



Small Islands Seek to Reverse Trade Losses

More Market Access, Information Technology, Renewable Energy and Sustainable Tourism Can Help

(New York, November 2004) – Concerned about their mixed economic performance over the last decade and the risk of marginalization in the challenging economic conditions resulting from globalization, small island nations expect a number of steps to be taken at the Mauritius International Meeting (10-14 January 2005) to help them regain lost ground on trade and better achieve sustainable development. Possible solutions include retaining market access preferences, expanding information and communication technology (ICT), accelerating the use of renewable energy, making tourism sustainable and better tapping the potential of island cultures.

Trade liberalization, along with erosion of trade preferences, has had severe consequences on fragile island economies. Existing preferential arrangements were dismantled under agreed rules of the World Trade Organization (WTO), affecting commodities like sugar, bananas, coffee and coconut, which small islands used to rely upon for their exports. In St. Lucia for instance, export revenues from bananas dropped from \$46.5 million in 1996 to \$21.7 million in 2002.

Small island developing States (SIDS) would like to be granted a more differentiated and favourable treatment for their exports, to compensate for the high, sometimes exorbitant economic costs resulting from their remoteness and smallness, at least as an interim measure for such time as they need to diversify their economies and overcome the existing disadvantages of reliance on a few exportable products. SIDS also wish to benefit from greater market access for their products and to gain a stronger say in multilateral trade negotiations, to compensate for their inherent disadvantages in attracting investment. In this regard, small island nations admit that they need help to enhance their capacity for trade policy analysis and trade negotiations. Many SIDS feel very strongly about this because only a few of them were part of the negotiations at the WTO when such rules were agreed upon.

Information technology to reduce isolation

Better and more affordable access to the Internet has become a key factor in the drive to connect island communities among themselves and to the rest of the world. Since small islands are dispersed and face limited natural resources and high transportation costs, information and communications technology (ICT) offers them great opportunities, especially in areas such as e-governance, tele-medicine, e-tourism and distance learning.

But small islands still face a number of constraints, including poor telecommunication infrastructure, the high cost of computers and of dial-up and leased lines to the Internet, restrictive telecommunications policies and shortage of trained personnel. Future ICT projects will continue to largely depend on external support from donor countries and on the private sector for the islands' investment requirements in this area.

“Deliberate and prudent use of information technology will go a long way in reducing the isolation of remote islands, enabling them to deal more effectively with a host of constraints, particularly in trade, development, health, education, security and technology transfer,” said the Secretary-General of the Mauritius Meeting, Anwarul K. Chowdhury.

Renewable energy

Small island nations hope that investments will allow them to accelerate their transition to sustainable energy services. The need for energy still remains a major source of economic vulnerability for many islands, due to their remoteness, isolation and heavy dependence on imported petroleum products, especially for local transport and electricity generated by thermal plants. And the cycles of high petroleum prices versus low commodity prices have impacted negatively on their terms of trade and on the momentum of their economies during the last 35 years. Moreover, many are dependent on biomass as their main source of household energy, which has a negative impact on ecosystems.

Over the last decade, research has produced new, commercially feasible options for energy supply, such as wind, solar and ocean tidal energy. Small island nations are keen to develop an energy agenda through these options that would be consistent with sustainable development principles and less prone to disruption from external forces. That is why they seek support to undertake a comprehensive assessment of their energy resources, to identify and develop renewable energy that is affordable and readily adaptable.

In the fields of energy and transport, a promising experiment has been initiated in Vanuatu, where coconut oil is being used, with very little modification, as an alternative to diesel in automotive engines. More than 200 minibuses already use a coconut oil/diesel mix, and a dozen use a pure coconut oil fuel. Such a system is potentially less costly, at least in the South Pacific, is environment-friendly and could possibly stimulate employment among local coconut growers and coconut oil producers.

Making tourism more sustainable

Islands are a natural attraction for tourists, and this in turn generates jobs and much-needed revenue. The tourism industry on some islands, however, has reached such a scale it endangers those very ecosystems and cultures that attract it.

Tourism needs to be made more sustainable, to better benefit small island nations while protecting their culture and traditions, and to effectively conserve and manage freshwater and other natural resources. The continuing challenge for small islands is to establish the appropriate balance between tourism development and that of other sectors of the economy, given the limits of their carrying capacity and the fact that tourism places demands on other sectors of the economy. The impact of tourism on the economy of small islands depends on the proportion of funds that are retained within the local economy. Small islands seek the best ways to maximize their own economic gains, given that their tourism industries are often dominated by foreign companies.

It should be noted that tourism is sensitive to external shocks, as shown by the reduction in the numbers of tourists, and the revenues they provide to SIDS, following the terrorist attacks against New York (9/11) and Bali, and during the SARS health crisis in 2003.

Cultural industries

Small islands have come to recognize the distinctiveness of their cultural identities as a genuine economic asset. Cultural industries and initiatives are an area in which small islands have a comparative advantage, and which offer a potential to diversify their economies and build their capacity to adjust to the global economy. Some quintessential cultural products from islands, like songs by the late Jamaican Bob Marley and by Capeverdean Cesaria Evora, have already gained universal prominence.

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