



THE GLOBAL CRISIS—WHAT CHOICES FOR THE CARIBBEAN	pg 1
REGIONAL NEWS SUMMARY	pg 2
JBFEED - JUNE 2009	pg 3
CCMF SEEKS NEW EXECUTIVE DIRECTOR	Pg 3
ANNOUNCEMENTS :	pg 4

THE GLOBAL CRISIS - WHAT CHOICES FOR THE CARIBBEAN

The dramatic changes in the world economy in the last three years have forced the Caribbean, both business and government, to rethink accepted strategies. A decade ago the Jamaican government finally concluded a series of IMF assisted economic adjustment programmes that had guided economic policy for nearly 20 years, and Jamaicans thought they had put IMF assistance behind them, but today an agreement with the Fund is under active consideration. Is the IMF now more sensitive and flexible in its lending policies? Top executives will have an opportunity to hear about the new IMF facilities and to discuss them with Mr. Michael Horgan, the IMF's Executive Director for the Caribbean, Ireland and Canada, at the CCMF seminar "*Strategies to Cope With Global Uncertainty - Choices for Caribbean Business & Finance*", hosted by the Bank of Jamaica in Kingston on September 4, 2009 (See <http://www.boj.org.jm/ccmf/>). The World Bank has also introduced new facilities in response to the global recession, and Dr. Badrul Haque, the head of the Bank's Kingston office, will also make a presentation and answer questions on the Bank's changing role.

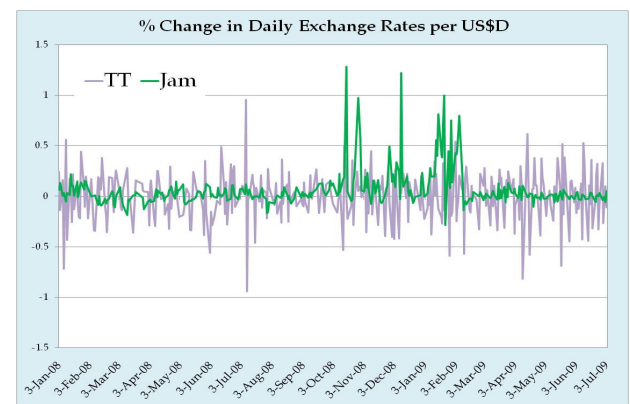
It is not entirely clear why such a relatively tiny trigger as the sub-prime mortgage crisis in the US unleashed a chain reaction with such global economic consequences, and opinions remain divided as to what is an adequate response. Prof. Avinash Persaud is at the centre of this debate. Some years before the events that led to the crisis Prof. Persaud pointed out that the Basel guidelines included perverse incentives that could trigger destabilizing behavior. Prof. Persaud has been in the forefront of recommendations for reform of the global financial system. He will make a presentation and answer questions at the seminar. Mr. Philippe Carrell, of Thompson Reuters, will also make a presentation and contribute to

the discussion of this issue. He has written "*Building on the Ruins of Basle: Making Risk Management A Corporate Culture*".

RBTT of Trinidad and Tobago has been in the forefront of the regionalisation of the financial sector in the Caribbean. The CEO of RBTT Financial, Mr. Suresh Sookoo, will address the forum on the financial integration of the Caribbean as seen from a private sector viewpoint, and the challenges going forward. In the wake of the CL Financial difficulties, there is some concern that the prevalence of regional conglomerates is a source of vulnerability. Mr. Eric-Vincent Guichard, who is also a presenter at the CCMF seminar, argues that conglomerates are essential if the Caribbean is to be globally competitive.

The seminar also provides an opportunity to interact with a panel composed of experts and practitioners in tourism (Dr. Auliana Poon), telecommunications (Mr. Mark Linehan) and information technology (Dr. Andre Gordon). Further information and registration at http://www.boj.org.jm/ccmf/Registration_form.pdf.

