Effectively addressing the vulnerability and development needs of SIDS

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What does vulnerability mean for SIDS?

Five vulnerabilities common to most LDSc are pointed out

- Smallness
- Isolation and fragmentation
- Narrow resource and export base
- Exposure to environmental and natural shocks
- Exposure to external economic shocks
Some of these vulnerabilities look particularly damaging and are likely to be more specific to some of the SIDS with strong interactions among them.

- Narrow resource and export base (concentration of exports on a limited range of products…)
- Exposure to external economic shocks (price instability…)
- Exposure to environmental and natural shocks
- Smallness, isolation and fragmentation
Addressing specific vulnerabilities

- **Exposure to environmental and natural shocks**

  *Briefly.* The impact is widely recognized. But it is worth noticing that the **magnitude as well as the resilience** make the situation of some of SIDS **quite specific**.

- The most convincing example is the **impact of the global warming** and the **rise of the sea level** that affect a large part of the coastal populations.
Addressing specific vulnerabilities

- **Smallness, isolation and fragmentation**
  - Some of the SIDS have a very narrow population and are located far from external markets (Tuvalu).
  - What is the main consequence of these geographical characteristics?
  - **Diversification** of the productive base is a challenging problem
Addressing specific vulnerabilities

**Remoteness** is a source of weakness for both domestic and *external competitiveness* of SIDS.

In absolute terms, the cost of transport is decreasing worldwide, but for some SIDS, it is increasing in relative terms. Compared with other DCs, there is an increasing extra cost resulting from remoteness.

= Distance is being to abolished but not with the same implication for all countries.
Addressing specific vulnerabilities

Let’s take an example

- For the same distance, the cost to import a container from Anvers is 30 % higher when delivered in Malabo (Equatorial Guinea, not \textit{per se} an island) than in Douala (Cameroon)

\textbf{Why?}

- Equatorial Guinea is a small country with few exports, but oil and gas. Then the cost to import containers is expensive and there is a disincentive for diversifying productions through the international trade
Implications of smallness and isolation

- More difficult to strengthen the productive base for the domestic demand. SIDS suffer from small size (no scale economies) and also from the absolute decrease of the cost of transport: “natural protection” for import substitution activities decreases Paul Bairoch, 1965

- More difficult to export. Imported input components are expensive and the costs to export final products prohibitive due to the increasing relative cost of transport

- Some services are also impacted such as tourism which proves price sensitive to the cost of transportation

= Integration into the world economy is tricky
Addressing problems

Most of the difficulties at least some of SIDS face are linked to **exogenous factors** (not under the decision of governmental authorities or the behavior of national agents).

In addition some of them can be perceived as **negative externalities** of the development process that took place elsewhere. Therefore, there is room for **international compensations of enhanced costs**. Justification based on economic and moral arguments (equity, fairness...).
Addressing problems: some preliminary recommendations

• **Financial compensation** for environmental and natural shocks (rise of the level of the seas) and the move of populations from coastal areas to the hinterland of the country

• **Subsidize the extra cost of transport** to access the world economy, allowing the diversification process to take place

• **Financing some public goods, especially regional ones as remoteness and isolation make the collective action more difficult**
Addressing problems: Do all SIDS share the same problems with the same acuteness?

- What does regional public goods mean? What kind of actions to be launched and financially supported by the international community to push regional integration?

Examples

- Regional regulation rules and collective supervision to avoid overfishing
- Insurance scheme to face some exogenous shocks
Addressing problems: Do all SIDS share the same problems with the same acuteness? 

**Heterogeneity is strong and matters**

- **SIDS do not constitute a homogenous category.** This heterogeneity reveals in the difficulty of the international community to define a unique list enumerating what SIDS are (UNCTAD = 27; UN DESA = 37)

- The background paper prepared by the secretariat takes into account **clustering** of SIDS (LDCs, Coastal Caribbean, small Caribbean, Pacific islands).
Addressing problems: Do all SIDS share the same problems with the same acuteness?

- Among all of SIDS the **small Pacific islands might be seen as the more affected** by the environment. Smallness, remoteness, isolation are particularly acute. Few regional public goods, limited institutions for a deep regional integration. Some of these factors exist elsewhere in Caribbean countries [Eastern Caribbean Central Bank (ECCB), Regional development bank, air transport services (LIAT)].

- The cost for the international community to support this kind of activities is not a financial challenge
Thanks for your attention