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## CARICOM: RECENT DEVELOPMENTS, CROSS-ROADS AND FUTURE PROSPECTS

For the past four decades, economic and regional integration has been a central goal of the Caribbean region. The drive for unity in the region has moved from the British West Indies Federation, to the Caribbean Free Trade Association (CARIFTA), to CARICOM and now the CARICOM Single Market and Economy (CSME) and the Single Development Vision. The main goal of CARICOM was to have a common market; for the region to act as 'one entity'. The objective was to coordinate the economic, industrial and foreign policies and to have convergence between the 'less developed countries' (LDCs) with the 'more developed countries' (MDCs). Trade would continue to expand along with the intention to improve individuals' standard of living, increase productivity and enhance international competitiveness. By 1989, the CARICOM model was extended to CARICOM Single Market and Economy (CSME). The CSME was expected to act as a large market for member countries with free movement of labour, capital and goods and services. Other elements included the harmonization of legislation (e.g. company, intellectual property and other laws), coordinated external trade, monetary and macroeconomic policies and a Common External Tariff (CET).

The latest quest by the Community for integration is the *Single Development Vision by Member States* and the *Strategic Plan for Regional Development (SPRD)*. Various discussions have been undertaken with the Heads of Government and regional stakeholders to set targets for achieving the integral goal. In 2007, a report entitled "*Towards a Single Development Vision and the Role of the Single Economy*" was adopted by the CARICOM Heads of Government. This was a broad framework for addressing the development needs of CARICOM and identified many drivers of regional economic growth. In fact it is a CSME roadmap which foresaw implementation of the Single Economy by 2015. In November 2010, the Regional Stakeholders in CARICOM held a conference on *The Strategic Plan for Regional Development* in which the main highlight was the provision of Regional Public Goods (RPGs). RPGs are services or resources whose benefits are shared by the member countries, are used freely or at subsidized prices and whose use results in accelerated regional development. According to the Strategic Plan, examples of RPGs include, "(i)

*non-country specific investments in knowledge, research, training, negotiation to promote international competitiveness; (ii) inter-country mechanisms for managing adverse cross-border externalities or creating beneficial ones (i.e. policies, legislation, institutions/organisations); (iii) investments in cross-border infrastructure to enhance the preconditions for growth/development through trade and integration among countries and external competitiveness of commodities/sectors; (iv) creation or re-organisation of regional institutions to facilitate solutions in a range of areas (finance and banking stability, environmental stability, etc)".* Generally, RPGs are policies, institutions, legislation, regulation and infrastructure.

The *Caribbean Trade and Investment Report 2010* was also launched at the conference. The publication, in its third edition, focused on *Strategies for Recovery, Renewal and Reform* and covered regional issues such as intra-regional trade, conglomerates and cross border investments, reducing disparities in the region, tourism and the indebtedness of CARICOM Governments. The influx of ponzi schemes in Jamaica and Grenada and the debacle of the CL Financial Group magnified the regulatory issues concerning the non-bank financial sector which is of increasing significance in the region. Therefore there has been a keen focus on firm weaknesses the concept of "too big to fail" and regulatory reform of the non-bank financial sector highlighted this issue. Also emphasized was the vulnerability of the region to external shocks. The recent financial and economic crisis caused a decline in remittances, government revenue, investment, employment activity and the overall growth rate. In addition, the crisis strained the process of reducing the disparities between the LDCs and the MDCs. The decline in economic activity is dampening efforts to harmonize policies as countries have to implement their own stabilization methods to shield and restore their own economy.

In another development which impacted the latest member of the 15 member Community, Haiti was hit by a devastating earthquake early last year. With a population of 9.7 million people it accounts for more than half of the total population of CARICOM. CARICOM is committed to assisting and announced in February that a Haiti-CARICOM Development Fund will be launched.

