

# Investing for the future

By **THE HON DEAN BARROW**

PRIME MINISTER OF BELIZE



**DEAN BARROW** was educated at the University of the West Indies and the University of Miami. After graduation he began his legal career as an attorney, eventually founding his own law firm. He was first elected to Belize City Council before being elected to parliament and entering Cabinet as Attorney-General and Minister of Foreign Affairs. In 1998 he became leader of the United Democratic Party (then in opposition). He became Prime Minister following the election of 2008, and won his fourth mandate on 4th November 2014.

Belize is a vibrant democracy, a member of the Commonwealth, situated in the Caribbean basin on the east coast of Central America, with Guatemala to the west and south, and Mexico on its northern border. Like its Caribbean and Central American neighbours, Belize is a lower-middle income developing country (per capita income about US\$4,000). Its economy is natural resource-based, with agricultural products (sugar, bananas, citrus, marine products, papayas, rice, beans and maize) constituting its main merchandise exports (to Europe, North America, and with the grains going to other parts of Central America), although tourism is now its largest single export product. With a land area of approximately 23,000 km<sup>2</sup> and a population of about 350,000, the country's population density is low, with settlements located in nine municipalities across the length and breadth of the country, interspersed with a large number of small rural villages.

The area occupied by Belize was originally a source of timber extraction by the British for ship-building and furniture, beginning in the 17th century, with the settlement growing slowly over time, becoming a Crown colony in the 19th century, and gaining its political independence from the United Kingdom in 1981. The overwhelming importance of forest exploitation and the logging industry through to the first half of the 20th century heavily influenced the country's pattern of development, particularly its infrastructure; the country's rivers and waterways were utilised to transport logs from the interior to the coast for shipment to the UK, and there was little road network development. Transportation by sea along the coast, and inland by rivers and creeks, was the main means of travel until well into the 20th century, and this influenced both settlement patterns and the location of industry in the country. Formal agricultural development was not emphasised, with the country's consumption and investment requirements being met largely through imports and through informal subsistence farming. As a result, the Belize economy has always been highly open and dependent on international trade.

With the depletion of the country's timber resources (extraction was not accompanied by replanting) and a global switch from wooden to metal ships, forestry-based operations contracted

sharply, and economic activity became increasingly agriculture-based. The undeveloped state of the country's physical infrastructure has, however, been a significant constraint, not only in respect of economic expansion, but also in relation to social development, as transportation issues constrained the movement of people and affected communication, as low national income levels limited investment in education to basic levels in a joint Church-State system, and in the provision of health services, and as the physical arrangements tended to maintain pockets of cultural diversity in various parts of the country. The dominance of forestry-based activity, and the practice of floating logs down the rivers to the sea for loading onto ocean-going ships, meant that port development was required only to handle mainly consumption imports, which could be managed via lighters and tenders rather than 'long side deep-water facilities, so that port development remained rudimentary, and goods could be moved to settlement areas in small boats via the waterways. So that even larger-scale agricultural development, beginning with citrus and banana operations (in the southern part of the middle of the country) in the early part of the 20th century and a sugar industry in the north somewhat later, were physically located close to waterways and to the sea for ease of transport.

The need for the country, post-independence, to mobilise the resources required for the provision of an all-weather, country-wide road network contributed to delayed development of the national electricity grid, an interlinked telephone system, and water delivery arrangements serving the majority of the population. Only in very recent times, with the completion of a country-wide paved network (with work currently ongoing in providing a paved link between Belize and the Pan-American Highway system) have these parts of the country's physical infrastructure system been put in place.

In keeping with the development mandate (the need to eliminate poverty, the need to provide for sustained development in the living levels of the population, and the creation and maintenance conditions in which individuals have the capacity to realise their potential) the Belize authorities have had to invest heavily in providing the economic, social and institutional infrastructure that is essential for sustained growth and

development and that had never been provided in the past. Both the small population size and its low density, together with its distributed nature across the country, have meant both high absolute and high per capita costs in providing such infrastructure. And, of course, there are the commensurately high maintenance costs.

