



Forecasts: 2-K-DIEZ or 2010: What the Decade Holds for the World and the Caribbean

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Arias Años:

There is no actual difference between December 31st and January 1st of any year; no more than there is a difference between any two dates at anytime within the same year. However, we measure the passing of time by a system and that system, in this month and in this New Year, presents us with opportunities to reconsider, retool and reconcile our endeavours.

This New Year is also significant because it is an end as well as a beginning: it is the end of the first decade of the new millennium. As such, commentators and observers will seek meaning from this past experience, hoping to earmark the trend lines of a “new age” – as it were – with a view to imparting as they see it, what the last decade may tell us about the years and decades to come in political economic and social terms.

I will confine myself here, largely to the economic terms; since in a world organized as this world is now, the linkages and crosscurrents between nations are stronger.

As such, if I were to explain a distinction between the coming decade and the last, it is that in the last decade, the linkages, aforementioned, and the intra-dependencies they foster will become more immediate and more determinate of political, economic, social, military and environmental policies, agreements and conflict around the world and will become more pronounced and visible in the next decade.

The New Prism:

I mean by that that throughout the 20th century, the average person in each nation was vaguely familiar with the idea of other nations. That idea is no longer vague.

It the last decade, such linkages were made over technology and new forms of media that the average person around the world could speak with and see a person in another country, nearly as immediately as their physical neighbours. In political or economic thought in the past, it was only possible to say that 'X event was happening in Y country and A event was happening in B country. Now, in the next decade, it will be possible to see and say that, "X event is happening in Y country, BECAUSE A event is happening in B country".

This "causal-intersticia" or web of dependent inter-relationships will form the basis for a new form of perception and analysis. (One which I – and others in other ways - have worked to develop for the last 12 years, and will undermine the basis of so much of our binary approach to reading political, economic and social phenomena).

At its root, this returns us to the ancient approach to analysis. The pre-Socratic Greeks would not have said "Its raining in London AND the Sun is shining in Nassau". Rather they would have said, "Its raining in London BECAUSE the Sun is shining in Nassau, and vice-a-versa. In practical terms this means we must be able to formulate and ask the following sort of question: if there is a growing terrorist threat in Yemen, what does that mean for gas prices in Nassau or Abaco? Or, what is the impact of US inflationary monetary polices across the global financial system? Or if there is a 20% increase in domestic consumerism in China and a 10% decrease in exports, what does that mean for food prices in the Turks and Caicos? What does a 7% population decline in Florida mean for US exports to the Caribbean?

In truth, the best analysts and scholars always approach analysis in this way; noting that nothing happens because of nothing or everything happens because of something. However, in this decade, this will become more familiar, and its particular effect will be that nations given to reaction and "past-due-date" thinking will decline and suffer greatly. As such, the general affect of this new knowledge will be destabilizing; but particularly so, for those nations lacking a vision and strategy for their immediate and long-term future.

Options, Opportunities & Ominums for the 2-K-DIEZ:

BRIC-

Brazil-Russia-India-China (BRIC) have driven the world's economy in the last 27 months. I am a proponent of something called "Decoupling". In the usual economic speak, too many commentators take it to mean that the 'emerging markets', particularly the BRIC countries above will decouple from the US economy. They mean literally that these economies will survive no matter what happens to the US economy. That is galloping nonsense.

What Decoupling does mean is that increasingly BRIC countries for instance, will disconnect from the lock-step with the business cycle of the US economy and the American consumer will be less important to their economic survival. This means that the US will have less power (though not necessarily less influence) over important aspects of international affairs. It will also mean a severe correction in the standard of living in the US to the extent that it is financed on credit.

Of the BRIC nations, I think India and Brazil will have a steadier path to growth than China and Russia. However, ultimately, China's growth will be the more astounding and have the more significant impact in shifting the global balance of power and influence.

China's growth was based on labour cost competitiveness and so pricing power. In the next decade, that advantage will shrink, but will do so as China turns inward and this will by time to develop a median between price and quality.

India's growth is threatened by external conflicts. China has no rival (except perhaps India). However, India (lead largely by TATA, Infosys, etc) has always had world-standard quality, which is typical of democratic nations where people can voice dissatisfaction. (Though Democracy is not absolutely necessary here, since Singapore adopted competitive quality as a decision).

To put a fine point: China will emphasize domestic investment fueled by its vast US dollar holding and will strengthen its position around the world using "Dollar Diplomacy". India will become in the next decade the "Apple Computer" of the emerging markets, rolling out new technologies that the world will adopt readily.

Brazil's development will also be largely domestic; save for its already strategic relations with the Spanish Caribbean. It will increasingly partner with China in the trading of commodities and already has significant joint ventures with China (Petro-Bras/Sino-Pec) in the fuel industry. Brazil's recent discovery of oil means that between Canada, Brazil and Cuba, the regional fuel needs will be met. However, price formation will be driven by Chinese demand.