## CARICOM: RECENT DEVELOPMENT, CROSS-ROADS AND FUTURE PROSPECTS CONT'D

The reality is that after 40+ years, the region is far from operating as one collective body. The regional stock exchange proposed in 1989 is still not realized. Moreover, compliance by all member states to the targeted schemes is still an issue. A study by Norman Girvan on *Caribbean Community: The Elusive Quest for Economic Integration*, showed that of some of the existing targets, the introduction of the CET was met by 11 of 13 participating member states. With respect to the removal of legal restrictions on services, there is a 'legislative compliance gap' of 56 per cent. Abolition of exchange controls is required to facilitate the free movement of capital but with a fixed exchange rate still implemented in some countries, this objective is yet to be achieved. Moreover, there is little headway in policy coordination (macro-economic, fiscal and financial policy, to name a

few). For the CSME to be successful a commitment must be made by each of the Heads of Government to harmonize and comply with the agreed targets. The mentality must change to one of coordination and teamwork. A collective effort has to be made by all involved as each country must make a borderless region as its foremost goal.

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### REGIONAL NEWS SUMMARY

#### CL FINANCIAL

- Finance Minister Winston Dookeran said that a "compassionate window" was put in place for some CLICO policyholders to access up to \$250,000, mainly for medical reasons, and that some 200 people had benefited from this. However, CL Financial remains in a difficult position financially, which is a challenge as market conditions change (TE 29 Jul)
- CLICO has entered into a formal agreement with the Bank of Nevis Ltd and its offshore banking arm, the Bank of Nevis International Ltd, to repay the equivalent of US\$4.3 million over 15 months. The agreement is the result of legal action initiated against Clico for the full repayment of all outstanding principal and interest payments on May 17, 2010 (TG 7 Aug)
- The Lascelles board of directors advise the shareholders of the company not to sell their stock to a foreign company which has launched a takeover bid to acquire Lascelles (a subsidiary company of CL Financial) (TE 12 Aug)
- Capita Financial Services Inc., formerly CLICO Mortgage & Finance Corporation (of Barbados), recorded B\$237,759 in profit for the first quarter of this year (BN 14 Aug)
- Local bondholders have given CL Financial Group another month to determine a payment schedule for a US\$240-million bond in default, according to JCSD Trustee Services Limited. Black Sand wants to acquire Lascelles in lieu of payment, amid other reasons outlined by the investors (JG 17 Aug)
- CL Financial has completed the sale of all the issued and outstanding shares of the Primera Group to Canadian junior energy firm, Touchstone Exploration Inc. (TG 26 Aug)

#### THE STANFORD GROUP

- Liquidators of the Antigua-based Stanford International Bank applied to a court in Britain to release some of the US\$100 million of frozen assets there so they can recover other assets for investors who lost money in Allen Stanford's alleged Ponzi scheme (Carib360 4 Aug)

- Following a recent decision by a London court authorizing the Antiguan liquidators of Stanford International Bank to spend up to US\$20 million of funds frozen in the U.K, a US court-appointed investors committee has asked the Antiguan liquidators to account for all recoveries and expenses since the liquidation was initiated in February 2009 (Carib360 19 Aug)

#### CARIBBEAN

- Caribbean countries are forging ahead with strengthening regional integration: "We are also attempting to enhance our global competitiveness," Irwin LaRocque, the new Secretary General of the CARICOM Secretariat, said during a presentation of CARICOM's position at the recent Aid For Trade review meeting at the WTO in Geneva (BAdv 28 Jul)
- Two Central Bank of Barbados researchers have suggested that multi-dimensional improvements have to be made to Barbados' manufacturing sector if it is to make a meaningful economic contribution (BN 29 Jul)
- The executive board of the IMF has approved a 3-year stand-by arrangement for about US\$84.5 million with St Kitts and Nevis (CNnow 29 Jul)
- National Commercial Bank of Jamaica has reported a 14% increase in net profits to J\$3.1 billion for the third quarter ending June 30, 2011 (JO 29 Jul)
- The rate of inflation in Trinidad and Tobago has slipped to 0.8%, its lowest level in more than 40 years (TE 30 Jul)
- The organization Curacao United has been drawing attention to the current state of the economy on Curacao after the Government said the economy for 2010 showed a growth of 0.1% (Caribseek 2 Aug)
- With the "pause" placed by Caricom leaders on parts of the Single Market and Economy project, the ongoing crisis in the Eurozone holds lessons for our regional integration movement. The EU, with its unified currency, the euro, is

