economist



“The remedies to the US deficit (are) : put America back to work by stimulating the economy; end the mindless wars; rein in military and drug costs; and raise taxes, at least on the very rich. But the right will have none of this, and instead is pushing for even more tax cuts for corporations and the wealthy, together with expenditure cuts in investments and social protection that put the future of the US economy in peril and that shred what remains of the social contract. Meanwhile, the US financial sector has been lobbying hard to free itself of regulations, so that it can return to its previous, disastrously carefree, ways.”

<http://www.project-syndicate.org/commentary/stiglitz140/English>

“But matters are little better in Europe. As Greece and others face crises, the medicine *du jour* is simply timeworn austerity packages and privatization, which will merely leave the countries that embrace them poorer and more vulnerable. This medicine failed in East Asia, Latin America, and elsewhere, and it will fail in Europe this time around, too. Indeed, it has already failed in Ireland, Latvia, and Greece.” JES

(Note: it will fail in the Caribbean too.)

“Do we really need another costly experiment with ideas that have failed repeatedly? We shouldn't, but increasingly it appears that we will have to endure another one nonetheless. A failure of either Europe or the US to return to robust growth would be bad for the global economy. A failure in both would be disastrous – even if the major emerging-market countries have attained self-sustaining growth. Unfortunately, unless wiser heads prevail, that is the way the world is heading.”

