The View from Europe
By David Jessop

Corporate social responsibility required

CARICOM governments are struggling to maintain the levels of social and other spending that electorates have come to expect.

From health care to roads and education, few nations in the region now have the capital or the ability to raise new revenue to grow the social sector, finance infrastructure or create employment. Instead, IMF programmes, austerity and the economic climate since the 2007/8 global recession have meant that almost everywhere in the Caribbean state spending has been decreasing, leaving a negative legacy for future generations.

The unfortunate response of much of the region has been to turn inward; try to sit out what most still see as the effect of a slowly ending global recession, rather than something partly self-made; and to pursue instead, national self interest while undertaking a policy of fiscal consolidation in ways that seem likely to frustrate short term growth.

While wishing the world was in some way different appeals to broad strands of national and regional sentiment, it is unlikely to be the way in which small islands or nations will achieve significant economic growth once global recovery takes hold.

Having failed to integrate the regional economy; lacking in contiguous borders and consequent economies of scale; finding absent even the minimum requirements in the way of low cost sea or air transport; suffering from an excess of governance; and unable to reduce its cost base, there now seems little likelihood that most of the Caribbean, in its own right, will be able to trade its way out of relative decline.

Faced with this unspoken reality, governments of the region, still committed to wanting to transform the lives of their people, now see almost the only option left to encourage growth is to welcome in foreign investment on a significant scale.

This involves actively encouraging countries and companies to invest in major projects making use of the changing value of the region's physical location; recognising a probable future for some, based on oil and gas recovery; changing legislation to create development zones; accepting that the Caribbean has the brand and environment to attract much more in the way of tourism related investment; and even embarking on the large scale sale of shared investments for citizenship.

The consequence is that ever bigger projects are being considered. These include a proposed Chinese US$1.5 billion container and transhipment port off Jamaica's south coast which may employ tens of thousands of Chinese and hopefully just as many Jamaicans; encouraging the interest of major global oil companies in exploring for oil and gas in locations like the three Guianas, Belize, the Bahamas, Cuba and possibly other locations; hotel investments, like the US$1.3 billion, 4,690 room Chinese built and financed Bahamar project in the Bahamas; a vast US$2 billion Brazilian financed port, manufacturing and real estate development at Mariel in Cuba; and other proposed developments in locations from the Grenadines to the Dominican Republic involving a wide array of other investors.

However, the reaction against foreign investment still remains strong in many Caribbean nations.

The criticisms are various. They include concerns about the failure of governments to ensure there is benefit to downstream to local industries and individuals; a belief that the repatriation of profits to other nations does little to encourage the common wealth; and anger that the incentives and exemptions from tax that are offered to overseas investors are not available to domestic or regional investors. It encompasses a belief that large scale foreign investment, particularly in the tourism sector, damages smaller local enterprises; a view that many of the largest projects now envisaged will have a negative environmental impact; and a growing resentment of imported labour.

There are also other more philosophical doubts. Variously expressed, these focus on whether the ceding of local ownership or land results in a loss of sovereignty, the effect it has on a nation's ability to determine its own future, the possibility that huge investments threatens national identity, and whether the region is entering into some new form of colonial or dependent relationship.

Although all of this is understandable, and many of these issues are important and require national debate, they also reflect a lingering hangover from the politics of the 1960s which left the region decidedly schizophrenic about the role to be played by those from outside who want to profit from and in the region.

Irrespective, the world has moved on, capital flows freely, nations from Burma to Brazil and Mauritius vie to offer attractive terms, and even socially focussed hemispheric nations like Cuba have established rigorous but increasingly flexible development zone criteria relating to large scale foreign investment.

There should, therefore, be no reason why, once government and opposition agree that a large scale investment is in the national interest and the benefits are made clear, that both explain how they will ensure that the companies concerned demonstrate social commitment.

The reality is that any high quality investor wants to do this. If they are corporately socially responsible, they will want work in a genuine way to be supportive, create local jobs, recognise environmental and local concerns, understand issues that touch local communities, and be prepared from the outset to engage in dialogue if they are seriously committed to a country.

In this respect, a particularly welcome recent initiative is that being undertaken by the Caribbean Association of Investment Promotion Agencies and the Caribbean Export Development Agency. This aims to create investor role models through a new Regional Investor of the Year Award that will recognise the contribution made by both local and foreign investors to the creation of new jobs, high standards of corporate social responsibility, capital spending, and fiscal support to economies through the payment of corporate taxes.

Caribbean governments should be more prescriptive. If China, Brazil, the US or other interests want to invest in huge infrastructural projects, they should be told that they must adopt the same high standards as the global companies that consistently win prizes for corporate social responsibility.

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