As for Russia, it probably has more intellectual talent concentrated around mathematics and sciences than any single nation on earth. However, it will continue to be the unpredictable 'lost man' of the emerging markets; suitable only for investors with the nerves of absinthe drinkers.

Europe:

It is better to put matters this way: France, as usual, will be the exception. It will grow between 1% and 2.3%. It will continue as a centre of arts and culture, food and wine and maintain a healthy anxiety about the decline of its language. (Also I think French water technologies will have a competitive role in the "Aqua Shock" or global water shortages that will bubble up in this decade). Little will happen for Britain or Italy and less so for most of the countries in "New Europe"; with the exception of Singapore-like Estonia.

Germany, despite its spoiled population, grown too comfortable on welfare benefits, I think German technology and manufacturing prowess will see resurgence in the "Green Economy" globally. What I have not yet seen is a vision and strategy to drive German commercial interests around the world.

Spain, as usual, is the sleeper as it was when Christopher Columbus plied Isabella for ships and money. Spain will rediscover America and its former Caribbean possessions. In the financial crisis, Spanish and Canadian banks fared best. But in global banking terms, Spain is fast become a global financial

powerhouse and will experience that possibility partly on the backs of stupendous growth in the Spanish-speaking Caribbean Basin and the rise of Hispanics in America.

As a whole, Europe is feckless. There are two issues for me: First there needs to be a "European Army" or a reconstitution of NATO forces for greater European contributions to their own security. I have heard nothing from the various "back-slapping conclaves" that indicate this as an eventuality or even a possibility. This will mean constant economic commitment on the part of the US through military staging of European defense and so inflationary habits in the US Federal Reserve and Treasury. Second, the Europeans had an opportunity to elect The Rt. Hon. Tony Blair as "President of Europe". Instead they chose someone no one knows and surrounded him with even lesser knowns. I have my own difficulties with Blair but who can doubt he would have given Europe a certain flair and relevance?

Middle East & Central Asia:

Let's be honest: Iraq will unravel because Iran will not stand for a strong Iraq in the South without its influence. Turkey will not stand for a strong, oil-wealthy Kurdistan in the North. In the "Sunni Triangle" - between North and South - as Mr. Christopher Hitchens likes to point out self-servingly, oil has been discovered. However, the presence of European or American energy companies there means death and destruction. Second, no one will be able to rely on shipments or pricing from Iraq because of the spellbinding variety of risks involved.

Yet, a failure to command Iraqi resources to offset the costs of bringing about a civil society will mean continued drains on US resources and the continuation of inflationary US monetary management.

Afghanistan is where armies go to die. You have the Northern Alliance and Taliban who have become the world's leading Opium producers. Even if you developed a "crop substitution" programme, you could never provide sufficient, reliable security to ensure its growth. Second, the US seems unsure what its mission is in Afghanistan. Is it to protect little Afghani girls, or to prevent Al Qaeda a foothold, or to prevent the Taliban becoming the government or to prevent Taliban political influence in Pakistan?

In my view, the only relevant issue is to prevent an alliance between the Taliban and radical forces in Pakistan, which may result in their possession of nuclear weapons. The world will be less and less safe - with extreme economic consequences, if the US places itself in a position in which recruitment and radicalization is enhanced along with rising death tolls and costs to maintain what could not be maintained for a 1000 years.

The Palestinian/Israeli issue is still fomenting and is constantly thrown out of notice or care it seems, with every new crisis. Given the situations in Iraq and Afghanistan, that problem seems more manageable.

US:

Before the US elections in 2008, I suggested that Mr. Obama did not know whether he was a Theologian or an Evangelist. A Theologian may never tell you what he believes, and speculates about possible beliefs. An Evangelist tells you only what he believes and has no time for speculation. This has led to a number of unnecessary blackeyes for his administration, with additional volleys to come. Mr. Obama has a poor habit of inviting speculation and intellectual 'mumbling' on issues where he is the principal decision-maker.

In addition to the above, he has made several critical mistakes. The first, of course is Mr. Timothy Geithner. I fear no more awful choice could have been made for Treasury Secretary. He lacks in his very

physical presence the gravity of authority, in the midst of a grave time. Second, I argued in this very site and other places that the banks ought to have been allowed to die and buried in the boot of General Motors. I received emotional letters. They said that such a move would have cost jobs losses.

What, in Jesus' holy name, are we faced with now?

Here is what must be realized and acknowledged: First, there are over 8,000 banks in the US; too many banks, with too few creditworthy customers. Giving worthless banks billions of dollars is like holding off a heart-attack to allow kidney failure in a gout-ridden emphacimic drunkard. The truth is that banks do not have a liquidity problem. They have a balance sheet problem. They are valued below replacement value and so are worthless.

