The Imperative of an Economic Growth and Transformation Plan for Saint Lucia*

Feature Address on
Economic Growth and the Thinking of Sir Arthur Lewis
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As we remember and celebrate our own Nobel Laureates this week, I think it is fitting to revisit the work that they did and to ask ourselves, in the case of Sir Arthur – how would Lewis see our economic development challenges today? Have we learnt anything from him, or are we destined to continue making the same mistakes over and over again, whilst expecting a new and superior result?

Let us begin with the theory of economic growth in Sir Arthur's day. Back in the 1940s when Sir Arthur began his academic career at LSE and subsequently, Manchester, the Harrod-Domar model was being used extensively to analyze the relationship between growth and capital requirements in a one sector economy.[2] That model assumes that output of an economy depends primarily on the amount of capital invested. In its simplest form, the growth rate of an economy could be determined by knowledge of its savings rate (which is always equal to the investment rate) and the incremental capital output ratio, or the marginal efficiency of capital.[3] Moreover, in the standard Harrod-Domar model, growth is directly proportional to the savings rate and inversely proportional to the marginal efficiency of capital. This model also assumes constant returns to scale and fixed or variable proportions of capital and labor in production.[4] The model can be applied at the level of individual sectors of an economy and knowing the output of each sector, one can estimate the output of the economy.

Sir Arthur Lewis wrote his seminal piece at a time when there were issues concerning absorption of surplus labor – idle human capacity – in many developing countries that had just started their development journeys. It was believed among the neoclassical economists that labor supply was limited, hence unemployment never existed in a growing economy. The economy as a whole was susceptible to output in the two prevailing sectors, Agriculture and Manufacturing. In the neoclassical view, any movement of labor from Agriculture to Manufacturing would impact Agriculture's output. However, Sir Arthur, receiving the inspiration one day whilst walking in the streets of Bangkok in 1952,

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[2] Roy F. Harrod, "An Essay in Dynamic Theory", *Economic Journal*, 1939, pp. 14-33, and Evsey Domar, "Capital Expansion, Rate of Growth, and Employment", *Econometrica*, 1946, pp. 137-47, and "Expansion and Employment", *American Economic Review*, 37 (1947), pp. 34-55.
[3] Formally, the growth rate $g = \frac{s}{k}$, where s is the savings rate and k is the incremental capital output ratio or the marginal efficiency of capital.
[4] The neoclassical economists of the day allowed for both L-shaped production functions with fixed coefficients and variable proportions production function which allow for different combinations of labor and capital for a specific level of output.

decided to relax the neoclassical assumption of full employment, and this paved the way for a new economic theory, predicated on development with unlimited supplies of labor. This would subsequently be called the two-sector or Lewisian model of economic growth.

Many countries, primarily in Asia and Africa, have since adopted development strategies that can be well explained by this Lewisian theory of economic growth, or some derivative of it, for their successful development. Notably, economic growth of the so-called "Newly Industrializing Economies of East Asia – Singapore, Hong Kong, South Korea and Taiwan" (back in the 1980s), have been explained using the Lewisian model by many influential economists, including the like of Paul Krugman as the reasons for their rapid economic growth. Others in Africa, like Ghana applied Lewisian economic growth theory and met with some success.[5] However, the Lewisian economic model appears to have been least appreciated or applied in Caribbean countries, despite its dominance in academia at the major institutions of higher learning. Among Sir Arthur's major works are the "Lewis model"[6], The Theory of Economic Growth (1955), Labour in the West Indies: The Birth of a Workers' Movement (1939), and The Agony of the Eight (1965).

