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## **A LECTURE ON THE ECONOMIC FUTURE OF TURKS & CAICOS**

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### **BOLD SIMPLICITY**

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#### **PART A:**

- I. Turks and Caicos is a small cog in the vast wheelworks of the global economy.
- II. The crucial question is can we become a *vital cog* – no matter how small – in the international system of finance and trade based on the development needs of these islands, resting on a realistic understanding of our potential, our capacity and our place in the world?
- III. If asked whether such a thing is possible, the answer is: Singapore did it 40-years ago. Bermuda, Cayman and BVI did it 20-years ago<sup>1</sup>. Estonia did it 10-years ago, Qatar, Botswana, Panama, South Korea and Vietnam are doing it now.
- IV. How do we do it under the pressures, allowances and constraints of a globalizing world?

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<sup>1</sup> (See: Lead article by Professor Gilbert NMO Morris - <http://edition.pagesuite-professional.co.uk/Launch.aspx?PBID=dc6fc62c-e510-437a-8034-c90329a580f9>)

## PART B:

- V. During the FTAA debates 10 years ago, I listen as Caribbean officials and commentators discussed “globalization”, in terms handed to them by those pushing the case for FTAA. It was a lesson in how we fail – at every turn – to define things according to our history, our particular experiences and our strategic and specific needs.
- VI. Globalisation is not new: Alexander “The Great” (356-323 BCE) globalised the ancient world, a variety of Caesars globalised the Roman world to be followed by Genghis Kahn (1162-1227) and the mighty Mongol empire. My favourite politicians Lorenzo De Medici (1449-1492) of Florence and later Karl von Metternich (1809-1848) – Prime Minister of Austria – held the world from chaos by globalising finance and diplomacy in their respective spheres.
- VII. The difference today is that globalising efforts of the past could capture but not hold. The empires that were built dissolved into warring factions and lost their potency. Today, the empires are not merely, and less often political, and more often commercial, and when they dissolve, it is usually to join and even larger network of expanding platforms, with direct influence over our lives. The forces of globalization are sustainable today because of interdependencies in trade and economics, stretched, hardened and advanced by communications and enterprise technologies; which together reduce the cost of business, capital aggregation, the speed of the formation of economic clusters, and so the formation of *economies of scale*, without regard to tradition, sentiment, or size.
- VIII. Let’s examine what this means and how it can be relevant for us here in these islands.
- IX. Based on trade, Globalization is the scale regionalization of national economies whilst globalising regional economies. For small states that have a strategy, globalization is an opportunity. For those with no strategy, globalization merely embeds their dependencies and offers more powerful, efficient competitors opportunities to exploit the weakness or absence of capital, skill, logistic and administration.
- X. Within the globalizing nexus, there are particular economies that appear to operate “above the fray”, such as The US, China and Europe-as-a-whole. They appear to be powerful because of themselves and not in relation to any other nation.
- XI. This is not true. There could be no China – as we know it - without the consumer demand in the US, or facilitators like Japan or Singapore.
- XII. There could be no US Economic “Superpower” (whatever that means), driven by consumer demand, if the US were not borrowing 80% of global savings. And the US could not borrow those savings if it were not for the capital formation expertise in international financial centres (such as the Bahamas, Cayman, Bermuda & BVI), which – up to 2008 - processed 80% of US Bank liabilities to foreigners.

XIII. It becomes clear then that the most advanced nations of the world operating on a set of deliberate policies, function *interdependently*, even if they do not always function *cooperatively*. That is to say, there is a level of recognition between these countries that they must depend upon each other. At a basic level therefore, such interdependencies are strategic, whilst the cooperation that exploits them is more often political; even where it is a necessity.

PART C:

XIV. So the question for Turks and Caicos is:

- a. What are our strategic interdependencies?  
and,
- b. What are our cooperative strategies to strengthen and exploit such interdependencies where they arise?

XV. We are in a political season of a sort here in these islands, so let me put the matter this way: Strategic interdependencies become structural and inescapable. So for instance, when Singapore decided to entre the business of financial services, instead of merely passing a few laws, or engaging in general promotional tours, Singapore decided to entre this sector in such a way that nations more powerful than itself would come to depend upon Singapore. They created for the first time, 24 hour Foreign Exchange (FOREX) trading; making themselves indispensable to the world.

XVI. In the Bahamas 10 years ago, there was a chance to build a natural gas pipeline from the Bahamas to Florida. This would have given the Bahamas an advantage over Florida and access to its government and the most prestigious sectors of its business community. The opportunity was wasted away. Today, LNG is the fastest growing energy market in the world, and has exploded in the US, such that the Gulf Basin's productivity will mean that the US may become a net exporter of fuel by the end of next year. This means the Bahamas lost a seat at the most significant table in energy for the next 100 years.

