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THE BUSINESS ENVIRONMENT IN CARICOM

The competitiveness of Caribbean economies is driven by factors such as initial factor endowment, productivity and business competitiveness, strategic decisions of major corporations, policy choices over time, strategic economic diversification, vulnerability¹ and political and social stability. Very importantly also, competitiveness is increasingly based on knowledge and information rather than on traditional factor accumulation.

These factors invariably affect the competitiveness of Caribbean firms and the nature of the business environment in the region. Some of the most important factors which affect the competitiveness of Caribbean businesses include relatively low productivity especially that of labour, small market size, low investment in research and development for product innovation, a relatively underdeveloped institutional framework to support business development, strategic mistakes by major corporations and a sometimes convoluted business environment. Moreover, the increasing plethora of international industrial and business standards now driving firms' ability to participate and compete in markets means that businesses now have to modernize and restructure their business processes and management systems to consolidate and improve their growth prospects.

Using the indicators from the World Bank's *Doing Business Report 2012*², the Region did not perform well relative to some of the more successful economies in terms of the general business environment (See Table 1).

This is not surprising given that businessmen in the region have always complained about the number of national bureaucratic process, standards and rules they must endure to conduct business in national jurisdictions. This is of course multiplied when attempting to do business across borders³. They complain that these bureaucratic processes are unnecessarily complicated with different parts of the process often controlled by a multiplicity of different, poorly staffed agencies. This results in a convoluted and lengthy process for business activities which requires approvals or assistance

Table 1. The Business Environment in Caribbean Countries 2012.

ECONOMY	EDB	SB	DL	GE	RP	GC	PI	PT	TAB	EC	DI
Antigua & Barbuda	57	80	21	16	124	98	29	135	71	70	81
The Bahamas	85	73	79	105	177	78	111	56	48	123	34
Belize	93	152	9	53	137	98	122	55	107	188	29
Dominica	65	48	18	65	116	78	29	73	88	167	98
Grenada	73	60	11	39	154	98	29	91	40	162	119
Guyana	114	87	28	144	104	166	79	115	82	73	138
Haiti	174	180	139	75	131	159	166	118	145	96	162
Jamaica	88	23	49	112	103	98	79	172	97	126	26
St. Kitts & Nevis	95	64	16	33	164	126	29	133	44	114	183
St. Lucia	52	53	13	13	115	98	29	52	110	165	58
St. Vincent & the Grenadines	75	58	6	21	141	126	29	73	38	101	183
Suriname	158	173	98	38	170	159	181	34	105	178	157
Trinidad and Tobago	68	74	93	24	175	40	24	65	52	167	98
DR	108	140	105	123	105	78	65	94	45	83	154
Costa Rica	121	122	141	43	46	98	166	138	73	129	121
Singapore	1	4	3	5	14	8	2	4	1	12	2
Ireland	10	13	27	90	81	8	5	5	21	62	10
Malaysia	18	50	113	59	59	1	4	41	29	31	47

Source: Doing Business 2010, World Bank.

Notes: EDB denotes the ease of doing business, SB denotes starting a business, DL denotes dealing with construction licenses, GE denotes getting electricity, RP denotes registering property, GC denotes getting credit, PI denotes protecting investors, PT denotes paying taxes, TAB denotes trading across borders, EC denotes enforcing contracts, RI denotes resolving insolvency.

from the state. They also complain about a lack of transparency and inconsistency in the application of standards and rules.

There have been some improvements recently in areas such as dealing with construction licences (DL) and protecting investors (PI) but the region continues to do poorly in terms of enforcing contracts (EC), dealing with insolvencies (DI), registering property (RP) and getting credit (GC). Very importantly, the region also generally did poorly in terms of trade across borders (TAB). This implies that the legal/administrative framework in the areas of contract enforcement, business closure, property registration and trade facilitation needs to be simplified. Often, even if the legal framework for these activities is clear and well developed, the problem lies in the fact that the government agencies charged with administering these processes are poorly financed and staffed which leads to the approval process being unnecessarily lengthy and costly. These indicators seem to corroborate the findings of a survey of very large firms by the CARICOM Secretariat in December 2009. The one exception in this regard was the area of accessing financing which was not flagged as a binding constraint by large firms that were

¹ This means vulnerability to natural disasters and weakness on the external accounts.