Whilst the Harrod-Domar model provides very useful analysis and good predictions of economic growth, it has the limitations of subsuming all growth into the capital input and does not adequately satisfy the full spectrum of the sources of growth, which in practice include inputs like technology, land, and recognition of the fact that human capital development has serious implications for economic growth. Sir Arthur Lewis and other economists like Robert Solow, were among the pioneers of the need to explain the sources of growth beyond the issue of the marginal efficiency of capital. The production function used in these models allows for increases in output or GDP to be explained by partial contributions from capital, skilled labor, unskilled labor, technology, and other variables.[7] Empirical analysis using growth models that decompose the sources of growth show that increases in productivity or efficiency account for a much higher proportion of growth than previously believed. In fact, increase in capital is now understood to account for less than half the increase in output or GDP, especially among rapidly growing economies.[8]

Sir Arthur Lewis then pioneered what is called the two-sector model of an economy, drawing upon the framework developed by David Ricardo[9] to explain trade based on comparative advantage of nations. The central reason for his award of the Nobel Prize in 1979 was that he had sought a solution to the question of what determines the *relative prices of steel and coffee*. The *marginal utility* approach made no sense to him neither did the Hechsher-Ohlin framework, which assumes that trading partners have the same production functions, yet coffee is not grown in the major countries that produce steel. The other question that he grappled with was that during the first fifty years of the industrial revolution, real wages in Britain remained more or less constant while profits and savings soared. But the prevailing

[5] At the end of 1952, Kwame Nkrumah of the Gold Coast in Africa, asked Lewis to advise the government on industrialization. In 1953 his report on industrialization and the Gold Coast was published (Source: https://www.cavehill.uwi.edu/salises/publications/publications-home.aspx)
[6] "Economic Development with Unlimited Supplies of Labour" (Manchester School).
[7] Formally, the growth function is stated as follows: Y=f (K, L, R, A).
[8] Gillis M., D. Perkins, M. Roemer, and D. Snodgrass (1996) "Economics of Development", Fourth Edition, W.W. Norton & Company (p.48).
[9] Ricardo, David (1817) "On the Principles of Political Economy and Taxation", London: John Murray, Albemarle-Street.

neoclassical framework predicted that a rise in investment would result in a rise in wages and depress the rate of return on capital. According to Sir Arthur, the solution came to him like a “hunch” while walking down the street in Bangkok in 1952 “to throw away the neoclassical assumption that the quantity of labor is fixed”. An unlimited supply of labor will keep wages down, producing cheap coffee in the first case and high profits on steel in the second case. Hence the creation of a dual economy where one part is a reservoir of cheap labor for the other part. The unlimited supply of labor derives ultimately from population pressure, so it is a phase in the demographic cycle. It is important to note that the concept of unlimited supply of labor can be understood in relative terms, i.e., the labor supply is far greater than available demand for labor. It need not mean that the country must have an infinitely large population and labor force. Accordingly, that concept is equally applicable in small economies where unemployment is large, as it might be applied to large economies where labor is more abundant in physical quantity.

In summary, Lewis published in 1954 what was to be his most influential development economics article, "*Economic Development with Unlimited Supplies of Labor*" (Manchester School). In this publication, he introduced what came to be called the dual sector model, or the "Lewis model". He combined an analysis of the historical experience of developed countries with the central ideas of the classical economists, like David Ricardo, to produce a broad picture of the development process. According to his theory, a "capitalist" sector develops by extracting labor from a non-capitalist, or backward "subsistence" sector. The subsistence sector tends to be governed by informal institutions and social norms. Thus, producers do not maximize profits and workers can be paid above their marginal product. During the early stage of development, the "unlimited" supply of labor from the subsistence sector means that the capitalist sector can expand for some time without the need to raise wages. This results in higher returns to capital, which are reinvested in capital accumulation. In turn, the increase in the capital stock leads the "capitalists" to expand employment by drawing further labor from the subsistence sector. Given the assumptions of the model (for example, that the profits are reinvested, and that capital accumulation does not substitute for skilled labor in production), the process becomes self-sustaining and leads to modernization and economic development. The point at which the excess labor in the subsistence sector is fully absorbed into the capitalist sector, and where further capital accumulation begins to increase wages, is sometimes called the Lewisian turning point.[10]