XVII. In our own case, we have a quite powerful example of the power of even indirect interdependencies: During the American colonial period the principal means the British used to feed meat to the British forces in America was the use of Turks and Caicos salt. This interdependent relationship ended after Toussaint L'Overture defeated Napoleon's Swiss-Polish Contingent forces at Haiti. As such, it cut off access to salt from these islands and that undermined the British capacity to feed their armies and contributed to the success of the American Revolution.

XVIII. The problem is that we have not been the beneficiaries either of this past interdependency, nor it seems have we cultivated an approach,

not merely for survival, but for a deliberate integration into the world. As such, we have not really engaged the world. Our place in the world and the nature of our existence are - for the most part - wholly dependent rather than interdependent.

- XIX. There are important distinctions to be made: For instance, on the one hand, we are a series of islands, an archipelago. We are in the Windward Passage where the world has navigated trade between the North and South - whether to America or Europe for 500-years. We have the third largest Reef system in the world, and so the world takes an interest in that. We are 647 miles away from the largest economic system in human history. These points characterize our "fixed situation"; which, not our skills, nor imagination, but nature herself authored.
- XX. On the dependent side, the value of the currency we use, depends on policies in the US Treasury Department and the general economic policies of the United States government; we import 98% of what we consume; we do not have an international bond rating; we have very poor *economies-of-scale*, which affects first costs pricing on imports and we require foreign labour for growth and the viability of our domestic markets.
- XXI. These factors make us dependent on other nations - whether formally and implicitly, as in the case of The United Kingdom - or informally, as in the case of the Bahamas, The United States and the island of Hispaniola.
- XXII. An additional wrinkle is the TCI CFO Ordinance, passed recently, which will mean that even with elected government, the British will continue to make every significant decision in TCI. This will determine the power of the newly elected government to act according to its own wisdom. Any change in that depends on our relationship with the UK.
- XXIII. Four fifths of our banking system depends on Canadian banks, over 50% of our Condo-Resorts are either Canadian or Middle Eastern developers and even the management of our national medical services, depends on the expertise Canadian entities of which aspects of the Canadian government are stakeholders.
- XXIV. In this setting, I cannot fail to mention that our energy generation and distribution - whilst ably managed by Caribbean and local professionals - it is Canadian investment that has seen the revival and advancement of power supply in Turks and Caicos.
- XXV. These facts show an openness in the TCI economic model. But it does not mean that we have embraced this openness, or have developed strategies to advance or exploit the implicit options such openness presents to us. And even as we sometimes praise ourselves for this openness, it fell upon us accidentally and has never been improved by us in any measureable or meaningful way. It is this absence of a deliberate embrace, which lies at the root of our developmental myopia.

- XXVI. As a political question, it does not matter which party one votes for, they must accept our dependencies as a starting point for any meaningful policy options, they can imagine.
- XXVII. Think of it this way, 80% of what we import comes from Florida. Can any politician answer the question: To which businesses are the benefits of our imports the most significant? Which US Senators or public officials are supported by those businesses? Which universities benefit most from our tuition dollars? Which hotels benefit from our travels? To whom do these businesses give their political support? The reason for asking this is the answers would yield the very basic strategic data required to cultivate strategic interdependencies. If you know that *Lowes* – for instance - in Ft. Lauderdale and Miami depends heavily on our trade, the question is whether that trade is significant enough to provide us political leverage. Certainly, it may be the case that a small Caribbean nation does not have the economic muscle to force a large American business to pay attention. If that is so, it becomes a basis for engaging with the Bahamas or Jamaica, pooling data from the two countries to demonstrate a larger impact, with the effect of creating leverage, putting *Lowes* or whomever else in fear of losing our business.
- XXVIII. When we operate in this way, it provides us a line of contacts and relationships that allows small nations to put pressure on the powerful to act in our interests. It means *Lowes* (and others who benefit from our dollars) must speak for us if it wants our business.
- XXIX. It means also that suddenly we understand how to use our relationships with China or Panama to create further pressure on Florida to show gratitude for business.
- XXX. And this means suddenly, that we have an angle and a strategy for our foreign affairs.
- XXXI. In this way, we rationalize, not only our relationships with the Floridian political and commercial class, but we also deal with our neighbours on a more significant basis than that we happen to occupy the same geographical sphere and that we are cousins; neither of which produces or has produced strategic value or economic advantage.
- XXXII. Our politicians must note that our unstudied dependencies mean that we have not yet matured to a point where as a foundation to our development policies we aim at cultivating mutually beneficial relationships as described above, providing us – perhaps for the first time – a means to direct our future development and prosperity in a meaningful way.
- XXXIII. The principle point to be made about our dependencies and that until we recognize them, prioritise them, engage and exploit them under a clear proactive set of well-imagined strategies, we cannot transform them into strategic interdependencies – as Singapore did in Foreign

Exchange Trading - that provide us leverage and competitive advantages against other nations.