BOX 1 : EXCHANGE RATE CHANGES



REGIONAL NEWS SUMMARY

The CL Financial Group

- ◆ Barbados National Bank has submitted a formal bid to take over CLICO Mortgage and Finance, a subsidiary of CLICO Holdings (Barbados) Limited. (BN 1 Jul)
- ◆ Consolidated Finance, a subsidiary of ANSA McAL of Trinidad and Tobago, is also bidding for the mortgage company. (TE 13 Jul)
- ◆ The Cayman Islands Monetary Authority (CIMA) on Monday 29th June issued a cease and desist order to British American Insurance Company Limited (BAICO) which is owned by CL Financial. (Cnn 1 Jul)
- ◆ Antigua Prime Minister Baldwin Spencer revealed in a radio interview that T&T had pledged US\$50 million from its Petroleum Fund as part of an US\$80 million rescue package for British American Insurance Company. (TG 5 Jul)
- ◆ CL Financial chairman Dr Euric Bobb has resigned. Bobb, a former Central Bank governor who was recently appointed by Government and CL Financial, will remain a director. (TE 13 Jul)
- ◆ The financial audit of CL Financial has resulted in the suspension of trading of Angostura Holdings Ltd (AHL) on the T&T stock exchange listing. (TE 11 Jul)
- ◆ The Jamalco bauxite plant is reporting record production figures for the first six months of the year, with output at 3,944 metric tonnes of alumina per day. (Cnn 19 Jul)
- ◆ Barbados on Thursday 23rd July, signed a 10.13 million Euros (BDS\$28 million) financing agreement with the European Union to assist with the modernisation of this country's International Business and Financial Services Sector. (Cnn 24 Jul)
- ◆ Effective July 1, the income tax threshold in Jamaica will be increased to J\$320,736 (about US\$3,500), up from the current tax-free amount of \$220,272 (about US\$2,400). (JG Jun 28)
- ◆ Two months into the fiscal year, Jamaica's fiscal deficit has topped J\$22 billion, US\$240 million (approximately). (JG Jul 1)
- ◆ 100 investors holding more than US\$36 million (J\$3.2 billion) of unpaid matured promissory notes have called a meeting to discuss Lee Chin's AIC Barbados Limited which is said to be in default on the bonds. (JG Jul 10)
- ◆ Jamaica narrowed its external current account deficit in the January to March quarter as a result of a vastly reduced oil bill that fed into a near US\$778 million reduction in the country's import bill. (JG 17 Jul)
- ◆ Jamaica's exports declined by US\$305.7 billion or 47 per cent to US\$348.6 million as bauxite/alumina plants shuttered. Alumina exports were down US\$191.7 million in the first quarter of 2009. (JG 17 Jul)
- ◆ The Jamaica Cabinet authorised application to the IMF to seek to borrow up to 300 per cent of quota (approximately US\$1.2 billion) in the standby agreement. (JG 22 Jul)
- ◆ The National Housing Trust (of Jamaica) will lengthen the repayment period for its mortgages by a decade, to 40 years, as well as allow borrowers to carry their debt up to the age of 70. (JG 24 Jul)
- ◆ The Small Business Development Finance Trust on Tuesday announced that it had funded over 540 micro and small loans to the value of GUY\$ 147million (equivalent to about US\$0.7 million) during 2008. (SN 3 Jul)
- ◆ Caribbean Steel Mills (CSM) has retrenched 85 workers (TG 30 Jun)
- ◆ The Eastern Caribbean Central Bank reported that the OECS sub-region experienced an economic slowdown in 2008 to 2.2 per cent from 5.7 per cent in the previous year. (TG 21 Jul)
- ◆ Republic Bank Ltd cut its prime lending rate by 125 basis points to 11 per cent. The prime lending rate 12.5 per cent at most commercial banks with mortgage rates at 9.5 per cent and credit card interest rates at 24 per cent a year. (TE 29 Jun)
- ◆ One year after it was acquired by The Royal Bank of

The Stanford Group

- ◆ Antigua and Barbuda's authorities arrested the country's former chief financial regulator on Thursday over US charges that he collaborated with Texas billionaire Allen Stanford in a \$7 billion fraud. (Cnn 26 Jun). Stanford on Thursday pleaded not guilty to 21 charges of multi-billion dollar fraud, money-laundering and obstruction. (Cnn 26 Jun).
- ◆ A firm appointed by Antiguan authorities to liquidate the assets of Stanford's offshore Caribbean bank won control Friday of assets in the United Kingdom worth more than US\$100 million. (JG 8 Jul)

Other News

- ◆ A new air passenger departure tax to be imposed by the British government from November 1 will result in tax increases of between 25 and 87 percent on airfares to the Caribbean depending on the class of travel. (BN 29 Jun)
- ◆ Executive Vice-President of the Barbados Hotel and Tourism Association, Sue Springer, said hotel occupancy fell by as much as 22 percent in June and long-stay arrivals were down by 19 percent. (BN 16 Jul)
- ◆ The real Gross Domestic Product of The Bahamas is projected to contract by about 1.7 per cent in 2008 compared to expansions of 0.7 per cent and 4.3 per cent respectively in 2007 and 2006. (Cnn 30 Jun)
- ◆ Canada has forgiven C\$2.3 million in debt owed by Haiti. (Cnn 3 Jul)

REGIONAL NEWS SUMMARY Cont'd

Canada, RBTT Bank Ltd has posted after-tax profits of TT\$346 million (about US\$55 million) for its financial year ended March 31, 2009. This was an increase from the TT\$326 million (about US\$51 million) after tax profit recorded in 2008 (TE 30 Jun)

- ◆ Central Bank of Trinidad and Tobago (CBTT) announced on June 26 that inflation declined to 10.3 per cent year-on-year in the month of May, down from 11.9

per cent in April 2009. (TE Jul 13)