However, I would like this short lecture to go beyond pure economic theory, and instead to focus on the practical application of economics to solve the pressing challenges of Saint Lucia today. Knowledge, of course, is of little value, unless we organize it into targeted plans, to bring about a desired result. This seems to be the problem in our country today, basic knowledge exists everywhere, but its application using targeted plans is sorely lacking, so the people cannot escape poverty and successive governments seem more burdened than enlightened in their pursuit of the quests for the people. Lewis spoke quite a lot about industrialization by invitation, in which he saw the need for foreign investment to fuel the industrialization process. This idea is sound, since a target level of savings are needed for investment, given a known value for the marginal efficiency of capital. The lack of adequate levels of national savings means we have to turn to foreign investment to fuel growth. Given Saint Lucia’s current economic circumstances of high debt, increasing unemployment and severe economic contraction since the onset of COVID-19, unless we have foreign investment flows into specific sectors to drive economic growth,

[10] https://en.wikipedia.org/wiki/W._Arthur_Lewis

our economy will sputter, at best. In order for you to really appreciate this predicament, I will start with an outline of the macroeconomic situation facing Saint Lucia today. I will draw upon primarily the *Economic and Social Review of 2020,* Department of Finance (2021) and other emerging sources from the IMF, the World Bank, the Caribbean Development Bank, and the Eastern Caribbean Central Bank for 2021 to present an image of our economy and its prospects in 2022. Where possible I will undertake deeper sectoral analysis to isolate the major constraints to growth facing Saint Lucia.

Let us begin with the *Gross Domestic Product* (GDP) and in particular, the *sectoral contributions to GDP* over time. Since economic growth is really the extent of overall expansion of the economy, it follows that those sectors that account for a larger share of GDP need expand only by a small percentage to result in a significant impact on overall growth and equally, their poor performance in any one period can result in overall economic contraction. The sectors accounting for the GDP of Saint Lucia in decreasing importance of their shares (based on real averages for 2010 to 2019) are **Accommodation and Food Services** (19.41%); **Real Estate Activities** (10.80%); **Wholesale & Retail Trade** (10.42%); **Financial Services** (6.96%); **Public Administration, Defence & Compulsory Social Security** (5.25%); **Transport and Storage** (4.97%); **Construction** (4.21%); **Communications** (3.53%); **Education** (3.31%); **Arts, Entertainment & Recreation** (3.08%); **Manufacturing** (3.06%); **Electricity** (2.28%); **Health and Social Work** (2.24%); **Agriculture, Livestock and Forestry** (1.72%); **Other Community, Social & Personal Services** (0.84%); **Water** (0.79%); and **Mining & Quarrying** (0.15%). These sectors together made up 83% of the real economy, on the average, for the period 2010 to 2019. **Taxes** accounted for approximately **13.5%** of the GDP on the average. What is evident from this review of the sectoral contributions to GDP is that the Saint Lucian economy is primarily a Services economy (95%) with a fringe of Agriculture and Manufacturing activities, jointly accounting for a little under 5%. Therefore, central to economic growth would be growth of the top ten sectors of the economy.

Now let us continue with the growth in *Gross Domestic Product* (GDP) over the last decade, excluding 2020. First, average real economic growth has been stagnant for the decade 2010 to 2019, at 1.1%. During that decade, growth reached its highest rate of **4.6%** in **2011** relative to 2010 and its lowest rate of **-2.0%** in **2013** relative to 2012. The growth rates also follow very closely, the gross value added (GVA) at basic prices. In **2011** GVA was **2.1%** and in **2013** GVA was **-1.1%**. Let us briefly analyze the performance of some major sectors of the economy over that same decade. Average real growth rates of the leading sectors of the economy for the period 2010 to 2019 were as follows, **Accommodation and Food Services** (3.49%); **Real Estate Activities** (0.44%); **Wholesale & Retail Trade** (0.21%); **Financial Services** (-0.13%); **Public Administration, Defence & Compulsory Social Security** (1.41%); **Transport and Storage** (-0.2%); **Construction** (-1.22%); **Communications and Information Services** (6.53%); **Education** (1.19%); **Arts, Entertainment & Recreation** (7.94%); **Manufacturing** (3.19%); **Electricity** (1.62%); **Health and Social Work** (2.84%); **Agriculture, Livestock and Forestry** (0.55%); **Other Community, Social & Personal Services** (-3.35%); **Water** (0.07%); and **Mining & Quarrying** (24.83%).