PRELIMINARY SUMMATION:

XXXIV. We have established so far that we are in a globalizing world, and that whilst this is not new, there are new operative forces driving globalization. We have shown that we are dependent in many respects and that if we altered these dependencies by means of creative strategies, we have a chance to become *interdependent* with other nations. We may do this within a competitive nexus, that means we have to become both matured and realistic about how to develop ourselves by and through an intelligent application of our minds.

PART D:

XXXV. In order to gain the wisdom inherent in our situation, let's reason backwards from all we have said so far: If globalization means that small nation-states are often forgotten and remain dependent for lack of wisdom in world affairs, geo-strategic insight and creative resolve, then our first recognition must be that we exist in the cross-winds of a globalised world that means Turks and Caicos cannot continue as it has been as a largely dependent country, without paying a price.

XXXVI. This means many things, but two in particular:

- i. That we will not have the time to develop or "catch up" to the rest of the world according to our own 'Caribbean' timetable.
- j. We must identify the key resource that is the catalyst for our development and advancement.

XXXVII. The distinctive feature of globalization for small nation-states is that it is destabilising to those that have not considered the two points above. It means such nations are constantly reacting to changes and demand in the globalizing systems of the world, constantly discovering late, that their means and modes of operation and thinking (or lack thereof), is being outdated. They have no control of their destinies. *(This is interesting if only because the Bahamas and the Turks and Caicos are two small nations best positioned to exploit the forces of globalization in their own terms. Yet, I have heard nothing from politicians that indicate a strategy sufficiently bold to capture these possibilities).*

XXXVIII. In order to consider the two points above in the most practical and useful terms, we should reason backward in a deeper way, to gain an insight on the way forward:

- a. We have said that globalization is sustainable because of the strategic application of technologies that creates speed and scale.
- b. That means if we are to acquire and adopt the enterprise technologies that drove the strategies of nations such as Singapore and Estonia, we need a Development Plan, a 'blueprint' or roadmap for where we want to go as a nation, for our brand to the world, and we must know why it is viable, valuable, sustainable and how it can deliver competitive advantages for us in the world.
- c. When we speak of 'brand' here, we are not merely speaking of a single industry sector, such as our luxury resort sector. We are speaking of the entire country, and what it brings to mind, once its name is called both in the minds of its citizens and in the near and far abroad.
- d. It is good to remember that Singapore, South Korea and Estonia did not merely concentrate on external trade and finance. First they developed their people and their infrastructure internally, and this served as the platform for their competitiveness and their reputation or brand externally.

#### PART E:

- XXXIX. Let's conclude by speaking of people and infrastructure, as I think these are the key resources to our arrival at some measure of our potential.
- XL. I will then conclude with a final resource, which I think is a catalyst that could open the door to a new economic future for these islands.
- XLI. Please do not fear or imagine that I will give a dry, lengthy laundry list of infrastructure needs for Turks and Caicos Islands. Whilst I have my own vision for our country, I cannot provide this "laundry list" because we do not seem to know, as yet, where we want to go, or what dependencies we would like to correct or which interdependencies to cultivate.
- XLII. Whether its financial services, IT Services for US agencies, just-in-time distribution centres for the Eastern Seaboard of the US or LNG and other energy options that ties US state governments, or large corporations of even the Federal Government to our small nations; we must first develop the confidence to think in this way.
- XLIII. Within Turks and Caicos, it would be interesting to me, if FORTIS – as the monopoly generator and distributor of power in TCI - would consider a national development plan based on its capacity to distribute power to the entire country. That is to say, since power companies are an excellent template to determine developmental capacity, it would be interesting to see a *best-case-scenario* of Turks

