



CARICOM —A New Beginning?	Pg 1
Regional News Summary	Pg 2
Upcoming Conference	Pg 5

CARICOM – A NEW BEGINNING?

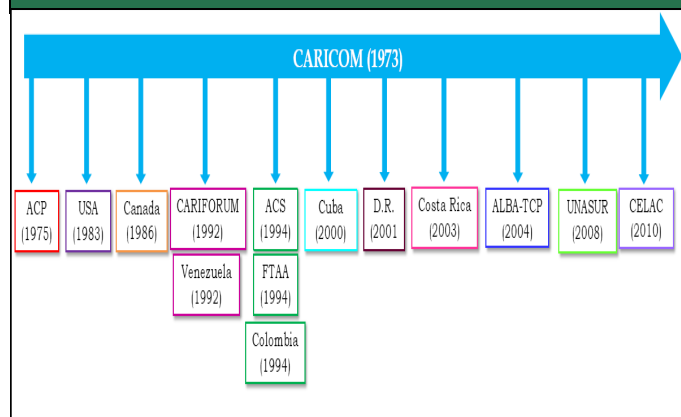
The future of CARICOM has been a topical issue since the release of the Restructure CARICOM Report in January 2012. This report was on the agenda of the recently held CARICOM Heads of Government meeting in St. Kitts and Nevis in July 2012. There is a public perception that CARICOM has become irrelevant to its member countries; the report proposes ways that CARICOM should be restructured to make itself more relevant. The Honorable Portia Simpson-Miller¹ and Ambassador Irwin Larocque² made it clear in their speeches at the opening ceremony of the Heads of Government meeting that CARICOM was relevant to its members, highlighted the areas it has benefited the people of the region and emphatically stated that CARICOM was not in crisis. Heads of Governments are adamant that CARICOM is the vehicle that will propel the Caribbean economies in this dismal economic time but agree that this will only occur if there is a radical change within the organization and the way its member states interact with each other. There is the need for the Community to reshape its political architecture, governance structures, financial management structures and parliamentary processes within regional and national spaces, said Dr. the Hon. Kenny Anthony³.

The current depressed global economic conditions, in particular the economies of USA and Europe, are a bit disenchanting for most CARICOM members, who have been indirectly forced into an economic slump - negative growth rates, decreased tourist arrivals, financial sector imbalances and high levels of debt. The recent EU development policy, which has limited the access of grant funding to countries that fall in the middle income grouping, further aggravates the plight of some CARICOM economies. In an attempt to obtain financial resources for revitalizing their economies CARICOM Heads of Government have mandated the Caribbean Development Bank to structure its lending products and processes to better assist countries in their efforts to re-examine their existing policies on economic growth and development and fiscal management, as well as to develop a Caribbean Investment Programme to support efforts at stabilization, growth and competitive production.

Discussions at the meeting also focused on possible avenues for

a collective action plan to safely come out of this economic slump and to develop and form relationships that will lead to its sustainable development. A proposed way forward for the sustainable development of CARICOM economies is greater integration aimed at driving economic growth and development; this is the view of CARICOM. The heads of Government believe, "that regional integration has all the possibilities for supporting competitive production and production integration..."⁴ However, they need to be purposeful in this approach as Baumann (2007)⁵ found that the existence of various agreements is not a sufficient condition to provide regional integration or to promote development.

Figure 1: CARICOM's Timeline of Trade Agreements



CARICOM is a longstanding institution in the Caribbean region having been established in 1973 and the main driver of intra-regional and extra-regional trade. Figure 1 highlights the various relationships that CARICOM has had with the rest of the world from its inception to present. Some of these bilateral agreements have since been updated and renewed. The slowdown in economic activities in the developed countries - USA, EU countries - has adversely affected the region and therefore the need arises for the creation of new political and economic partnerships. The existing partnerships will still be honoured but at the same time CARICOM has made the decision at this meeting to dedicate resources to create and forge relationships with emerging economic regions such as China, Africa and Latin America that have not been affected by the global crisis.

¹ Prime Minister of Jamaica

² The Secretary-General of CARICOM

³ Prime Minister of St. Lucia and CARICOM Chairman (July 2012)

⁴ CARICOM Communique - 7th July 2012.