² The Doing Business Report ranks 183 countries on a range of attributes important to successful business operations.

³ See Chapter 5, Caribbean Trade and Investment Report.

surveyed. The development of a regional financial market based on large regional financial institutions particularly from Trinidad and Tobago has made financing of large projects easier. The development of a nascent regional bond market has also helped in this regard. Nevertheless, small and medium enterprises, especially those engaged in non-traditional business activity, are still disadvantaged in this area and very likely contributed to the poor scores in the area of getting credit for many countries in Table 1.

These large firms also identified bureaucratic hurdles and the variety of different national rules, regulations and standards they must deal with when conducting business across the region as a major constraint. The specific issues that were flagged as being important included the transparency and

predictability in the application of rules and standards. Other important constraints identified included the simplification and standardisation of custom procedures, speedier customs clearance and the standardisation of non-tariff standards such as labelling requirements and sanitary and phytosanitary standards. The large firms surveyed also indicated that the harmonisation of legislation needed to be expedited in the areas of company laws, financial regulation, the licensing regime and intellectual property rights.

By Dave Seerattan
Research Fellow
Caribbean Centre for Money and Finance

REGIONAL NEWS SUMMARY

CL FINANCIAL

- Government has paid out over \$9 billion over the last two years in the financial rescue plan for CLICO, Finance Minister Winston Dookeran has said. This represents 72.8% of the funds allocated for this settlement (TE 5 Jun)
- The judicial manager of Barbados-based Clico International Life Insurance Ltd has proposed that the Government of Trinidad and Tobago commit to allocate \$660 million (EC\$300 million) as part of a proposal to resolve the status of holders of Executive Flexible Premium Annuities in Barbados and the islands of the Eastern Caribbean (TG 6 Jun)
- Senior Counsel Ramesh Lawrence Maharaj says the United Policyholders Group will consider suing Prime Minister Kamla Persad-Bissessar and members of Cabinet if they fail to withdraw the June 30 deadline for acceptance of Government's Clico bailout plan (TG 6 Jun)
- Government's intervention in the collapsed CL Financial conglomerate will not end anytime soon. That was the opinion of CLF director Steve Castagne after a six-month extension to the Shareholders Agreement between CL Financial shareholders and the government was passed at the conglomerate's recent AGM (TE 9 Jun)
- The Court of Appeal has refused to grant leave to a group of CLICO policyholders to go to the Privy Council to challenge the decision of the local court to deny them preemptive and interim costs to pursue their legal challenge of the bailout plan offered to them by Finance Minister Winston Dookeran (TE 19 Jun)

STANFORD GROUP

- US prosecutors have asked that the convicted fraudster Allen Stanford, described as a "ruthless predator" whose seven-billion-US-dollar Ponzi scheme was based in Antigua, be given the maximum penalty at his sentencing next week – 230 years in prison (TE 8 Jun)

- However Allen Stanford was sentenced to 110 years in jail for his fraud (Carib360 8 Jun)
- Antigua Prime Minister Baldwin Spencer said the 110-year jail sentence was small comfort for Antigua and Barbuda. Stanford defrauded nearly 30,000 investors in 113 countries in a Ponzi scheme involving fraudulent high-interest certificates of deposit at the Stanford International Bank in Antigua. The prime minister added that the disgraced Texan's legacy had hurt Antigua and Barbuda in ways that both predated and outlived Stanford's spectacular downfall (Carib360 22 Jun)

CARIBBEAN

- As of the close of the 2011-2012 fiscal year, Jamaica's debt stood at a staggering J\$1.7 trillion, translating into J\$600,000 for every Jamaican resident (Carib360 31 May)
- After Central Bank Governor Dr Delisle Worrell offered some positive reassurance about the performance of the Barbados economy, Standard & Poor's has sounded the warning that it is not yet out of the woods (BN 1 Jun)
- St Kitts and Nevis has successfully negotiated with the "Paris Club" creditors to wipe off close to US\$4 million in debt (Carib360 1 Jun)
- Standard & Poor's has termed the Bahamas national savings rate as "stubbornly low" (Carib360 1 Jun)
- The Jamaica Bankers' Association has described as excessive the Government's decision to retain the corporate income tax rate for financial institutions at 33.3 % while also introducing an asset tax and a withholding tax on dividends (JG 1 Jun)
- The Planning Institute of Jamaica has reported that real GDP grew by an estimated of 0.6% for the March quarter, notwithstanding the dramatic drop in mining and quarrying activity that ended a two-year growth streak (JG 1 Jun)
- Caribbean Airlines carried out another round of redun-