Second, Mr. Obama has launched into the healthcare morass, having done nothing to stave off the losses in jobs and jobs creation. Had he, as I wrote now one year ago, pumped that \$500 billion into small businesses, through community banks or H&R Block, those businesses would have had credit and would be poised for his "green jobs revolution" by now. He would then have the political capital to develop healthcare, with the proven goodwill that he is to be trusted in policy terms.

There is no doubt that Republicans have refused to work with him as Democrats worked with Reagan and Republicans with Clinton. But partisan insolence is a weed that should not be watered by political myopia.

With productivity up, profits up and unemployment up, I can hardly see how businesses would need new employees. The options for jobs creation are simple: get credit into small businesses immediately. I am always for tax cuts but only when high taxes are the problem. Interest rates are at Zero percent. The problem is that banks are not lending. They have taken US taxpayer funds, shored up their weak foundations temporarily, and loaned that money back to the same taxpayers by purchasing US Treasury Bonds with money the Treasury is printing.

A word on airline security: Again, as with the attack in New York on September 11th 2001, the recent Nigerian bomber was flagged in the system and bureaucracy failed prompt action to prevent catastrophe. The Americans will react by imposing new restrictions on people who pose no threat to the system. As with last time, they will fail to speak with the Israelis who have more experience and where, in the most dangerous part of the world, it is easier to get through the airport than in any American city. These failings mean more wasted money, more meaningless delays for travelers and more anxiety overall.

Caribbean:

The Caribbean has missed several major opportunities that would have placed it in the conversation about the direction of the future. During the Bush Administration, as I wrote two years ago, Mr. Bush was hostile to Stem Cell Research. We should have capitalized by bringing the best researchers to the Caribbean. Mr. Bush was hostile towards green technologies. We should have capitalized by bringing the most innovative firms to the Caribbean. In 2003, I advised that CARICOM nations should convert 10% of their reserves and 100% of their Special Drawing Rights (SDR) into gold. We did not, even though the total additional value to the Caribbean would have been over \$20 billion dollars. 10 years ago, I advised Financial Centres to form a global institution (an OPEC style organization), and we did not.

5 years ago, at a conference at COB in the Bahamas on CSME, I asked the Secretary General of CARICOM, what are the 5 major industries in which CARICOM nations can develop an advantage in the next 10 years? There was no answer.

There can be no doubt, CARICOM has fallen backwards in the last 10-years. There seems to be exhaustion and a sense that the very idea of CARICOM is anemic and ceaseless to be born.

The fact that we missed the opportunities above and we have wasted out time emphasizing the now strategically meaningless CSME, rather than strategic competitive advantages and how the Caribbean fits into the shifting balances of power, means we are likely to drift into, and possibly through the next decade; as usual, excusing our failures as being due to pressures from the outside.

Any hard look at our situation reveals the following: News about the Caribbean is dominated by episodic crime. We are not on the near-cutting edge of any opportunity, policy, strategy or technology that will drive competitiveness globally or regionally for the next 10 years. Our model of tourism is dying right before us and our expected clientele are losing their jobs and homes in the US. At the moment, an investor can acquire property or invest in the US at a 30% to 70% discount, with no red-tape headaches, no wasteful bureaucracy and no resentful public 'hew and cry' from those who fail to understand how precarious is our position. That being so, what would be the reason for investing in our region, which is already littered with empty hulks of hotels never likely to be completed?

Our problem is that the given that we missed the opportunities above, we did not diversify our economies. What we will see this decade is fits and starts, as we try to get into developing industries past-due-date. As such, we will have little if anything to contribute and the investment required to participate cannot be drawn from falling tourist and financial services income.

There are two further issues: as security measures worsen in the US, this could mean one of two things for Caribbean nations: Either we will suffer an even more severe decline in tourists. Or we will see an increase. If the latter is true, the Caribbean countries likely to benefit are the ones, which are cheapest with the best services. As such that points to our Spanish-speaking neighbours and the Jamaican all-inclusives.

Second, for those nations which have dollarized or which maintain pegs, such as the Bahamas, the inflationary pressures of the US currency will radically uproot our economic models.

I have referred to 2010 in this article as 2k-DIEZ. This is to indicate that for us, we will witness the rise of the Spanish Caribbean in significant ways. The Dominican Republic, Cuba and Panama will lead the way. Cuba will be a conflicting story for a long time, but even when it get small things right, it will come at a cost to us, necessarily. The nexus between Cuba, Dominican Republic and Brazil will become closer and unless we in the English-speaking Caribbean come to understand the "new prism", not merely of analysis but of political and economic phenomena, we will find ourselves with broomsticks in the age of biotech.