Therefore, we see that *growth has been sluggish* even before the advent of COVID-19 pandemic in 2020, pointing to the fact that the *macroeconomic fundamentals* have been weak for quite some time and that the pandemic (as described below) has merely exacerbated the woes of a weak economy. Excluding *Accommodation and Food Services*, which posted overall positive growth on the average, most of the large sectors among the top twelve have been performing rather weakly, on the average. The economy seems to have found itself on an automatic steady state, with a high propensity to deteriorate even further, unless some comprehensive plans are developed and implemented without further delay. Also, with falling Agricultural output per capita, Saint Lucia could find itself in a food crisis in the near future as demand for food products is increasingly being met from imports, which require foreign exchange. Yet, there are no clear strategies to generate more foreign exchange beyond Tourism.

I will now focus on the most current macroeconomic situation as in 2020. GDP in *current prices* decreased from $5,720.7 million EC in 2019 to $4,365.3 million EC in 2020, or by **-23.7%**. GDP in *2018 constant prices* decreased from $5,572.3 million EC in 2019 to $4,437.0 million EC in 2020, or by **-20.4%**. *Gross Value Added* in Constant *2018 Basic Prices* decreased from $4,900.2 million EC in 2019 to $3,905.2 million EC in 2020, or by **-20.3%**.

Of course, the onset of the pandemic has been the death knell for the economy, plunging it into deep negative territory, more than 20 percent contraction in real economic terms, which was the worst that Saint Lucia has seen for several generations and indeed the worst performance among all Eastern Caribbean Currency Union members. *More disheartening* is the *absolute loss in wealth* of every Saint Lucian, as GDP per capita in US dollars decreased from $11,771.40 in 2019 to $8,923.0 in 2020, or by -24.2%. Put in layman's terms, the average Saint Lucian's spending power collapsed by approximately one quarter between 2019 and 2020. But the GDP story is only the beginning. *Unemployment* also skyrocketed and we continue to see major inflationary pressures given our over reliance on imports for consumption. The official *Unemployment Rate* also showed a negative development, increasing from 16.8% in 2019 to 21.7% in 2020. This corresponds to an increase from 16,998 unemployed in 2019 to 20,774, in 2020. So, in relative terms, Saint Lucia actually has *surplus labor* that is idle, and without deliberate plans to cause a targeted level of growth this situation will worsen.

As we heard of the massive interventions that were being made in the developed countries to bail out their citizens and firms from the COVID-19 pandemic, the question that was asked in Saint Lucia was what is our government doing?

Well, the second part of the story has to do with the *Central Government's Fiscal Operations for the fiscal year 2019 to 2020*. *Total Revenue & Grants* declined from $1,187.9 million EC in 2019 to $923.3 million EC in 2020, or by **-22.3%**. Within Total Revenue and Grants, *Current Revenue* declined from $1,144.7 million EC in 2019 to $890.7 million EC in 2020, or by **-22.2%**. However, *Total Expenditure* increased from $1,378.7 million in 2019 to $1,403.2 million in 2020, or by **1.8%**. Within Total Expenditure the *Current Expenditure* component declined from $1,177.9 million in 2019 to $1,161.7 million in 2020 or by **-1.4%**; whilst *Capital Expenditure* increased significantly, from $200.8 million in 2019 to $241.5 million in 2020, or by **20.3%**. The *deficit on the current account* worsened stupendously from $-33.2 million in 2019 to $-271.0 million in 2020, or by 716.6%. Notably, the *deficit on the primary balance* of the current account deteriorated the most, going from $-20.0 million in 2019 to $-314.9 million in 2020, or by **1,477.4%**. The *overall balance* deteriorated significantly, from $-190.8 million in 2019 to $-479.9 in 2020, or by **151.6%**. With such poor performance of central government's fiscal operations, there is little wonder why government was unable to provide the largesse that we saw other Caribbean neighbors and developed countries like the United States extending to their citizens. The Government's current account balance found itself in one of the worst positions ever, with a deficit growing more than 1,000 percentage points in 2020 relative to 2019.