⁵ R. Baumann (2007), "Integration in Latin America - Trends and Challenges", Economic Commission for Latin America and the Caribbean.

Table 1: Membership of Caribbean Countries to Trading Blocs

Caribbean Countries	CARICOM (1973)	ACP (1975)	CARIFORUM (1992)	ACS (1994)	FTAA (1994)	ALBA-TCP (2004)	UNASUR (2008)	CELAC (2010)
ANG								
ARUBA								
BAH								
BBS								
BER								
BVI								
BZ								
CAY								
CUBA								
DOM								
DR								
GRE								
GUY								
HAITI								
JAM								
MON								
N.ANT								
SKN								
SLU								
SUR								
SVG								
TCI								
TT								

Table 1 shows the various trading blocs that exist with CARICOM members and the rest of the world. There appears to be a complex web of trade agreements developing, which may have adverse effects on CARICOM's goal of regional integration. There is a possibility that there will be a diversion of trade from CARICOM members to non-CARICOM members if the countries continue to join other trading blocs independently. This is an issue which Heads of Government of CARICOM should take note for their next meeting.

By Julia Jhinkoo
Junior Research Fellow
Caribbean Centre for Money and Finance

REGIONAL NEWS SUMMARY

CL FINANCIAL

- The judicial managers of British American Insurance Company (BAICO), together with the governments of the Eastern Caribbean Currency Union, have signed an agreement to sell the traditional life insurance business of BAICO to Sagacor Life, Inc., a wholly-owned subsidiary of Sagacor Financial Corporation.
- The ECCU Governments have undertaken to provide funding of up to US\$38 million to assist in restoring value to the transferring policies (CNnow 3 Jul)
- After waiting for months with no satisfaction from either the Barbados government or the judicial managers charged with handling the affairs of CLICO, the collective of disenfranchised policyholders is turning to the law courts to help them recover their investments (Carib360 19 Jul)

STANFORD GROUP

- A federal judge rejected a Securities and Exchange Commission lawsuit seeking relief for investors in R Allen Stanford's US\$7.2 billion Ponzi scheme. The SEC sued the Securities Investor Protection Corp in December, trying to force it to compensate investors who lost money in the scheme. SIPC runs an industry-funded reserve fund that protects customers of failed brokerage firms. It claimed the bank in Stanford's scheme did not qualify (TG 4 Jul)

CARIBBEAN

- In a suite of incentives that touched almost every sector in the Barbados economy, Minister of Finance Chris Sinckler put money back in the hands of consumers but also detailed an alternative energy plan to cut the country's staggering \$750 million annual bill for imported oil (BN 27 Jun)
- Twenty billion dollars worth of gold, copper and silver are hidden in Haiti's hills. Investors in North America are so convinced of the buried treasure, they have already spent 30

million dollars collecting samples, digging, building mining roads and doing aerial surveys. The fairy tale is true, but it might not have a "happily ever after" ending. The well-respected geologist who headed the state mining agency for most of the past 20 years, said that if tougher laws and better contracts with the mining companies aren't written, it would be better to "leave the minerals underground and let future generations exploit them". The geologist lost his job shortly after that interview (Caribseek 27 Jun)

- The International Labour Organisation's assistant director general and regional director for Latin America and the Caribbean, Elizabeth Tinoco Acevedo, says the region has one of the lowest rates of productivity (TG 27 Jun)
- Solar streetlights are being installed throughout Haiti as part of an innovative program that aims to catalyze the decentralization of government services (CNnow 30 Jun)
- Montserrat's Premier Reuben Meade Friday said that the countries of the ECCU had been able to withstand the global financial meltdown as a result of prudent policies carved out with the support of the ECCB (JG 2 Jul)
- Wainwright Iton, CEO of the T&T Stock Exchange said an amendment has been passed and SMEs can now pay only 10% corporate tax instead of the customary 25% if they go public with 30% of their share capital on the open stock exchange (TG 2 Jul)
- Prime Minister Dr. Kenny Anthony has warned that his administration intends to take strong and brave decisions to deal with the economic problems confronting St. Lucia, adding that the island will not seek assistance from the IMF (JG 2 Jul)
- Trinidad and Tobago's energy sector contracted in the first quarter of this year, according to the Central Bank's Mid-Year Financial Stability Report (CNnow 3 Jul)
- Moth-balled steel company Centrin has extended the shut-down of its operations for another month. They sent a let-