## REGIONAL NEWS SUMMARY CONT'D

our model of integration. With the problems in Greece, we can see very clearly that the challenges inherent in attempting to mesh countries with widely varying levels of development were glossed over in the rush towards unification (GuyTimes Editorial 3 Aug)

- OVER B\$600 million is traded monthly on the Barbados Foreign Exchange market, said Central Bank of Barbados officials (BN 3 Aug)
- Global athletics brand Puma credited its €37.6 million (J\$4.57 billion) record second-quarter 2011 profit performance in part to strong sales of its Jamaica inspired 'Faas' sneakers endorsed by sprinter Usain Bolt and dub-poet group No Maddz (JG 3 Aug)
- Financial Secretary Wesley Hughes is dismissing concerns that Jamaica could be in dire straits because of its inability to draw down on an estimated US\$300 million under the standby agreement with the IMF (JG 3 Aug)
- Jamaica Ethanol Processing has shut down its ethanol plant and terminated 31 jobs after 26 years in the business (JO 3 Aug)
- An \$11 million grant from the IDB to Haiti will support a programme to provide business development and training services to MSMEs to expand their access to credit, strengthen their management, and boost their productivity (Caribseek 4 Aug)
- The month of May is known as a low traffic month in the tourism industry, Curacao registered a 6% growth in stayover arrivals (Caribseek 4 Aug)
- The National Contracts Commission has approved the purchase of US\$182,000 (J\$15.5 million) worth of meteorological instruments for the conducting of wind resource assessment in Jamaica (JG 4 Aug)
- The Caribbean retains the highest airfare structure in the world, and since Guyana is the most southern destination in the Caribbean, travellers are left at the mercy of other regional carriers. The CEO of REDjet said that this low cost carrier is here to answer the commercial needs of local travellers (GuyTimes 5 Aug)
- Inflation on the islands making up the Dutch Caribbean was substantially higher in the second quarter of 2011 than in the first quarter. The rate was highest on St Eustatius, at 10.5%, up from 7.0% in the first quarter. On Saba and Bonaire, too, inflation rose in the second quarter (Caribseek 5 Aug)
- Bermuda has a slew of sport-tourism events coming up, starting October, that will bring hundreds of visitors to the island. (GuyTimes 5 Aug)
- An IMF mission ended a two-week visit to The Bahamas with a report that economic recovery in that country is gaining strength. The mission said that real output grew by about 1% in 2010 and is expected to grow by 2% this year (TG 7 Aug)
- More than US\$1 billion from the Heritage and Stabilisation Fund is now in jeopardy as a result of the severe turbulence being experienced in financial markets and the recent downgrade of the US credit rating (TE 9 Aug)
- The IMF says while Dominica has managed the recent economic crisis well, its recovery has been lacklustre and growth prospects remain weak (GuyTimes 9 Aug)
- Foreign aid to Jamaica slowed down amid uncertainty about the International Monetary Fund agreement and the secretive discussions on the country's performance on the last two tests (JG 10 Aug)
- The TCL Group, regional manufacturer and marketer of TCL Premium Plus is supplying Brazil with cement for the construction of World Cup related projects (TG 11 Aug)
- THE capital base of the Caribbean Development Bank increased from Bds\$1.42 billion to Bds\$3.28 billion at the end of last year. The increase is said to be the largest in the history of the regional financial institution and the first general capital increase since 1990 (BAdv 11 Aug)
- Barbados has welcomed more than 720,000 visitors so far this year, with 58,270 arriving for July alone (BN 11 Aug)
- Jamaican David Smith, who headed failed investment scheme Olint, was sentenced to 30 years in a US federal jail for defrauding thousands of investors out of US\$220 million (Carib360 12 Aug)
- Police investigators say more investors in the unregistered investment scheme Nipon Farms are coming forward following the arrest of its principal, businessman Carl Ranglin (JG 12 Aug)
- A Ugandan specialist firm is partnering with WASA to achieve a goal that the state enterprise has never been able to accomplish in its 46 years of existence – become a commercially viable entity (TG 14 Aug)
- The real estate sector in Barbados has, like most others, struggled to some degree during the ongoing economic slowdown. People now seem to be demonstrating more confidence in the market but they are looking to secure their investments at good prices (BAdv 15 Aug)
- The director of Oxfam's operations in Haiti has resigned amid an inquiry into allegations of misconduct by staff; the allegations were not linked to fraud (GuyTimes 15 Aug)
- New CARICOM Secretary-General Ambassador Irwin LaRocque gave a commitment to working to realize the goals of the Caribbean community, but said this will involve all and that there must be resources and focus to make this a success (GCO 15 Aug)
- An energy grant to disabled persons, an amnesty to taxpayers under the Waiver of Interest and penalty programme offered by revenue collecting agencies, and support to key economic sectors including the Cultural Industries Sector, form the core of Barbados' new Budget (BAdv 17 Aug)
- The IMF has reaffirmed that the St Kitts and Nevis economy is gradually recovering from a prolonged downturn but that the elevated public debt-to-GDP ratio poses significant risks to the outlook (CNnow 17 Aug)