The demonstration effects of lifestyles in the developed countries have made the need for increased and sustained rates of economic growth and social development in poor countries more and more urgent, and Belize is no exception. The situation has been further complicated by the country's physical location on the narco-trafficking routes to North America and Europe from Latin America, and the associated effects in terms of human trafficking, high and undesirable levels of gun-violence, and the emergence of a criminal class fed by deportations from North America. The Belize authorities have sought, while seeking to deal directly with criminal behaviour, to create conditions which would accelerate the development of broad domestic stakeholder interest in maintaining a strong upward trajectory in economic and social development, and in promoting the peace and stability required for sustained growth and the enjoyment of daily living, with the side-effect of rejecting anti-social behaviour. This has required sustained and focused development of economic and social infrastructure, and has been greatly supported by a strong and sustained partnership between the government and the private business sector that we have been successful in building and expanding over the last few years.

We have been particularly fortunate in recent times in having the sustained support of the international financial institutions and of friendly governments in support of our development efforts. We are particularly appreciative of the sustained economic cooperation and assistance that we have been receiving from the Republic of China (Taiwan) and from the Bolivarian Republic of Venezuela, despite the latter's current economic difficulties. This support, on highly concessional terms, particularly from the countries that I have identified, has made it possible for Belize to sustain a significant level of carefully planned infrastructure development without putting undue strain on the public finances. Our Administration has been able to demonstrate that, with prudent domestic financial and economic management, there is no need to resort to expensive commercial market borrowing in order to maintain the required levels of investment in physical and institutional infrastructure needed to sustain growth in incomes and employment, while steadily reducing poverty. Our painful experience has been that external commercial borrowing needs to be approached with extreme care; and that unless we put unshakeable arrangements in place to ensure that we receive value for money at the

end of the day that approach should perhaps be treated as a last-resort option.

All of this is, of course, a work in progress. The per capita income number conceals the usual inequity in the distribution of income, which needs to be seen in the context of a majority rural population that has a high migrant component from the rest of Central America and associated differences in cultural characteristics, including educational attainment. We are well aware of significant levels of rural poverty. Migration patterns into and out of Belize during the past fifty years or so have resulted in substantial demographic and cultural changes in the structure of the society and economy, the major trends including an influx of Spanish-speaking people from Central America, in addition to smaller numbers of East Indians, Chinese, and Mennonites, on the one hand; and, on the other, an outflow of native Belizeans, including people of African, Garifuna, Maya and Hispanic descent, to North America. Despite significant effort and measurable progress, the education system remains challenged by a shortage of adequately trained teachers and insufficient resources, including physical classroom facilities, despite absorbing more than 25 per cent of the government's expenditure budget. There has been active effort. The health system faces its own challenges in providing full services, particularly in the area of acute care. There has been active effort in both the areas of health and education to address the consequences of rapid demographic change.

In recent times, the recession resulting from difficulties in the financial sector in developed countries have contributed to a slowdown in the growth in activity in Belize, although the relative diversity in the composition of the country's output, together with its small economic size, enabled faster recovery than occurred in other countries in the region. Currently, however, as part of the continuing spinoff from the financial sector crisis in North America, a policy of "de-risking" on the part of large US and European banks, in their attempt to avoid difficulties with their newly aggressive home regulators, has led to the withdrawal of correspondent banking services from a number of financial institutions in Latin America and the Caribbean, including Belize. This poses a substantial threat to the ability of the countries themselves to conduct normal international trade transactions, with the potential for an incalculable level of economic and social harm. This is the context in which the efforts of developing countries, including Belize, to invest in their future must be viewed. There is a clear requirement for the developed members of the Commonwealth to do their part to support the efforts of their less developed counterparts to improve the living conditions, in a sustained way, of Commonwealth citizens. **E**

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