The third part of the story is the *public debt*. Public Debt (EC$) grew from $3,417.6 million in 2019 to $3,773.8 million in 2020, or by **10.4%**, the *External Debt component* of which increased from $1,689.7 million in 2019 to $1,947.2 million in 2020, or by **15.2%**. Consequently, debt service ratios deteriorated significantly. The ratio of *Central Government Debt Service to Current Revenue* increased from 26.4% in 2019 to 28.9% in 2020 and the ratio of *Public Debt to GDP* increased from **59.7%** in 2019 to **86.5%** in 2020, of which the *External Debt to GDP* increased from **29.5% to 44.6%**.

The fourth part of the story is the performance of *merchandise foreign trade*. *Imports* of goods decreased significantly from $1,615.58 million EC in 2019 to $1,362.2 million EC in 2020, or by **-15.7%**. However, *total exports* decreased even more significantly, falling from $221.5 million EC in 2019 to $149.1 million EC in 2020, or by **-32.7%**. Accordingly, the balance of trade deficit widened considerably over that period. Within Total Exports, *Domestic Exports* declined considerably, but at a slower rate, from $104.2 million EC in 2019 to 88.9 million EC in 2020, or by **-14.7%**.

The fifth part of the story is the performance of *money supply and credit*. *Total Deposits* into the financial system increased from $4,348.9 million EC in 2019 to $ 4,516.9 million EC in 2020, or by **3.9%**. However, the *money supply decreased*, as measured by both the narrow and broad definitions of money supply. Money Supply (M1) decreased from $1,054.9 million EC in 2019 to $983.5 million EC in 2020, or by **-6.8%**. Money Supply (M2) also decreased from $3,343.0 million EC in 2019 to $3,122.1 million EC in 2020, or by **-6.6%**.

Net Credit to Central Government increased significantly, from $255.5 million EC in 2019 to $300.8 million EC in 2020, or by **17.7%**. However, *Credit to Private Sector* increased only slightly, from $3,098.2 million EC in 2019 to $ 3,182.1 million EC in 2020, or by **2.7%**.

Why did all of this happen? When we analyze the root cause, it is seen that we have created an economy that has become reliant almost exclusively on Tourism for the growth and prosperity of Saint Lucia. If I were to apply the Lewisian model to Saint Lucia, it would seem that we do have a two sector economy, the one driven by capitalists of today is the Tourism sector, which draws cheap labor from the rest of the economy and manages to keep real wages down, given there is a surplus labor pool of a not very specialized quality that is suitable for hotel work, whilst making profits at the expense of the rest of the economy. The general neglect of Agriculture, which had been the sector of working-class capitalists[11] has relegated its workers and farmers to a labor reserve, which is paid only a minimum reservation wage or a price that just equals marginal cost.

The COVID-19 pandemic forced borders to close and our Tourism arrival numbers dwindled, falling by about two thirds in 2020 relative to 2019 arrivals. Specifically, *Total Visitor Arrivals decreased significantly* from 1,297,163 in 2019 to 458,943 in 2020, or by **-64.6%**. Notably, *Stay-over Arrivals* declined from 423,736 in 2019 to 130,695 in 2020, or by **-69.2%**. *Cruise Ship Arrivals* decreased significantly as well, from 798,176 in 2019 to 297,885 in 2020, or by **-62.7%**. *Yacht Passenger Arrivals* also significantly decreased from 66,272 in 2019 to 26,407 in 2020 or by **-60.2%**. *Excursionists* also decreased significantly from 8,979 in 2019 to 3,956 in 2020, or by **-55.9%**.