- ◆ The Unit Trust Corporation of Trinidad and Tobago has made over TT\$163 million (about US\$26 million) in income returns this year (TE 17 Jul)
- ◆ Government will spend TT\$20.7 million (about US\$3 million), on an "incentive plan" to upgrade the hotel and guestroom stock of Trinidad and Tobago, Tourism Minister Joseph Ross said. (TE 24 Jul)

THE JBFEED (JUNE 2009)



The Volume 4, Number 1 Issue of the Journal of Business, Finance and Economics in Emerging Economies includes the papers : Corporate income tax competition in the Caribbean; Explaining Jamaica's growth puzzle a comparative growth accounting exercise with other Caribbean countries; Estimating the out-

put cost of disinflation and application to Jamaica and Trinidad and Tobago; Global imbalances and destabilizing speculation; Measuring the effects of concentration and risk on bank returns: evidence from a panel of individual loan portfolios in Jamaica; Estimating the size of the informal economy in Barbados. These papers are available online at :

<http://www.ccmf-uwj.org/?q=journal/papers>

CCMF SEEKS NEW EXECUTIVE DIRECTOR

The CCMF is looking for a dynamic economist or finance specialist with a graduate degree and research or policy experience to become its new Executive Director. The Executive Director heads a small team of dedicated professionals and contractors, who provide policy and information services to Caribbean central banks, financial institutions and regional businesses. The Centre's work is assisted by a distinguished group of research associates. The Centre publishes the *Caribbean Economic Performance Report*, the *Journal of Business Finance and Economics in Emerging Economies* (JBF3E), occasional monographs and collected papers volumes, as well as a range of financial and macroeconomic statistics. Its publications are all available online, at www.ccmf-uwj.org.

Job Summary

Reporting to the Board of Directors, the successful candidate will have the following key responsibilities

- ⇒ To lead the development of a policy research agenda for the Centre
- ⇒ To secure its financial resources
- ⇒ To implement the work programme and upgrade services to the domestic, regional and international community.
- ⇒ Key Knowledge and Experience:
- ⇒ Post-graduate degree in Economics

- ⇒ A minimum of 5 years' experience at a senior management level
- ⇒ Working knowledge of, or training in, management, finance or accounting would be an asset
- ⇒ Sound leadership and management capabilities
- ⇒ Possession of effective human resource management skills
- ⇒ Sound record of publications and evidence of continuing research on topics related to economics and finance

Anyone interested should contact Dr. Marion Williams, Governor of the Central Bank of Barbados and Chair of the Executive committee of CCMF, at (246) 436 6870 or email AHKing@centralbank.org.bb. They may also contact Kathleen Charles at (868) 645 1174 or Kathleen.Charles@sta.uwi.edu or write to the CCMF at :

Caribbean Centre for Money and Finance
The University of the West Indies
St. Augustine Campus
Trinidad and Tobago, W.I.

The deadline for applications is **September 30th 2009**. The new Executive Director should assume office on November 1, or as soon afterwards as is practical.

UPCOMING CONFERENCE.....

41st Annual Monetary Studies Conference

"Building Financial Sector Resilience in the Caribbean "

November 10th-13th 2009

Georgetown , Guyana

Submissions are invited for the 41st Annual Monetary Studies Conferences , on the following themes :

- **Financial Contagion**
- **Financial Integration**
- **Commodity and Financial Volatility**
- **Countercyclical Fiscal Policy, Debt and Fiscal Sustainability**
- **The Cost of Financial Rescue Package, The Future of Commercial Banking, Financial Sector Stability**
- **Financial Development and Related Issues**

Abstracts of the papers to be presented should be submitted by **Friday 4th September, 2009** to ccmf@sta.uwi.edu; Kathleen.Charles@sta.uwi.edu and deputygovernor@bankofguyana.org.gy .

You are kindly requested to forward papers for the Conference directly to the Bank of Guyana, via email to deputygovernor@bankofguyana.org.gy in Microsoft Word format by **Friday 30th October, 2009**.

BOOK ANNOUNCEMENT

"Beyond facts: understanding Quality of Life" published by the Inter-American Development Bank, 2008.

This book introduces a new approach to policy making which takes into account the voices and opinions of individual citizens. It is simplistic to rate quality of life purely on objective economic terms. Whereas a minimum income is essential for a decent quality of life, there are several other important factors, such as health and health services, educational opportunities, job satisfaction and factors controlling this, the nation's infrastructure, must also be taken into account. The Caribbean shows evidence of the "unhappy growth paradox": surveys found higher levels of personal satisfaction in Jamaica than in Trinidad & Tobago, in contrast to the latter country's superior growth performance.

Available for download at : <http://www.iadb.org/publications/book.cfm?language=English&id=1775002>

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