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TITLE OF THESIS:
DECEIVING DEBTS: AN EXAMINATION OF THE IMPACT OF THE FINANCIAL INVOLVEMENT OF ROBERT ALLEN STANFORD IN ANTIGUA 1990-2016

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Acknowledgements

I would like to thank God; my supervisor, Dr. Debbie McCollin for her patience and intellectual guidance, the past Prime Ministers of Antigua and Barbuda, Hon. Lester Bryant Bird and Hon. Baldwin Spencer for taking the time out of their busy schedule to meet and sit with me in discussion.
Abstract

This thesis seeks to examine the impact of the financial involvement of Robert Allen Stanford in Antigua and Barbuda. It highlights the reason for the country’s need for foreign direct investment to aid productivity while comparing past investors’ modus operandi to that of Sir Stanford. It examines the financial benefits of Stanford’s empire within Antigua as well as its fall and the country’s major economic setbacks as a result. This thesis argues that Antigua’s dire economic state and over-dependency on foreign direct investment contributed to Allen Stanford’s major financial interjection and monopolistic hold on the island. It also asserts that the impact Stanford had on the country allowed it to become over-dependent on Stanford’s foreign interjection. It explores the fall of Stanford’s empire which was accompanied by a series of external shocks that devastated Antigua’s economy which once again led the isle to become dependent of foreign direct investment to recover.

Keywords:

- Foreign Direct Investors
- Fiscal Deficits
- Fraud
- Ponzi Scheme
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Introduction

“The story of Antigua is more than a simple story of moral decline. It is the story of how something noble was wrecked...” ¹

Rationale

Robert Stanford was a former billionaire and financer who invested in the island of Antigua. In 2012 Stanford was convicted of initiating the second largest Ponzi scheme in North America. The purpose of this study is to analyze the effects of R. Stanford’s financial involvement in Antigua during the rise and after the fall of his empire. It examines the lasting impact that Stanford’s financial interjection had on the economy. Before his arrest, R. Stanford was a major financial player in the global market and the island of Antigua was the base for his operations. At present, foreign direct investment plays a crucial role in providing financial buoyancy to Antigua’s economy. In 2014, the Prime Minister Hon, Gaston Brown expressed his need to make the isle an economic powerhouse by first ridding the country of all its debts, namely, the loan borrowed from the International Monetary Fund (IMF) after Stanford’s fall. This became the inspiration for my study because the government was so dependent on Stanford as the main foreign direct investor that after his fall it took the government until 2018 to repay the IMF a major loan borrowed in 2009. A study of this kind is significant for it underscores the effects of foreign direct investment, a feature which is utilized by all Caribbean nations. The effects of Stanford’s fall in Antigua is a mere example for other Caribbean nations.

¹ Robert Coram, Caribbean Time Bomb (3)
**Thesis Statement**

This study has shown that Robert Stanford’s, investment and financial involvement in Antigua had positive and shocking effects on Antigua’s economy during the years 1990-2016 for, Stanford has been a major contributor to Antigua’s economic outfit in the later parts of the 20th century. This study emphasizes that capital inflows to Antigua’s economy from the Stanford owned Antigua based businesses aided Antigua’s main industries and other principal, both statutory and public, sectors of Antigua’s economy between the years 2000-2007. This Study proves that Antigua’s economy experienced consistent economic declines due to charges against Stanford in 2009 and pressures from the World Oil Crisis and the Collapse of Trinidad’s Insurance Companies of 2007 and 2009. After Stanford’s conviction in 2012 this study reveals that Antigua’s economy between the years 2010-2016 could not have attained the pre-2008 economic growth rate.

**Objectives**

The aim of this research is to assess the impact of Stanford’s involvement in the Antiguan economy. Secondly, the work attempts to identify the ways in which he was involved in the economic development of Antigua. Thirdly, the study aims to assess the benefits of Stanford’s activities in Antigua and finally, to evaluate the immediate and long-term impact of the fall of Stanford’s empire in Antigua.

**Parameters**

The years 1998 to 2016 are of focus in this study because these years highlight a pivotal time in Antigua’s economic history for, the denouement of the 20th century marks the influx of foreign direct investors along with Robert Stanford to Antigua. Between the years 2000-2007 Antigua economy experienced increased growth rates owing Robert Stanford. However, the fall

Moreover, the island of Antigua is a twin island state. The sister island Barbuda is excluded from this study because the impact of Stanford’s financial involvement in Antigua did not have any direct implications to the economy of Barbuda.

**Methodology**

Primary and secondary sources were used to conduct this research. The primary sources utilized in this research were the Antigua and Barbuda Budget Speeches from the year 1990 - 2016 along with various International Monetary Fund Reports. The *Antigua Daily Observer* newspaper and the Stanford owned *Antigua Sun* newspaper. These articles address the economic, statistics, social, infrastructural and philanthropic programs initiated by Stanford and the Antiguan government during and after Stanford’s financial involvement in Antigua.

Likewise, secondary sources, the use of books, aided the formulation and built on the analysis of this study. Also, noteworthy, were interviews was conducted with the two past prime ministers of Antigua and Barbuda, Hon. Lester Bird and Hon Baldwin Spencer. The former witnessed Stanford’s rise while the latter steered the country through his fall. These sources played an integral role in aiding the examination of the arguments throughout this study.