## REGIONAL NEWS SUMMARY CONT'D

- PAS Cargo of the United States signed a General Sales and Service Agreement (GSSA) with Caribbean Airlines to market cargo directly out of the United States (GuyTimes 17 Aug)
- Fitch upgraded the sovereign foreign currency credit rating for Suriname one notch to B-plus, citing a stronger credit position and improvements in its balance of payments. The rating outlook was revised to stable from positive (CNnow 18 Aug)
- Over 150 Dominicans are expected to gain employment in the coming months, as Wikibuli Communications Inc. commences operations on the island (CNnow 18 Aug)
- Jamaica has completed privatisation of the island's sugar industry, signing a divestment agreement with COMPLANT Group of Companies for the privatization of 3 remaining factories (Carib360 19 Aug)
- Three months after the launch of the ECCU/BAICO Health Insurance Support Fund, the Fund has issued payments to meet the unpaid health insurance claims for the first group of BAICO health insurance policyholders who submitted applications (CNnow 19 Aug)
- A trading delegation from Bangladesh headed by Foreign Secretary Mohamed Mijarul Quayes visited Jamaica earlier this month in order to form a closer trading relationship with Jamaica (JO 19 Aug)
- A necessary and temporary inconvenience to deal with crime in Trinidad and Tobago. This was the response yesterday of two executives at financial services company, Sagicor, to Government's decision to place the country under a limited state of emergency (Newsday 22 Aug)
- Jamaica Money Market Brokers has revealed plans to make another play for securities business in Trinidad, a market it exited three years ago in the midst of the recession when it needed cash and sold out to partner CL Financial group (JG 24 Aug)
- PETROTRIN posted a \$167 million loss in its financial statement for 2010 (TG 25 Aug)
- Former government senator Dr Patrick Watson yesterday said that any short term losses in production in the country during the state of emergency can be regained once the population is confident that this measure has achieved the objectives it was supposed to (Newsday 25 Aug)
- Fuelled by strong performances in mining and quarrying, hotels and restaurants, agriculture, forestry and fishing, the Jamaican economy recorded growth of 1.5% during the April to June quarter, the second consecutive period of growth of more than 1% (Carib360 25 Aug)
- Guyana has come in for high praise for moving to better regulate the local mining industry and creating the "suitable environment" to attract foreign investors (GCO 26 Aug)
- The Jamaica Public Service Company continues to come under fire for saddling the country with high electricity costs which are sending many businesses to the wall (JO 26 Aug)

## INTERNS SEMINAR 2011



Our three young interns climaxed their internship with a presentation Seminar at the Centre on August 29<sup>th</sup> 2011. From Left is Mr. Akeem Rahaman of St. Augustine Campus, Miss Stevonne Nugent of Mona Campus and Mr. Wayne Elliott of Cavehill Campus.