But, even then, the *policy response of government* to COVID-19 in 2020 left a lot of be desired. In the face of the pandemic, one would have thought the policy response would be to invest in the sectors that are not as exposed and vulnerable to external shocks. *Agriculture* should have taken a lead role towards

[11] Under Sir John Compton, during Saint Lucia's first major economic transformation, ordinary farmers owned the means of production and capital for producing bananas. This made them capitalists and at the same time, workers on their own plantations.

economic recovery and so should also be Fisheries and in general, the production of goods through the sustainable management and development of natural capital. Certainly, this was the policy focus of several Caribbean countries that are not known for major production of, and reliance on, agricultural produce. Included in these are Antigua and Barbuda, Barbados and Saint Kitts and Nevis. However, the data show that there was severe contraction in these sectors. For example, *Total Banana Exports* decreased significantly from 11,622.6 metric tons in 2019 to 8,401.3 metric tons in 2020, or by **-27.7%**, with accompanying reduction in export revenue from $18.2 million in 2019 to $13.7 million in 2020, or by **-24.7%**. *Manufacturing* has increased somewhat, but its base is so small that even significant growth levels in that sector are not sufficient to significantly impact the GDP. *Services*, other than Tourism, constitute the bulk of the remainder of the economy and it would seem prudent that more attention be given to these activities as the way out for Saint Lucia.

We must always be mindful of the fact that our GDP is *positively correlated to our consumption*, but *negatively correlated to our imports*.[12] Therefore, to the extent that we have a massive distribution sector that relies so heavily on imports of finished goods to fuel it, the net growth effect of these sectors could well be negative. So, what is the way forward for our Saint Lucian economy? We have to go back to basics and understand there is a need for economic growth and transformation and that such growth has to be sustainable and must come from diverse sources. Economic growth should proceed in a manner that will result in the increase of real wages as demand for goods and services increase. Such growth calls for a vision of multiple sectors, each making important contributions to the economy and not the current *de facto* dual sector economy in which the capitalist sector exploits labor, whilst keeping real wages down, since there is surplus labor. Policy makers must understand this. We cannot wait for a Lewisian turning point in the economy before undertaking the required transformation. We must not continue to build an economy almost exclusively on Tourism, even though that sector will continue to be important for growth, foreign exchange and employment going forwards, there is now, more than ever, a pressing need to transform and diversify.

The *transformation* that I have in mind is not like the diversification we have heard so much talk about before without taking any action. In the first place, our development effort must place exports of goods and services at the center of the development strategy. The focus must shift to production of services that can be exported via E-Commerce, as well as goods. There are initiatives being discussed in the region on E-Commerce at this time and this needs to gain traction in Saint Lucia.[13] E-commerce platforms can make it possible for seamless exports of services online to any country in the world, almost cost-less-ly. There are some challenges in doing this though and much of it comes from unreliable internet services and the high cost of online banking services, including payment gateway services. Reform can, and should be undertaken, to positively redirect E-commerce development for economic growth. Products also require new standards and quality that meet the demand requirements of target markets. This calls for resources that could be obtained locally or via foreign investment.

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[12] $Y = C + I + G + (X - M)$. Where Y is the GDP, C is consumption, I is investment, G is government spending, X is exports, and M is imports.

[13] Preville, Claudius and Qing Yang (2021) “Feasibility Study on the Establishment of an E-commerce-based Fulfilment Centre for the Exports of the Caribbean Countries”, Report prepared for the ACP-EU TradeCom II Programme, Project N° REG/FED/24728 (P126: Targeted Support to Develop E-commerce in the Caribbean Countries).

Saint Lucia also needs to take advantage of the opportunities that are presented in several economic integration arrangements, including the Economic Union of the OECS, CARICOM, and other Free Trade Agreements, like the CARIFORUM-EU Economic Partnership Agreement, the CARICOM-Costa Rica FTA, several other bilateral trade agreements between CARICOM and the other countries, and importantly, the final two major non-reciprocal preferential trade agreements with the United States and Canada. With the Economic Union of the OECS, trading within a single currency area confers the advantage of certainty and will reduce the deficit on the balance of payments relative to countries outside the Union.

Sir Arthur Lewis is credited for having developed and articulated the dual-sector economy model, which explains why in any such economy, real wages tend to persist at low levels in the labor-intensive sector[14] whilst profits tend to increase in the capitalist sector. In many ways, the Saint Lucian economy can be seen as a Lewisian model economy in which the labor reserve supply pool (unemployment) is large enough (relative to demand) that real wages can be maintained quite low to facilitate the growth of the capitalist Tourism sector, at the expense of the remainder of the economy. But this is happening only because the *quality of the labor supply* is weak, it does not have the required sophistication and is reduced to doing menial tasks.