REGIONAL NEWS SUMMARY CONT'D

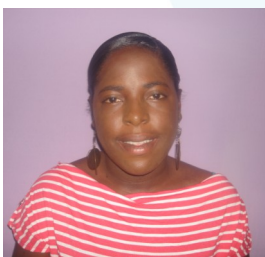
- dancies, sending home 90 Jamaican employees, including aircraft mechanics, human resource officers, customer relations and finance personnel (TE 3 Jun)
- In Jamaica, an extra 23,000 people became unemployed in January despite 0.6% economic growth in the first quarter (JO 3 Jun)
 - At the end of April this year, the National Insurance Department (Barbados) had accumulated assets which totalled \$3.97 billion (BAdv 4 Jun)
 - President of bpTT Norman Christie said that the company's production in 2011 declined by 15% to 402,000 barrels of oil equivalent compared with 2010, which was a record year (TG 5 Jun)
 - Sagicor Financial Corporation has hundreds of millions of dollars in cash, but few suitable investment opportunities in which to place it (BN 6 Jun)
 - Under the recently announced tax measures in Jamaica, registered companies will now be hit with a minimum J\$60,000 obligation per year. This is in addition to an increase in the General Consumption Tax on electricity from 10% to 16.5%. It is feared that some smaller registered companies will not be able to survive (JO 6 Jun)
 - Latin America and the Caribbean face annual damages in the order of US\$100 billion by 2050 from diminishing agricultural yields, disappearing glaciers, flooding, droughts and other events triggered by a warming planet, according to the findings of a new report to be released at the Rio+ 20 summit. On the positive side, the cost of investments in adaptation to address these impacts is much smaller, in the order of one tenth the physical damages, according to the study jointly produced by the IDB, ECLAC and the WWF (GuyTim 6 Jun)
 - Two Caribbean governments, Jamaica and Antigua-Barbuda, have increased travel taxes (Carib360 8 Jun)
 - Jamaica's access to over US\$300 million in loans and grants, which are already signed but awaiting IMF green light, could be delayed until a new agreement is reached with the Fund (JO 8 Jun)
 - North American investors, Jonathan Blue (Blue Equity) and Jay Yeo (Solamon Energy), are touting their positive investment experiences, in the Caribbean region (Caribseek 9 Jun)
 - St Kitts and Nevis have received over US \$56 million from the IMF through its Stand-by Arrangement with the Washington-based institution (Carib360 11 Jun)
 - Regional low-fares airline REDjet has suspended operations, sent home employees and filed for insolvency (TE 11 Jun)
 - Commercial banks in Barbados are pleading for an ease on the interest they are forced to pay customers, who have now accumulated more than \$4 billion in savings. The Central Bank has set the minimum interest on savings at 2.5% (BN 11 Jun)
 - A US\$40.9 million increase in loan loss expenses has cut CIBC FirstCaribbean International Bank's net income by US\$23.8 million for the six months ended April 30, 2012 (BN 11 Jun)
 - Entrepreneurs and businesses in the Caribbean and the diaspora now have until July 31 to submit their grant applications for up to US\$ 100,000 in funding to develop their innovative business projects (Carib360 12 Jun)
 - The IDB and Atlantic will be pumping \$7 million to boost business entrepreneurship in Trinidad's south western peninsula (TG 13 Jun)
 - Standard & Poor's has downgraded the Caribbean Development Bank from AAA, the firm's highest rating, stating that its risk management has weakened (JG 14 Jun)
 - The IDB has approved a \$12 million grant to support Haiti's reforms to modernize its energy sector and increase the availability and affordability of energy (CNnow 15 Jun)
 - Visiting Iranian deputy foreign minister and his Surinamese counterpart signed a memorandum of understanding between the two countries. Iran has donated US\$1.2 million for purchase of tractors for the agricultural sector of Suriname (CNnow 15 Jun)
 - Central Trinidad Steel Ltd is shutting down operations for one month because it has stock it cannot sell (TE 15 Jun)
 - In the Macroeconomic Report on Latin America and the Caribbean, June 2012, ECLAC maintains its 3.7% growth forecast for the region, following a growth rate of 4.3% in 2011 (GuyTim 15 Jun)
 - In a bid to assist in solving the labour shortages in the farming industry, Agriculture Minister Vasant Bharath has started providing agri-business training to 1,000 workers from the Unemployment Relief Programme (TG 17 Jun)
 - TeleBarbados has been taken over by Columbus International Inc., an international business company, headquartered in The Bahamas with registered corporate office in Barbados (TG 17 Jun)
 - Professor Persaud gave a fiery presentation at one of the sessions at a Trade Policy Conference held in Barbados, saying that the reality is that the Caribbean islands are deeply uncompetitive because they are deeply regulated economies (BAdv 18 Jun)
 - The CDB "will spare no effort" to ensure that the way it does business will not put it in line for any more Standard and Poor's or Moody's downgrades (Carib360 18 Jun)
 - The Bank of Jamaica, Ministry of Finance and Planning, and the Attorney General's Department will be collaborating to handle the risks, costs and impact on Jamaican law of local financial institutions' compliance with United States legislation aimed at catching tax cheats under the Foreign Account Tax Compliance Act (JG 20 Jun)
 - The Branson Centre of Entrepreneurship in the Caribbean is ready to welcome another 20 entrepreneurs with its third round of applications now open to the public