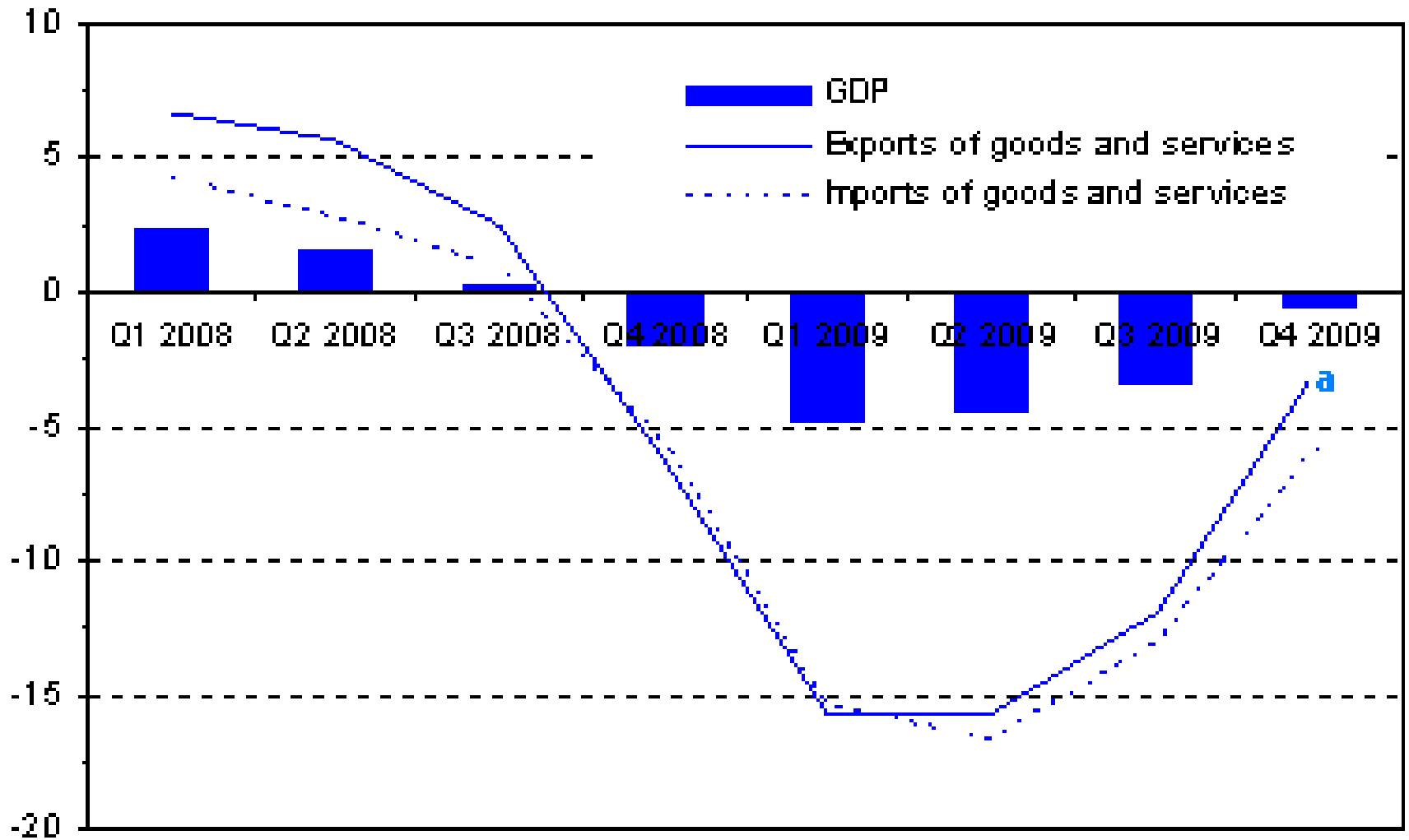
JES

Financialization



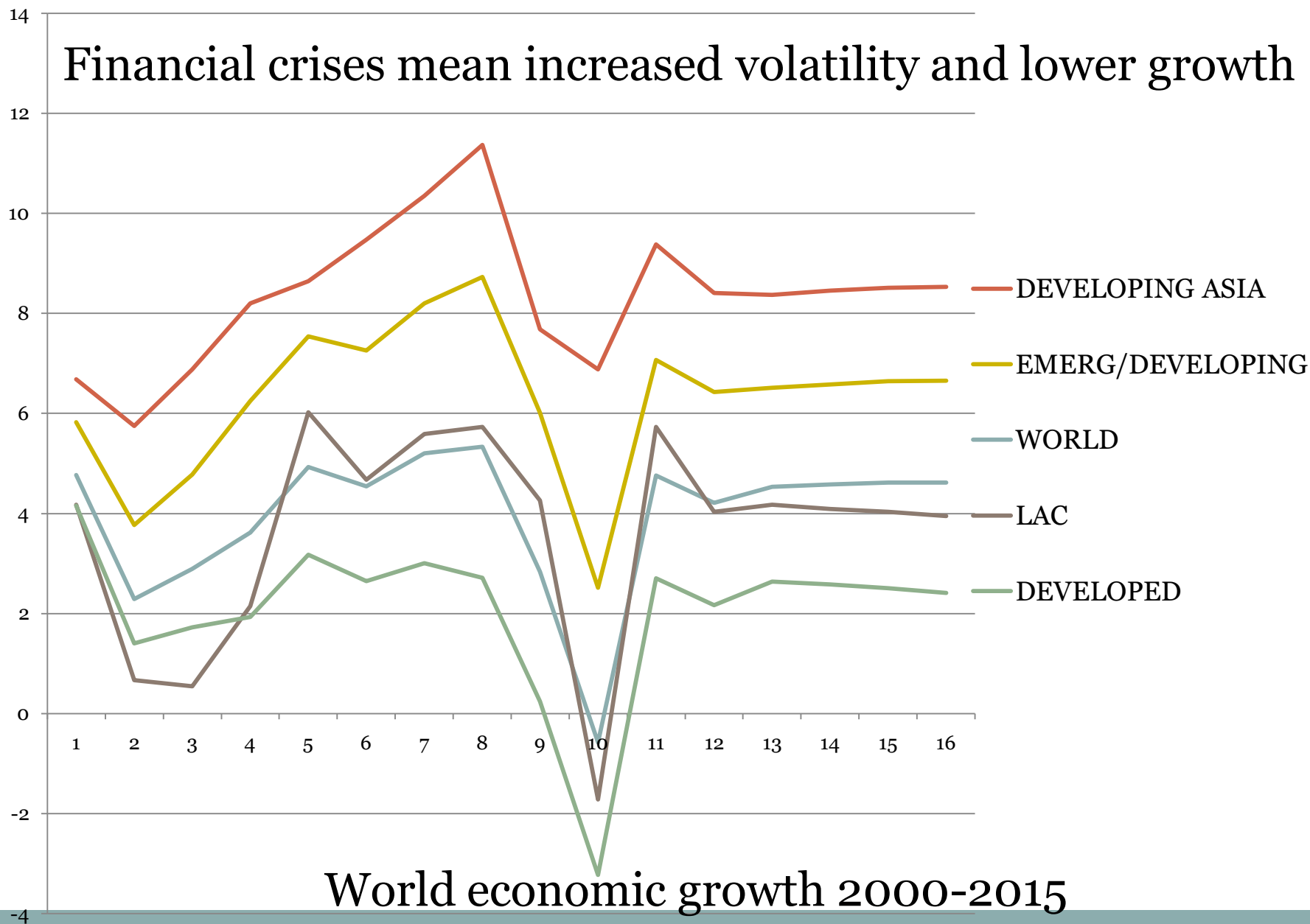
- Financial sector activity has grown significantly vis-a-vis manufacturing in the leading industrialised countries especially UK and US
- Internationally, cross-border currency flows (est. \$1.8 trillion/day) exceed trade and investment by several orders of magnitude
- Financialisation has been accompanied by much greater economic volatility – bubbles, crisis, slowdown, recession
- Crises have major macroeconomic consequences

