

Introduction

This book is about the special problems, challenges and opportunities faced by small developing countries in today's increasingly global economy. The report of the Joint Commonwealth Secretariat/World Bank Task Force on Small States (*Small States: Meeting the Challenges in the Global Economy*, 2000) helped put these issues firmly on the international agenda. This book publishes and brings together for the first time background papers produced in the course of the work of the Task Force and presented at two global conferences that helped frame its conclusions. It is hoped that their publication will help inform continuing analysis and debate as small states themselves and the multilateral and other institutions that provide external support and influence their development address the challenges they face.

The Commonwealth Secretariat and the World Bank established the Joint Task Force on Small States in July 1998. It produced an Interim Report in October 1999, which was welcomed by the November 1999 Commonwealth Heads of Government Meeting in Durban, South Africa. Its final Report was welcomed at the April 2000 meeting of the World Bank/IMF Development Committee.

In the course of its work the Task Force organised two global high-level conferences. The first was in St. Lucia in February 1999, and brought together representatives from 25 small states, academia, the private sector, and bilateral, regional and multilateral development and other organisations. The second was held in London in February 2000, and brought together senior ministerial representatives from 35 developing small states and 45 governments in total, and representatives of 25 multilateral, regional and bilateral organisations. The papers included in this book were presented at these two conferences. Some of the papers presented at the second conference comment on the Task Force's Interim Report, which was published four months earlier. Most of the papers are published as they were presented, but some, like the report on managing catastrophic disaster risks by John Pollner and others at the World Bank, have been subsequently revised; where possible, the most up-to-date version is included. Also included, as appendices, are a summary of the proceedings of the February 2000 conference and the Executive Summary of the Task Force Report, as presented to the World Bank/IMF Development Committee in April 2000.

The papers are organised under six headings.

◆ **Special characteristics and development challenges of small states**

These papers explore the special features of small developing states, features that affect their economic development. The statement by Shahid Javed Burki, the first World Bank co-chair of the Task Force, at the 1999 St. Lucia conference introduces the themes that the Task Force subsequently explored. The two papers, 'Aid, Risk and the Special Concerns of Small States' by Paul Collier and David Dollar, and 'Small States, Small Problems?' by William Easterly and Aart Kraay, look at data about small states and seek to draw out conclusions for their economic development. The first of these papers includes the important finding that small states tend to be seen as more risky by investors, simply because of their size, and that in the right circumstances aid flows are peculiarly effective in counteracting this effect. Another paper in this section, 'Globalisation and Small Developing Economies: Challenges and Opportunities' by Richard Bernal, comments on the Task Force's interim report and explores structural problems of industries in small developing economies and the scope for strategic global repositioning. A key paper produced for the Task Force – 'Small States: A Commonwealth Vulnerability Index' by Jonathan P. Atkins, Sonia Mazzi and Christopher D. Easter – is also included here. The paper was previously published by the Commonwealth Secretariat in January 2000 as *A Commonwealth Vulnerability Index for Developing Countries: the Position of Small States*, Economic Paper 40.

◆ **Management of economic risks in small states**

One of the shared problems of many developing small states is their vulnerability – because of their small size and geographical location – to a range of natural disasters. The report by John Pollner and others at the World Bank focuses on issues and opportunities in the East Caribbean and identifies a range of new ways for governments and the multilateral community to help to mitigate, manage and insure against such risks.

◆ **Impact on small states of the developing world trade regime**

With their historic reliance on trade preferences, and on tax revenues generated by tariffs, the changing global trade regime poses a major challenge for many small states. The four papers in this section explore ways of managing this challenge. The first paper in this section is a report by Peter Tulloch of the WTO Secretariat on 'Small Economies in the WTO', presented to the February 2000 conference in London. This is followed by a 1998 report produced by the Commonwealth Secretariat for the Task Force on 'Trade Policy Implications for Small Vulnerable States of the Global Trade Regime Shift'; a paper by Roman Grynberg describing the

experiences of Pacific Island states with the WTO; and a paper by Liam Ebrill and others from the IMF on the revenue implications of trade liberalisation.

◆ **New opportunities from globalisation**

Globalisation is also bringing new opportunities. In particular better communications, information technology and electronic commerce are opening up new trading opportunities for remote island states. The paper on 'Exploiting Information Technologies for Electronic Commerce and Better Public Sector Management' prepared by Robert Schware and Paul Kimberly for the February 2000 London conference explores how these opportunities can be exploited.

◆ **Issues in the provision of external assistance**

Two issues recurred throughout the work of the Task Force: the special needs of small vulnerable states for external assistance, discussed in the paper by Collier and Dollar included in the first section, and the special problems that such states have in dealing with multiple donors and co-ordinating their efforts. The paper by Wendy Jarvie and John Eriksson, presented at the London conference, explores the second issue, drawing on a review of aid co-ordination carried out by the Operations Evaluation Department of the World Bank.

◆ **Regional and country experiences**

This final group of papers explores approaches that have worked, and the lessons to be learned from experiences in island states in the Mediterranean, the Indian Ocean, the Caribbean and the Pacific. The first two papers, on the experiences of Cyprus and Mauritius, focus on the lessons to be learned from economic successes in these two island economies. The last two explore experience in regional co-operation, in the Caribbean and in the Pacific. The Task Force commended regional co-operation as an effective way to address some of the capacity and economic management challenges in small states.

It is hoped that this publication will help policy-makers in small states and in multinational and other organisations as they continue to address and develop the agenda that the Task Force set out. The Commonwealth Secretariat is continuing its own work in analysing these issues and helping small member states in their development efforts. We encourage all those with comments and views to contact Dr. E. J. Kisanga at the Commonwealth Secretariat. Tel. 00 44 20 7747 6128. Fax: 00 44 20 7747 6203/6235. E-mail: e.kisanga@commonwealth.int.