REGIONAL NEWS SUMMARY CONT'D

ter to the union stating, "We regret that we must extend the temporary shut-down of the plant to August 17. This is necessary simply because the position as indicated in our first letter has not improved sufficiently to permit us to resume operations (TE 3 Jul)

- TWO Caribbean countries – Barbados and Trinidad and Tobago – are looking to press ahead with their Junior Stock Markets for Small and Medium Sized Enterprises (BAdv 4 Jul)
- Jamaica's Minister of Tourism and Entertainment has reported US\$1.12 billion in gross foreign exchange earnings from tourism for the first six months of the year (CNnow 6 Jul)
- National Gas Company president Indar Maharaj announced that \$24 million in a special fund which has been "dormant for several years will now be available to assist small companies involved in the energy sector". The fund was not used because the criteria were too stringent (TE 6 Jul)
- Insurance company rating agency AM Best has affirmed its financial strength rating of A- (Excellent) and issuer credit ratings of "a-" of Guardian Life of the Caribbean Ltd and Guardian General Insurance Ltd. But the rating agency also affirmed its ICR of "bbb-" to Guardian Holdings Limited, the publicly traded holding company and ultimate parent of GLOC and GGIL (TG 6 Jul)
- HE Donald Ramotar, President of the Republic of Guyana, called for greater political will and purpose to sustain regional integration, since, without it individual national survival could not be assured (Caribseek 6 Jul)
- Barbados is to benefit from a US\$17 million (BDS\$33.3 million) loan from the IDB for its public sector smart energy programme. The IDB said the programme's resources are expected to be supplemented with a US\$7.6 million (BDS\$14.88 million) EU grant, the first such facility to be made by the EU under a framework agreement with the IDB (BN 6 Jul)
- Jamaica will have to endure harsh, unpopular measures if it's to get a new, more desirable economy, says the World Bank. However there seems to be no agreement among the government, citizens and the private sector on the way toward a modern and competitive Jamaica (JO 6 Jul)
- Investments flowing from overseas last year were 6% higher than the year before. But new projects initiated in 2011 and those already in the pipeline are set to boost FDI into Jamaica over the next few years. Inflows last year include the US\$288-million purchase of 40% of Jamaica Public Service Company by Korea East-West Power Company, and the US\$9 million spent by China to purchase sugarcane plantations in Jamaica (JO 6 Jul)
- Businesses which undertake energy management and implement energy audits often enjoy annual savings on energy bills of up to 12%, says the head of a local consultancy (JO 9 Jul)
- CARICOM has agreed to new measures that will make it easier for citizens of the regional bloc to work and travel among member states (Carib360 9 Jul)
- The world's leading institutional investors, chief executives, economists and academics, including Sir Richard Branson, the founder of Virgin Group, will gather in the Cayman Islands November 1-2 to discuss and debate the crucial ingredients for sustaining a vibrant global alternative investment industry (TG 9 Jul)
- The investment in the Caracol Industrial Park project is an important component of the IDB's efforts to support Haiti in building a vibrant economy that will provide its people with more employment opportunities and access to infrastructure and basic services (Caribseek 10 Jul)
- THE Barbados credit union movement, with an asset base of \$1.5 billion, represents almost 20 % of gross national product of this country (BAdv 10 Jul)
- Barbadians do not want to go down the devaluation road. As such, the Government and the Central Bank are doing what is possible to stimulate growth, but not at the expense of the value of the Barbados dollar. This was the view expressed by Governor Dr. Delisle Worrell at the review of the economy for the first six months of the year (BAdv 11 Jul)
- THE discovery of gold as well as silver and copper in Haiti earlier this year, could be that island nation's saviour and must be developed in a manner so as to help improve the quality of life of its people (Newsd 12 Jul)
- Crime is not cheap for the business community, said Luana Boyack, head of the Crime and Justice Committee of the T&T Chamber of Industry and Commerce. "It's very costly to implement measures to combat crime, to prevent crime. It's becoming a huge balance sheet item (TG 13 Jul)
- While other Caribbean countries grapple with internal conflicts over whether or not to implement VAT regimes, the Barbados government reaped almost a billion Barbados dollars in VAT receipts last year (Carib360 13 Jul)
- Entrepreneurs hampered by a shortage of cash are turning to the internet to raise funds for their projects. With investors and venture capitalists scarce, enterprising business people are adopting the concept of "crowd funding". The technique allows individuals and groups with good ideas to raise sizeable sums of money in small amounts from lots of people around the world. They can leverage crowd funding to launch their own companies (JO 15 Jul)
- The CARICOM Development Fund is making significant strides in the region as it seeks to fulfil its mandate to assist disadvantaged countries and sectors within the Caribbean Community, said Nigel John, Acting Chairman of the CARICOM Development Fund, Board of Directors (BAdv 16 Jul)
- Strong leadership, hard work and persistence – and not Government support – are responsible for the successes of a number of Barbadian companies which are competing aggressively in global markets (BAdv 16 Jul)
- Less than two months after going to the Paris Club seeking support for his government's bold economic transformation efforts through the restructuring of the debts owed by