Effect of the 2008—2009 crisis on OECD GDP and trade



Source: WTO; http://www.wto.org/english/news_e/pres10_e/pr598_e.htm

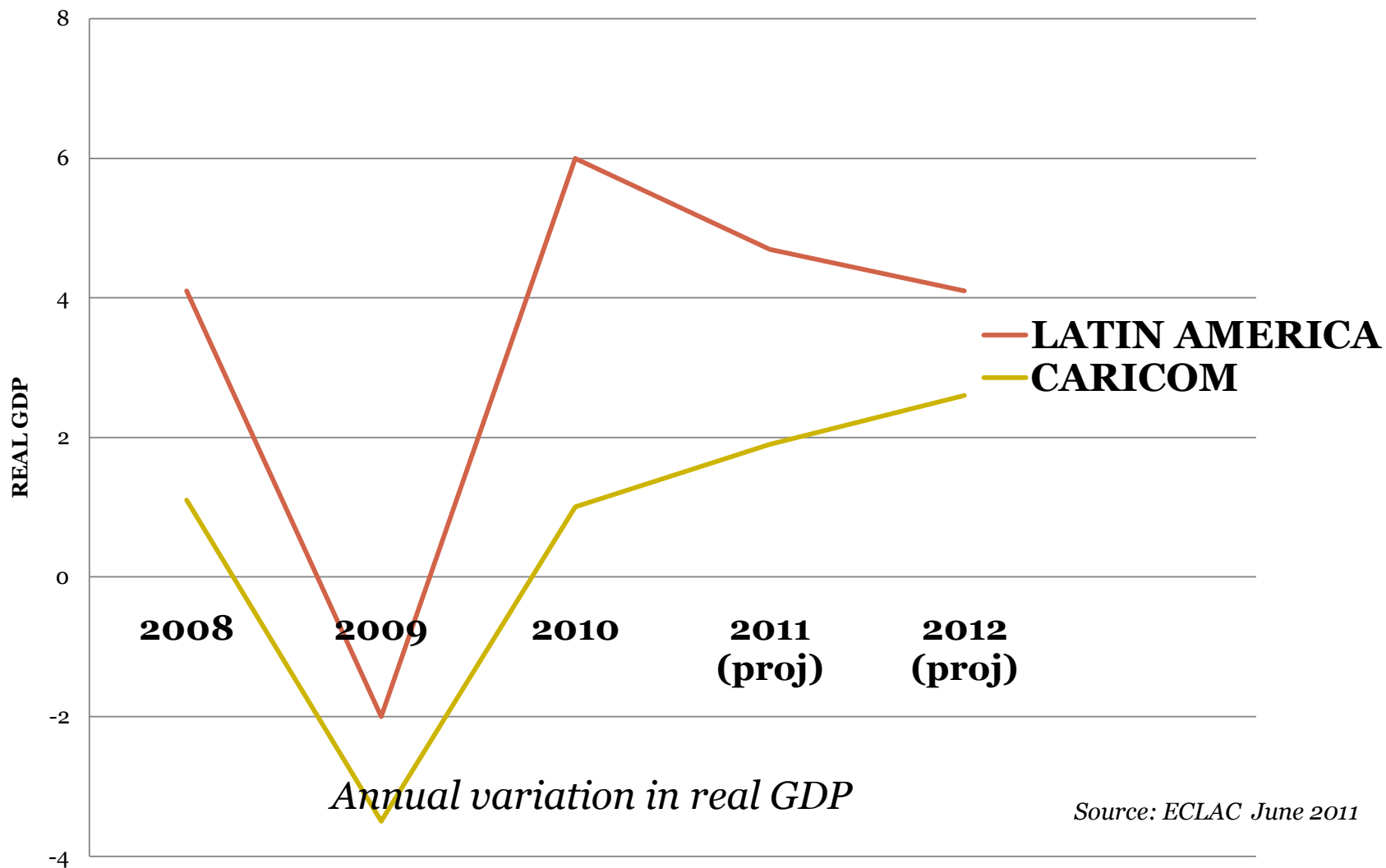
Financial crises mean increased volatility and lower growth