- and Caicos Islands, under full distribution of power, and where and what development would have to take place to allow for that.
- XLIV. Additionally, if such a case could include the integration of alternative energy options – in their most efficient and applicable forms – in cooperation with FORTIS, we could envision for the first time *ever*, what it would mean to see Turks and Caicos under “full development”.
- XLV. Whether it’s a “FORTIS plan” or a national development plan driven by the political sector, Turks and Caicos cannot remain where it is developmentally, and we have not shown a determination to advance in an economically sustainable manner, beyond political promises.
- XLVI. However, a national vision, such as we are discussing, is – as it must be - generally non-political for small states, just because it is based on correcting structural dependencies, whilst building strategic inter-relations with other countries, to re-balance the scale of the mutual benefits that arises from cooperation.
- XLVII. First amongst the national initiatives must be making ready the people of this country to compete in the world. It must be noted, even those of us who never leave this country in furtherance of education, are competing with the best in the world. As such, this is no place to hide in fear or mediocrity. In hopes of escaping the demands of a fast-changing world.
- XLVIII. In practical terms, this means that Turks and Caicos, if it is to compete in the world and correct its dependencies, it must become the most *well-educated* nation in our region, or perhaps given its size in the world. I see no reason why this should not be the case.
- XLIX. First, governments should spend the people’s money less on foreign scholarships, and more on kindergarten and elementary education; as studies show<sup>2</sup>, this advance development more profoundly and efficiently. Once our children are successful at these levels, there are plentiful international resources to cover university education.
- L. Second, the Community College structure – in support of the above - should follow the German model and convert to providing technical education.
- LI. If technology is one of the main drivers in globalisation, and it has the capacity to generate both economies of scale and to close the space between supply and demand for knowledge and information, then even within these islands – as between them - technology is a solution to our problems, both as a subject in our national curricula and as the mechanism to deliver quality education to every part of Turks and Caicos.
- LII. In my own mind, these initiatives – education, human resource development and enterprise technology systems - together with the institutions they require are the down payment on any new strategy aimed at advancing Turks and Caicos toward its potential.

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<sup>2</sup>[http://www.frbsf.org/publications/community/investments/0709/economics\\_early\\_childhood.pdf](http://www.frbsf.org/publications/community/investments/0709/economics_early_childhood.pdf)



- LIII. It is a crucial point, that nothing advanced here in these arguments anticipate us pursuing strategic developmental options at the expense of basic developmental needs. For small states, these are combined. In all that we do, we must seek then linkages and leverages that foster interdependencies because for us, that ensures sustainability against unforeseen external shocks and internal limitations in capacity.
- LIV. I venture nothing to assert that even before and beyond tourism, these initiatives must become our priorities if we are to maintain what we have built or advance upon what we hope for ourselves.



#### FINAL SUMMATION:

- LV. So what is our surmise?
  - a. That Turks and Caicos exists in a globalised world;
  - b. That small immature nations – more often than not - exist dependently rather than interdependently;
  - c. That recognition of our dependencies and a practical approach to the cultivation of interdependencies are non-political processes;
  - d. That the cultivation of interdependencies with other nations require strategic thinking, based upon a realistic understanding of our place in the world and our potential;
  - e. That the catalyst for our development is infrastructure, education and human resource development.
- LVI. It is clear then that what we need is “Bold Simplicity”.
- LVII. Simplicity because when you operate from a dependent position, you already raise the spectre of risk and no one wants to engage in risky complexities.
- LVIII. Bold because it will require us to think as we have never thought before. The US is under worsening economic pressures. Europe will be in economic and financial turmoil for the foreseeable future. The economic expansion in Brazil and China is slowing, in part, because of loss of demand in America and Europe.
- LIX. Therefore the headwinds facing Turks and Caicos have in them the power to keep us in our current dependent state, and are already substantial and growing.
- LX. Turks and Caicos is on the threshold therefore at which it requires the most innovative thinking in its history.
- LXI. In order to keep even that which we have built over the last decade, we will have to embrace a new catalyst:

**WE MUST CHANGE THE WAY WE THINK!**

- LXII. Our approach to the world cannot be based on fear and outrageous misconceptions about our importance.
- LXIII. Our approach to the benefits of this country cannot be I am owed because I was born here.
- LXIV. Our approach to the future cannot be, more of the way things used to be in the past.
- LXV. Our approach toward ourselves must be simply this: that this country has no greater resource than its people thinking intelligently about its place in the world and pursuing practical policies to bring into being and vouchsafe -at long last - our much heralded potential.

Thank You








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Plenary Session of the 2012 FortisTCI Strategic Session

Guest Speakers

<b>Rev. Fr. Bernard Been</b> <i>"The Social Challenges of our Time"</i>	<b>Prof. Gilbert NMO Morris</b> <i>"The Economic Future of the Turks and Caicos Islands"</i>
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**Wednesday, 1 August 2012 • FortisTCI Corporate Office • 8:30am to 12:00nn**  
RSVP by July 27, 2012 with Talisha Simons at [tsimons@fortistci.com](mailto:tsimons@fortistci.com) or 946 4313 ext. 2519

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