REGIONAL NEWS SUMMARY CONT'D

St Kitts and Nevis to the United Kingdom, Prime Minister Dr Denzil Douglas has been informed by the British government that his request has been granted (CNnow Jul 16)

- The 36 job losses and axing of five senior managers from ANSA McAL Barbados are part of a plan to make the company stronger and protect the jobs of the more than 1 000 employees in the group, said Nicholas Mouttet, president and CEO. He said the job cuts represented less than 10% of the near 400 workers employed in the distribution section (BN 16 Jul)
- Moody Investors Service has given Barbados a negative rating outlook indicating that the islands fiscal deficits would remain high for the next few years (JG 16 Jul)
- T&T's new Central Bank Governor Jwala Rambarran says he will do his duty without taking the side of any political party (TG 17 Jul)
- CariCRIS has reaffirmed the ratings of CariBBB (foreign currency rating) and CariBBB+ (local currency rating) on the regional rating scale, and jmAA- on the Jamaica national scale to the debt issue (notional) of the size of US\$5 million of Development Bank of Jamaica Ltd (TG 17 Jul)
- A senior official of Russian aluminium giant UC Rusal signalled from last month that his company was thinking of shutting down its refinery in Jamaica as part of a plan to reduce production capacity in response to a downturn in the global market (JO 17 Jul)
- St Lucians will be joining their peers in Antigua and Barbuda, Dominica and Grenada in paying 15% VAT before this year is out (Carib 360 17 Jul)
- Suriname now realises that whale watching is potentially more lucrative than whale hunting, and the Bouterse administration wants to add whales, mainly dolphins in Surinamese waters, to its bio-diversity to attract tourists (Carib360 17 Jul)
- Tax harmonisation in the CARICOM Treaty and in the CSME needs to be given priority, said T&T's Minister of Finance and the Economy, Larry Howai (CNnow 17 Jul)
- There was no underlying growth in credit to Barbados' non-financial sector between January and June this year. As a result the local banking sector has ended that period with higher liquidity - 2.5 percentage points higher - when compared to the same period a year ago (BAdv 17 Jul)
- Trinidad and Barbados relationship appears to be strained even as several Barbadian businesses are now Trinidadian owned. The strained relations stem from recent reports that some products of the Pine Hill Dairy, a Barbadian manufacturing company, are being blocked there, leading to an uproar in Barbados (BAdv 17 Jul)
- Any salary increase for public servants in Barbados would have a very detrimental effect on Government's finances. So said Minister of Education Ronald Jones, who thanked unions for not "pressurizing Government" for a salary increase for public servants (BN 17 Jul)
- THE oil companies involved in drilling Jaguar-1 well, 107 miles away from the city in the Georgetown Block near the border with Suriname, stopped operations due to safety considerations. The decision to stop, at this point, was unanimously agreed to by all partners after it was found that the safe pressure design limits at the site were in danger of being exceeded (GCO 17 Jul)
- Bayfield Energy Holdings, an English oil exploration company, says that has brought its Trintex field off the coast of Trinidad into production achieving a stabilised rate of 536 barrels of oil per day (bopd) and raising output to more than 2,300 barrels a day (TG 18 Jul)
- Standard & Poor's has downgraded Barbados: "In our view, the economic fundamentals of Barbados continue to weaken, reflecting not only the external environment but also more pronounced competitiveness and other structural shortcomings; we believe that the fiscal stance remains weak, as seen in the rising debt burden, off-budget spending, and outstanding contingent liabilities. As a result, we have lowered our sovereign credit ratings on Barbados to 'BB+/B' from 'BBB-/A-3' " (BN 18 Jul)
- Nestlé Jamaica Limited has spent close to US\$8 million to invest in expanding and upgrading its Supligen production line at its Bybrook plant in Linstead. The new volumes would feed its domestic market, which is currently supplemented by imports, as well as the company's export markets (JG 18 Jul)
- The Jamaica Government has acquired some US\$265 million in loans from domestic sources in a bid to reduce the debt and boost its chances of a new agreement with the IMF by December (JO 18 Jul)
- Governor of the Central Bank of Barbados, Dr Delisle Worrell, said he is puzzled at the decision of the US-based rating agency Standard & Poor's to lower the island's long-term foreign and local currency sovereign credit ratings to 'BB+' from 'BBB-' (JG 19 Jul)
- Guyana's Attorney General and Minister of Legal Affairs, Anil Nandlall said that Chief Justice (ag) Ian Chang has ruled that the National Assembly has no power under the Constitution to reduce the national estimates when they are presented for approval (GCO 19 Jul)
- While the Dominica economy appears to be on a moderate recovery path, government is still facing challenges in reigning in the country's debt burden (Carib360 19 Jul)
- After pumping US\$ 28.5 million into the modernization of the JA Pangel airport, the Surinamese government has pledged to invest an extra US\$70 million to upgrade its facilities (Carib360 19 Jul)
- Digicel has recently entered into a financing deal that could see it well positioned to expand mobile banking technology across this region (Carib360 20 Jul)
- Less austerity and bureaucracy would translate into a stronger economy, according to former Digicel boss, David Hall. "Jamaica's priority needs to be the creation of jobs," he said (JO 20 Jul)
- Jamaican companies are being urged to bet on local athletes