World economic growth 2000-2015

Source: based on World Bank, World Development Indicators

These are transmitted to CARICOM economies through falling tourism, exports, investment and remittances



How effectively did CARICOM respond to the global financial and economic crisis? ...



CARICOM'S failure to develop a coherent collective response to the global financial crisis is a clear example of institutional failure and defects in governance

- ❑ *No macroeconomic coordination*
- ❑ *No regional monetary fund*
- ❑ *No regional financial regulations (CLICO)*
- ❑ *No effective representation at G20*
- ❑ *Back to the IMF!*

Global Reconfiguration

By 2030 four of the world's ten largest economies will be BRICs

Rank	1987		2008		2030*	
	Country	GDP Wt	Country	GDP Wt	Country	GDP Wt
1	United States	30.1%	United States	26.7%	United States	22.8%
2	Japan	18.2%	Japan	9.1%	China	15.5%
3	Germany	6.6%	China	6.3%	Japan	5.2%
4	United Kingdom	4.9%	Germany	6.1%	Germany	4.3%
5	France	4.5%	United Kingdom	4.8%	India	4.2%
6	Italy	3.9%	France	4.6%	United Kingdom	3.7%
7	Canada	2.3%	Italy	3.6%	France	3.3%
8	Brazil	2.1%	Canada	2.6%	Brazil	2.6%
9	Spain	1.8%	Spain	2.5%	Russia	2.4%
10	Russia	1.7%	Brazil	2.3%	Italy	2.3%

Source: World Bank, USDA. Note:* Projected

<http://www.istockanalyst.com/article/viewarticle/articleid/4475114>

Share of World GDP



	1820	1950	1998	2020
ASIA	56	15	30	42
CHINA & INDIA	49	9	17	30

Source: World Bank WDR 2009: 106; author

‘In 2020, 3 of the world’s 4 largest economies will be Asian, with China #1’

EIU’s 2006 Foresight Report http://graphics.eiu.com/files/ad_pdfs/eiuForesight2020_WP.pdf