REGIONAL NEWS SUMMARY CONT'D

(Carib360 20 Jun)

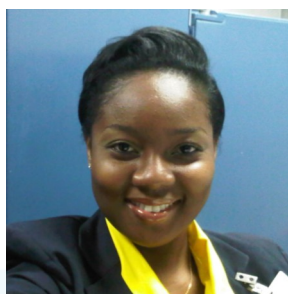
- The University of the West Indies hosted the launch of the Caribbean Growth Forum, a new regional platform for dialogue to foster higher levels of economic growth with opportunities for all in the region (CNnow 20 Jun)
- Finance Minister Dr. Ashni Singh has reported that, over the last five years, Guyana's fiscal deficit has decreased from 10 to 4% of GDP, as government continues to invest in critical productive sectors (GCO 20 Jun)
- The World Bank has agreed to a proposal by Finance Minister Winston Dookeran that T&T should be allowed access to the loan resources from the Bank in spite of the country's status as being graduated from such lending (TG 21 Jun)
- The IMF says nations from around the world have firmed up their commitments to provide emergency resources to deter the spread of crises and increase the institution's lending capacity to help Caribbean and other countries in financial trouble (JG 21 Jun)
- The finance minister and financial secretary of two African nations, Seychelles and Mauritius, which have moved from austerity to robust growth within the past few years, have suggested that Jamaica's implementation of fiscal reform measures was fundamental to a return to economic growth (JG 22 Jun)
- T&T banks continue to maintain robust capital and liquidity, Inspector of Financial Institutions, Carl Hiralal has said (TG 22 Jun)
- The IDB has approved US\$66.2 million in financing to Guyana for a programme to upgrade and maintain key road corridors and improve safety conditions of its national main road network (GCO 22 Jun)
- The IDB has approved a US\$13.7 million loan to help improve the quality of education from pre-primary through junior secondary in Suriname (CNnow 23 Jun)
- The government of Jamaica is working to implement a system called 'mobile money', which will allow customers to carry out monetary transactions using their mobile phones (CNnow 23 Jun)
- Sacha Cosmetics Ltd, a company from Trinidad and Tobago, held a presentation in Havana of its best-selling products, with the attendance of the top officials of the largest Cuban retail companies (CNnow 25 Jun)
- Trinidad Cement Ltd has completed the reprofiling of most of its outstanding debt. The plan extends the maturities of approximately \$1.95 billion in secured and unsecured obligations with more than 30 regional and international financial institutions and bondholders (TG 25 Jun)
- The international business and financial sector says it contributed just under \$900 million to the Barbados economy in 2010 (BN 26 Jun)
- The Antigua and Barbuda government has ended the 25-year monopoly enjoyed by the British-based Cable & Wireless on international direct dial telephone calls, and has approved international telecommunications services licences to several companies (JG 26 Jun)
- According to the Department of Statistics on Monday, the consumer price index for St. Maarten increased by 0.8 per cent in April compared to that of February (Caribseek 26 Jun)

STUDENT INTERNS - SUMMER 2012



Ashley McFarlane is a post graduate student at the UWI St Augustine on track to earn a MSc. in Economics. Through discipline and perseverance she earned First Class honours for her Bachelors of Science Economics (Special) degree. In the final year of her undergraduate degree she worked as a research assistant with Dr. Roger Hosein in the Trade Department at UWI where she absorbed invaluable lessons on hard-work and balancing responsibilities.