Akeem researched and presented on "Credit Demand: The Im-

pact of Low Interest Rates and Expectations in Trinidad and Tobago". In his research he found that expectations as opposed to interest rates was the key variable driving credit demand. His research was supervised by Mr. Dave Seerattan.

Stevonne did and presented research on "The Nexus Between Economic Growth and Investment in CARICOM Economies". She found that in most cases the productivity of investment declined in CARICOM countries since 1977. Moreover, she found that investment spurred from economic growth rather than the reverse. Her Research was supervised by Mr. Anthony Birchwood.

Wayne presented interesting research on "Excess Liquidity Across Exchange Rate Regimes in CARICOM States". He found that the evidence was not conclusive as to whether the style of monetary policy, led by the exchange rate regime, was related to the accumulation of excess liquidity. His research was also supervised by Anthony Birchwood.

The research was well received by the attendees and it evoked interesting discussion points.

## ANNOUNCEMENTS

### CALL FOR PAPERS

### 43<sup>RD</sup> ANNUAL MONETARY STUDIES CONFERENCE

### "Financial Architecture and Economic Prospects beyond the Crisis in the Caribbean"

15-18 November, 2011 - Hilton Barbados, Needham's Point, St. Michael, Barbados

#### Sub-themes:

- Financial Sector Linkages and Financial Stability
- Financial Risk Management, Corporate Governance and the Regulatory Framework
- International Business and Finance
- Economic Growth Strategies
- Fiscal Policy and Debt Sustainability
- Trade and Regional Developments
- Exchange Rate and Inflation Dynamics
- Tourism, Culture and the Environment
- Education, Health, Welfare and the Political Economy
- Labour Market Dynamics

For more information please contact: CCMF at (868) 645-1174/1610; or email us at [ccmf@sta.uwi.edu](mailto:ccmf@sta.uwi.edu) or [Kathleen.Charles@sta.uwi.edu](mailto:Kathleen.Charles@sta.uwi.edu) or visit our website at <http://www.ccmf-uwi.org>

#### APPOINTMENT OF SECRETARY-GENERAL TO CARICOM : HIS EXCELLENCY IRWIN LAROCQUE

Ambassador Irwin LaRocque, a national of Dominica, assumed the office of Secretary-General of the Caribbean Community (CARICOM) on 15 August 2011, following his selection by the Conference of Heads of Government of CARICOM on 21 July 2011. He is the seventh Secretary-General of CARICOM. Ambassador LaRocque's service at the CARICOM Secretariat began in September 2005, when he assumed the position of Assistant Secretary-General, Trade and Economic Integration. Prior to his appointment as Assistant Secretary-General, he served as Permanent Secretary in various Ministries in Dominica for more than fourteen years, including in the Ministries of Trade, Industry, Enterprise Development, Tourism, and Foreign Affairs where he headed the diplomatic service. He also served as the principal advisor to the Government of Dominica on all matters pertaining to economic integration and regional and international trade. Ambassador LaRocque has a wealth of experience in management, public administration, economic development, trade, foreign affairs and diplomacy. During the period when Dominica underwent a structural adjustment programme, Ambassador LaRocque was a member of the Cabinet-appointed Public Sector Reform Task Force, which included the private sector, trade unions and non-governmental Organizations, with responsibility for the overall management, planning and performance review of the public sector reform process. He also served as the Chairman of the Consultative Working Group, a public/private sector consultative and advisory committee appointed by Cabinet, with focus on the enabling environment for private sector development and growth. He has served on several Boards, including the Caribbean Community Climate Change Center, Caribbean Export, the Dominica Agricultural, Industrial and Development Bank, and the Dominica National Development Corporation. Ambassador LaRocque was educated at Queen's College and the New School for Social Research, both in New York, and New York University and majored in Political Philosophy, Pure Economics and Political Economics.



Source: [http://www.caricom.org/jsp/secretariat/secretary\\_general/biodata\\_LaRocque.jsp](http://www.caricom.org/jsp/secretariat/secretary_general/biodata_LaRocque.jsp)

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