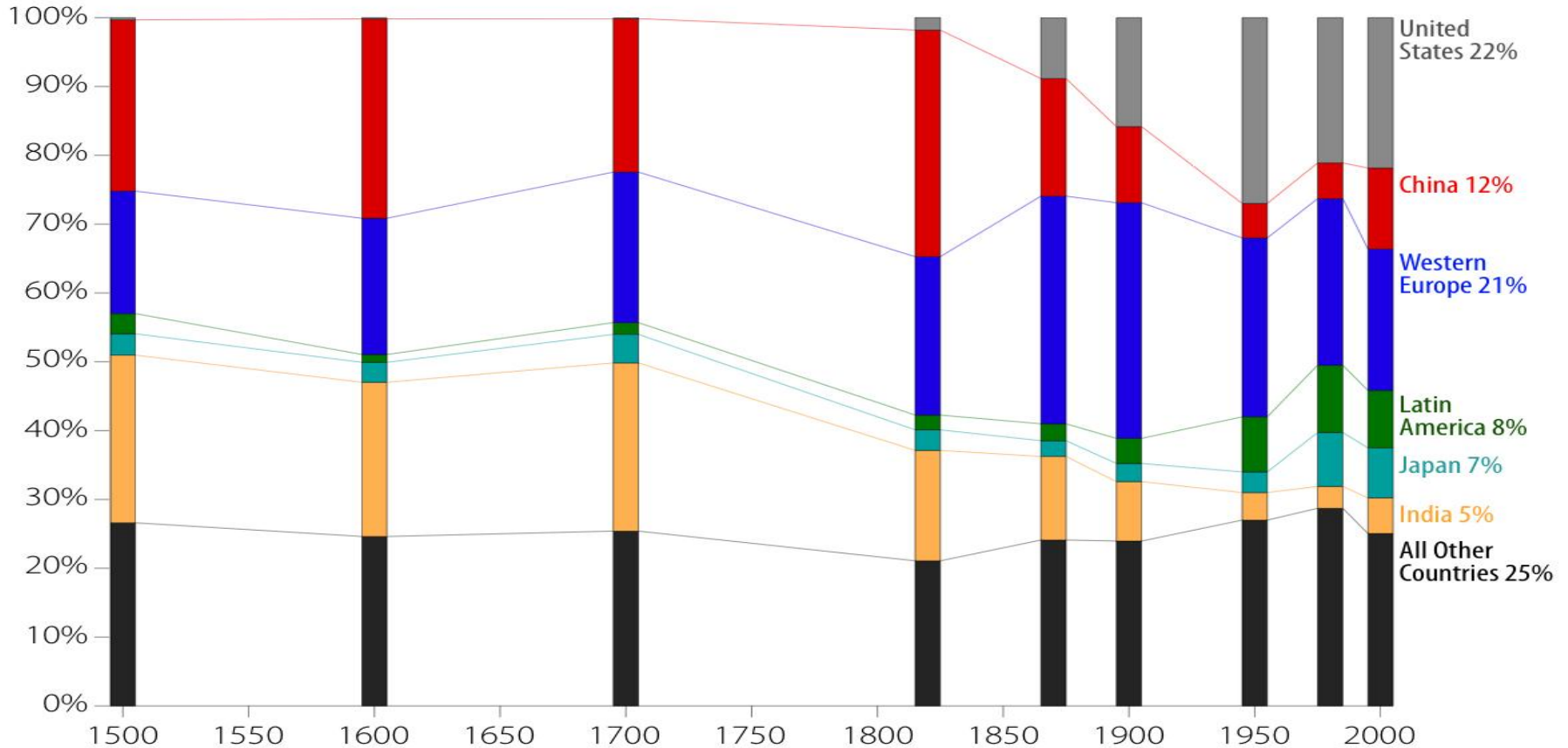
China in the world economy



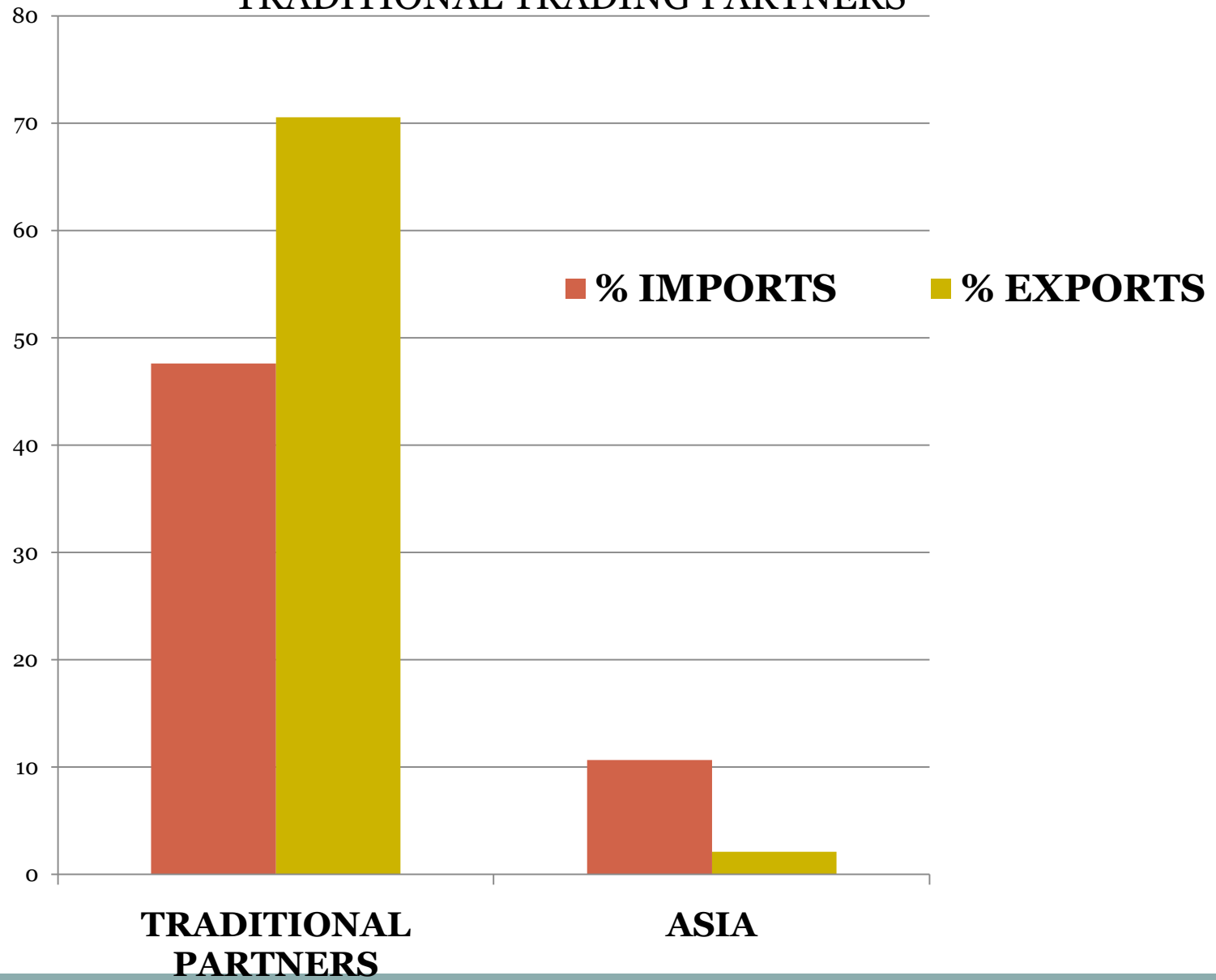
- China's gross domestic product (GDP) accounted for 9.5 percent of the world's total in 2010, nearly double the five percent in 2005
- China's overseas direct investment (ODI) in 2010 reached 59 billion U.S. dollars, an increase of 380 percent from 2005
- China's ODI accounted for 5.1 percent of the world's total, up from the 1.4 percent in 2005, said the NBS.

Percentage of World GDP (last 500 years)

