

# **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 *per se* an island) than in Douala (Cameroon)

## 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**