Therefore, we need to go beyond this in the proposed economic transformation to set target sizes of the key sectors of the economy and levels of growth to achieve that by a certain timeframe. A very practical starting point is investment in *Agriculture*, making farming a business that would attract the youth, thereby increasing our agricultural output per capita, through the application of advanced technologies. Agriculture's share of GDP should increase to a target level of at least 5% by 2030.[15] *Taiwanese Technical Cooperation* is already very strong in this area and needs to be harnessed strategically to reorient the economy. *Value added* in the production and manufacturing of some products and services can become a major source of economic growth and rapid increase in per capita income. Government must choose the sectors for this growth and transformation strategically and provide the environment – both regulatory and incentives – to result in *economic transformation* on a large scale. *Manufacturing's* share of GDP should be targeted at 10% by 2030.[16] We need not concern ourselves with producing entire products or services in Saint Lucia. We only need concern ourselves with identifying where in the value chain for any product that we already consume, can we participate by either producing a small component of that product in Saint Lucia, or specific services that transform that product. Services are all about the quality of our knowledge base, intellect, and talent.[17] This is therefore the area where we can triumph as a nation by merely acquiring the relevant specialized knowledge to render required

[14] The labor supply in this case is primarily of a low quality with very little technical knowledge and it is suitable only for doing very basic tasks requiring little training.

[15] It is noteworthy that in the United States, Agriculture's share of GDP is 5.2% and this is one of the most advanced economies in the world. At our current level of development Agriculture's share of GDP should be nearer to 10%.

[16] The manufacturing that I have in mind is of primarily intermediate products that fit into a much larger regional or global value chain. We are not to target finished products per se unless there are overwhelming advantages in doing so.

[17] With regards to talent-related services, the *Entertainment and Creative* sectors portend huge opportunities for Saint Lucians. We have proven to be able to supply world-class musical talent like that of Ronald "Boo" Hinkson and the newly emerging genre called the Dennery Segment, both of which have international appeal.

services in creating value added, locally, regionally, and globally.[18] We are not restricted by capital anymore. The knowledge is everywhere on the internet, and it can be readily acquired, organized into targeted plans, and generate value added and income for Saint Lucians. *Services'* share of GDP should be targeted at 85% by 2050.[19]

In closing, Government also needs to articulate a *clear vision* and set *target levels of growth* deliberately, plans by which such growth can be realized, and actively pursue such growth rates, if we are truly desirous of bringing about *growth and transformation* of the Saint Lucian economy. Economic growth will not be in line with any specific number unless Government first decides on it, formulates the plans by which it could be realized and implement the plans on a regular and consistent basis in collaboration with the private sector. Sadly, we have become a nation where the international financial institutions simply come in, spend a few weeks with our technocrats and then tell us what our growth rates will be, the portion we deserve, based of course, on their careful observation of the absence of deliberate plans and strategies to result in a target level of economic growth. Our nation can, and must do better, than this. Personally, I would like to see a Saint Lucia that grows by 10% annually, and there is no reason why it cannot be done if we *deliberately decide* to do so. Saint Lucia has a lot of catching up to do, having lost more than one fifth of its wealth in 2020 alone. In the words of the *West Indian Commission*[20], "It is time for action".

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[18] Preville, Claudius (2003) "Trade Liberalization Under Imperfect Competition: An analysis of the European Union Market for Banana Imports", Ph.D. Thesis (Maastricht: Shaker Publishing).

[19] Although we boast an economy which is primarily driven by services, it is services of largely the lower-end, low knowledge variety. Such services are no better than basic services suitable only to doing menial work. In the transformation, sophisticated services based on specialized knowledge should grow significantly through education and training, whilst the menial variety should shrink in significance. By 2050 of the 85% of GDP which Services in Saint Lucia should account for, no less than 75% of the contribution to GDP should be of the specialized knowledge, high quality variety and the remaining 10% can be that suitable only to menial work.

[20] "Time for Action: Report of the West Indian Commission", Havelock R. Brewster (1993), Taylor & Francis, Ltd.