China, India, Japan, Latin America, Western Europe, and United States



CARICOM TRADE IS HEAVILY SKEWED TOWARDS TRADITIONAL TRADING PARTNERS



CARICOM'S Top Trading Partners : 2008

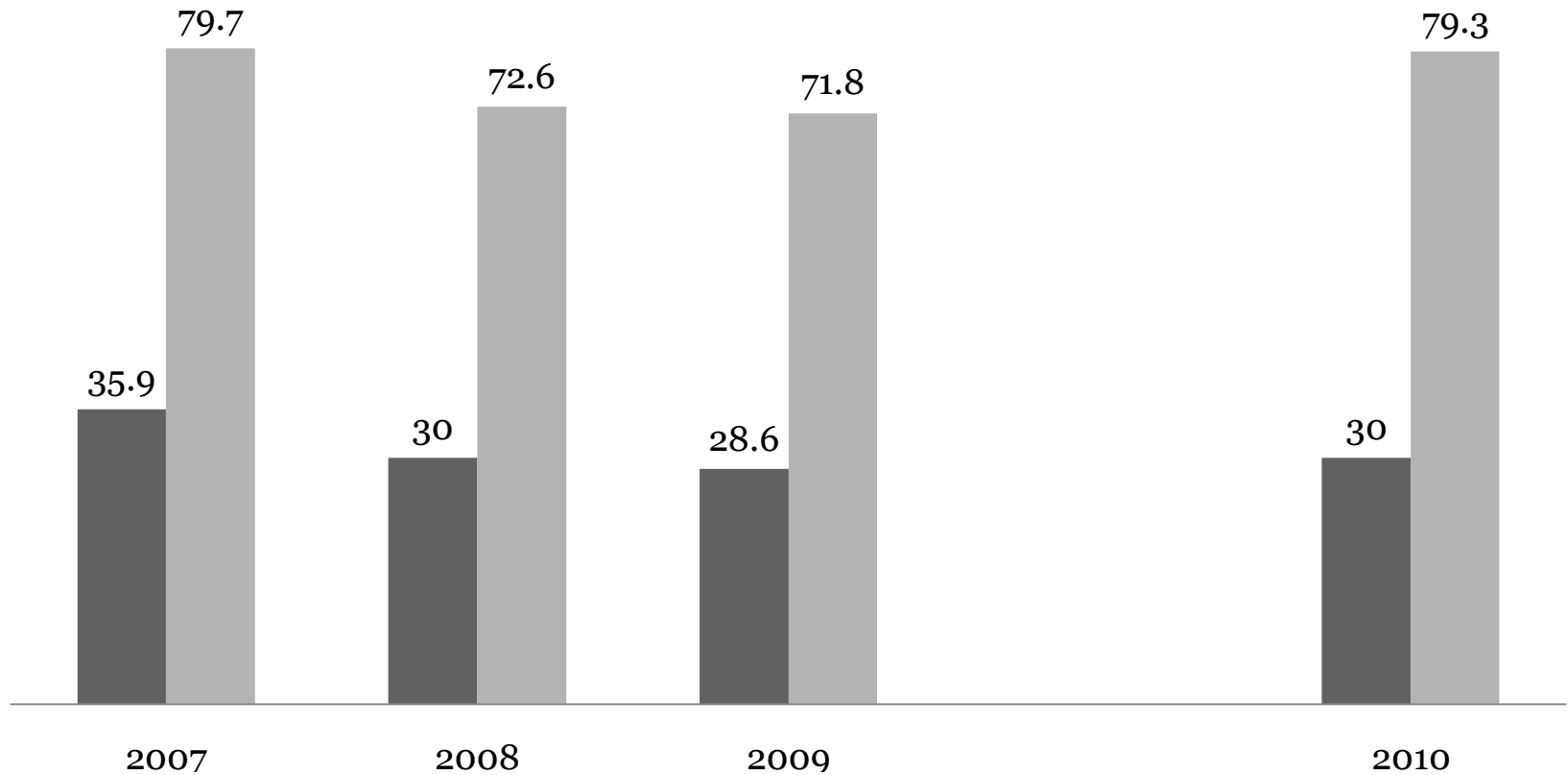
US\$'000

Partner Country	Percent	2008 Value
Imports		
TOTAL	100.0	24,746,081
SUB-TOTAL	71.9	17,787,251
UNITED STATES	31.7	7,853,256
TRINIDAD AND TOBAGO	10.5	2,593,810
BRAZIL	5.8	1,442,260
VENEZUELA	5.8	1,439,495
CHINA	4.5	1,122,990
COLOMBIA	3.5	860,080
JAPAN	3.0	744,262
UNITED KINGDOM	2.4	589,642
GABON	2.4	588,324
GERMANY	2.2	553,132
Domestic Exports		
TOTAL	100.0	22,069,767
SUB-TOTAL	72.8	16,071,724
UNITED STATES	41.5	9,158,898
JAMAICA	5.9	1,311,792
SPAIN	5.3	1,179,068
UNITED KINGDOM	3.6	801,865
NETHERLANDS	3.5	780,366
CANADA	3.0	671,980
MEXICO	2.7	603,130
BARBADOS	2.6	583,527
DOMINICAN REPUBLIC	2.4	530,006
SURINAME	2.0	451,093

CARICOM is the most heavily indebted of the LAC regions

Public Debt % GDP

■ Latin America ■ CARICOM



CARICOM Missions in Beijing & other emerging economies



- How many?
- How large?
- How effective?
- How unified?
- How much clout?