REGIONAL NEWS SUMMARY CONT'D

long before they make it big internationally. Corporate sponsorship will not only help them at a critical development stage but could also lead to increased product sales (JO 20 Jul)

- The Bahamas will be receiving a pair of loans totalling \$24 million from the IDB. The funding includes a US\$16.5 million credit to support international trade, and \$7.5 million loan to target poverty reduction (GuyTim 20 Jul)
- A report on the country's investment climate prepared by a special bureau in the US State Department's says "a change in government after the May 2010 parliamentary elections re-

sulted in a slowdown in the execution of pending and new government contracts" (TE 20 Jul)

- As much as half of all the gold mined in Guyana is smuggled out of the country by miners looking to make a better return by cashing in their finds in neighbouring nations (Carib360 23 Jul)
- Cultural services provide one of the biggest potentials to improving the economies of the Caribbean, said Barbados Minister of Foreign Affairs and Foreign Trade (CNnow 23 Jul)

UPCOMING CONFERENCE

The Caribbean Centre for Money and finance in conjunction with the Central Bank of Suriname will be hosting the 44th Annual Monetary Studies Conference on 7-9 November, 2012, in Paramaribo, Suriname. The theme of the conference is "Global Financial Shocks, Regional Macroeconomic Challenges and Their Impact on Regional Economic Integration", and will include sub-themes such as:

1. Banking, Finance and Regulation
2. Strategies and Policies to strengthen Regional Economic Integration
3. Inflation and Economic Management
4. Fiscal Challenges and Debt Management in the Aftermath of the Global Financial Crisis
5. Improving Stock Market Performance in the Region
6. Understanding the Workings of Financial Markets in Small Open Economies
7. Public Sector Operations and Macroeconomic Stability
8. Sectorial Linkages and Economic Development
9. Financial Sector Stability

For more information please contact: CCMF at (868) 645-1174/224-3727 or email us at ccmf@sta.uwi.edu or Kathleen.Charles@sta.uwi.edu or visit our website at <http://www.ccmf-uwi.org>

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