Prior to attending UWI she took a year away from school and entered into the work world earning experience at the Inland Board of Revenue Division and at Republic Bank of Trinidad and Tobago. Ashley is not only dedicated to her academics as she is also an active participant in volunteering with the University and also an after school supervisor to teenagers and young children in her community.



Nakesha Allen is a current graduate student in the M.Sc. Economics programme at the University of the West Indies, Mona. After being awarded an honours degree in Mathematics at the undergraduate level she went on to work at the National Commercial Bank Jamaica Ltd. There she was awarded twice for her performance as a customer service representative. Her love for Mathematics and analysis, however, has led her to pursue the Economics graduate degree. She hopes her endeavors will lead to great contributions to Caribbean economic policies.

STUDENT INTERNS - SUMMER 2012 CONT'D



Antonio Alleyne is currently interning at the Caribbean Centre for Money and Finance, UWI St. Augustine Campus, Trinidad and Tobago. Prior to his present internship at the CCMF, Mr. Alleyne was an Economist at the Division of Economic Affairs, in the Ministry of Finance and Economic Affairs in Barbados from 2009. He has played a pivotal role in the development of Barbados' first ever "Early Warning Macroeconomic System" and

regularly contributes to speeches and the technical work of the Division. Mr. Alleyne's research to date has focused primarily on two areas: Trade and Competitiveness within the region, publishing a few articles with international journals such as the Global Economy Journal. He is in the final stages of completing his MSc. in Financial and Business Economics the University of West Indies, Cave Hill; an institution at which he also earned his BSc. in Economic. Prior to his transition to economics, Mr. Alleyne had an extensive career in the area of information technology where he held posts ranging from system administrator to computer programmer for numerous years.

NEW RESEARCH ASSOCIATE



Rajiv Sagewan joins the Caribbean Centre for Money and Finance as a returning national scholarship winner currently in the Associate Professional program. Rajiv has spent the last 5 years in the United States. He graduated with Magna Cum Laude distinction (3.83 GPA) from St. John's University, New York City, in May 2011 with a BSc. Risk Management, concentration in Actuarial Science. Upon graduation he was honoured with the "Spirit of St. John's" award, the second highest honour presented to an all-round graduating student.

During his time in New York, he pursued a number of

internship opportunities in the actuarial and underwriting departments of top global financial companies like Zurich Financial Services and Munich Re America. He also served as a chapter president of the prestigious academic fraternity, Gamma Iota Sigma, the international fraternity for Risk Management and Actuarial Science students and professionals. In 2010, he was awarded the Warren L. Weeks Leadership Award for his excellent work as a chapter leader and upon graduation from St. John's University he was appointed a member of the Board of Trustees.

Rajiv will commence his MSc. in Economics study in September 2012 and joins the CCMF as a research assistant under the direction of Professor Compton Bourne.

STAFF OF THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

Executive Director :
Prof. Compton Bourne
(868) 662-2002 ext 82550

Compton.Bourne2@sta.uwi.edu

Research Fellow :
Mr. Dave Seerattan
(868) 662-2002 ext 82552
Dave.Seerattan@sta.uwi.edu

Research Fellow :
Ms. Tracy Polius
(868) 662-2002 ext 82553
Tracy.Polius@sta.uwi.edu

Research Fellow :
Anthony Birchwood (PhD)
(868) 662-2002 ext 82545
Anthony.Birchwood@sta.uwi.edu

Junior Research Fellow:
Ms. Julia Jhinkoo
(868) 662-2002 ext 82546
Julia.Jhinkoo@sta.uwi.edu



CARIBBEAN CENTRE FOR MONEY & FINANCE

The University of the West Indies
St. Augustine, Trinidad and Tobago
Phone: 868-645-1174, Fax: 868-645-6017
E-mail: ccmf@sta.uwi.edu
Website : www.ccmf-uwi.org