5-10 year outlook (a personal view) ...



Certainties

- Continued rise of Asia and middle powers
- Intensified struggle for energy, land, water and other resources in a “shrinking planet
- On-going negotiations on distribution of power in global institutions

Probability of

- Industrialised countries: prolonged recession, anaemic recovery, social unrest, political instability

Possibility of

- More military attacks by major powers on smaller countries; threat of nuclear war (Israel)

Unsustainable development



- Since 1800, there has been global warming by 0.8 degrees Celsius. The Intergovernmental Panel on Climate Change (IPCC) warns that a high-emission path will lead to warming by 2100 of 3-7 from the pre-industrial level, while a low-emission path will lead to 2-3 °C warming.
- “Business as usual is not an option.” (UN WESS 2011)

Climate Change



- “..dangerous climate change is already occurring in all SIDS (Small Islands and Low-lying Coastal Developing States (SIDS) regions including the Caribbean and that many SIDS will cease to exist without urgent, ambitious and decisive action by the international community to reduce global greenhouse gas emissions significantly and to support SIDS in their efforts to adapt to the adverse impacts of climate change, including through the provision of increased levels of financial and technical resources”.

. the estimated total annual impact of potential climate change on all CARICOM countries is estimated at US\$9.9 billion in the total Gross Domestic Product (GDP) in 2007 US\$ prices or about 11.3% of the total annual GDP of all 20 CARICOM countries (Member States and Associate Member States) according to the World Bank estimates”.

1. **“That all Parties to the UNFCCC should work with an increased sense of urgency and purpose towards arriving at an ambitious and comprehensive agreement at the COP 15 in Copenhagen in 2009 which provides for: long-term stabilisation of atmospheric greenhouse gas concentrations at levels which will ensure that global average surface temperature increases will be limited to **well below 1.5° C of pre-industrial levels**; that global greenhouse gas emissions should peak by 2015; global Co2 reductions of at least 45 percent by 2020 and reducing greenhouse gas emissions by more than 95 per cent of 1990 CO2 levels by 2050”**

Note: August 2011—still no agreement

Potential Economic Losses Without Action to Reduce the Impact of Climate Change

Potential economic costs as a percentage of GDP to Caribbean SIDS if no action is taken at the international level to reduce the impacts of climate change:

- By 2025 the average cost to the region will be 14 percent of its GDP
- By 2050 the average cost to the region will be 39 percent of its GDP
- By 2075 - 45 percent of GDP
- By 2100 - 63 per cent of GDP



Honduras Resists **HONDURAS RESISTE**



portalalba
 ALIANZA BOLIVARIANA PARA LOS PUEBLOS DE NUESTRA AMÉRICA

ARGENTINA BOLIVIA BRASIL CHILE COLOMBIA ECUADOR

COMUNIDAD ANDINA
 SECRETARÍA GENERAL

UNASUR
 UNION OF SOUTH AMERICAN NATIONS

GUYANA PARAGUAY PERÚ SURINAME URUGUAY VENEZUELA

Change is sweeping through Latin America



- Social movements
- Political changes
- 'Washington Dissensus'
- New emerging powers
- New focus on LA independence, self-determination, integration
- New institutions

CARICOM and Latin America



- ALBA – UNASUR – CELAC – SOUTH BANK – BALBA
- *Is CARICOM being pulled into a South American orbit?*
- *Does CARICOM have a Latin American policy?*

IIRSA - IMPLEMENTATION AGENDA BASED ON CONSENSUS 2005-2010



Wanted – a new Caribbean diplomacy



Caribbean (CARICOM) diplomacy will need to be

- Unified
- pro-active
- multi-skilled
- multi-dimensional
- global

Some Issues



1. Will global alliances suffice?
2. Is CARICOM maximising its potential?
3. Are the present CARICOM mechanisms adequate?
4. Is insular sovereignty in FP compatible with effective FP regionalism?
5. Do individual states have the critical mass?
6. Is there need for a high-level regional Think Tank?