**Limitations**

Although there is a stream of scholars who have written about the rise and fall of Robert Stanford’s Empire no in-depth research on his financial involvement in Antigua exist. Authors are often biased and have written on Stanford in a negative light. Additionally, there were many
problems in conducting this research as a result of travel constrains and the scarcity of information, as analytical data on Antigua and Stanford is non-existent.

**Literature Review**

Authors utilized in this research namely; Chiden Kurdas (2012), Gilbert Geis (2011) and Colleen Cross (2013) have all written about Robert Stanford’s empire and his eventual Ponzi scheme. These authors however, simply mention Antigua as being the basis of Stanford’s operations through banking and cricket for, no literature could be found on Stanford’s contributions to Antigua’s economic sustainability. The literature utilized in this study found that Antigua’s fragile economy reflected the growth of Stanford’s empire between the years 1999-2016.

The Organization for Economic Co-operation and Development’s (OECD) policy review, *Caribbean Rim: Antigua and Barbuda and St. Lucia (2006)*, was valuable to this research for knowledge about of the significance of foreign direct investment (FDI) in Antigua prior 2006 was obtained. This literature agreed with this study as it gave insight on Antigua’s over dependence on FDI’s to fund government and local projects and expenditure during the peak of Stanford’s financial involvement in Antigua 2000-2006.

Thomas O’Keefe’s, *Latin America and Caribbean Trade Agreements: Keys to a Prosperous Community of the Americas (2009)*, provided and in-depth analysis of Antigua’s industrial background. O’Keefe analyses the implications of Antigua’s economic emphasis on the tourism sector. This literature agreed with this study for it proved Antigua’s man industry mirrored a shrinking market which sequentially relates to the need for foreign direct investment inflows within the country and the importance of Stanford’s financial contribution to Antigua’s financial stability.
The OECD’s, *Global Forum on Transparency and Exchange of Information for Tax Purposes Peer Review: Antigua and Barbuda 2011 Phase 1*, gave insight on the weakness of Antigua’s regulatory commission. This literature agreed with my research for it proves that Antigua, like Montserrat was integral for Stanford empire because of its strategic location, low tax jurisdiction and weak banking laws.

Various Articles from *The Daily Observer Newspaper* (2009) and the Stanford owned *Antigua Sun Newspaper* (2009) was vital to this research. The articles from these primary sources agreed with this research in proving the power of Stanford’s empire in Antigua for the rise and fall of Stanford’s empire mirrored the rise and fall of Antigua’s economic standing.


The IMF’s, *The International Monetary Fund Staff Report: Antigua and Barbuda* (2015) agreed with my study for it expounds on the collapse of two of Antigua’s financial institutions after Stanford’s fall. Although various works from the IMF were included in my study this literature particularly, is integral for it recalls Antigua’s increased debt burden and consistent loans from the IMF in 2012 in which Antigua could not have repaid in 2016.

Withal, these literatures agreed with the arguments of this research in all spheres and proves the importance of a research of this kind owing to lack of literature in this area of study.
Chapter 1- Antigua

“But there is trouble in this Westerner’s paradise, and local Antiguans sense it all around in myriad of ways.”

Antigua is a Paradise but hidden behind her external façade is a backward sloping economy. This chapter examines Antigua’s business background in relation to foreign direct investment and investors with similar business patterns as Stanford, it explores the country’s economic, social and industrial susceptibility to exploitation and it introduces Robert Stanford’s business background, financial hiccups and involvement in Antigua’s Financial Regulatory Commission (FRC). This Chapter argues that Antigua was over-dependent on foreign direct investment (FDI) and the benefits from foreign investors paved the way for Stanford’s financial and monopolistic hold on Antigua.

Foreign Direct Investment

For years Antigua was solely dependent on FDI, to fund projects for economic augmentation. The OECD (2006) rectifies “FDI inflows into Antigua grew at an average annual rate of 14.52 per cent from 1998 to 2003. Antigua is among the top three largest recipients of FDI in absolute terms in OECS countries. FDI inflows per capita having received USD 1,364.71 in 2003.” (16) An understanding of Antigua’s business background is crucial to unravelling the circumstances around the rise and financial involvement of Stanford within Antigua for, Stanford’s business ventures were almost carbon copies of those of past investors’ business arrangements, financial injections and philanthropy.

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2 Dick Russell, Antigua and Barbuda: Islands Under Siege from the book, Feeling the Heat: Dispatches from the Lines of Climate Change by Jim Motavalli (2005,64)
Foreign direct investment became popular in the Caribbean through the Lucian economist, Sir Arthur Lewis’ theory ‘industrialization by invitation’ that advocated for economic growth for underdeveloped plantation based Caribbean economies. Lewis’ plan was for nations to capitalize on FDI together with local industrial expansion. Antigua erred by only capitalizing on FDI while neglecting local industrial growth. Withal, FDI achieved its purpose in Antigua by providing jobs, knowledge and skills to locals. Essentially, foreign investment developed social schemes such as the massive housing program of 1981.

Industrially, the formation of hotels, namely, the Jolly Beach, Halcyon and the Royal Antigua Hotel was propelled by foreign interjection to aid the tourist industry. However, problems such as the termination of Antiguan staff and the hiring of foreign employees belonging to the investors’ companies occurred. Similarly, in 1989, contracts were also given to the government for infrastructural projects, in particular, the Traffic Light Project contracted by a Dutch company and the Big Creek Bridge project which was taken over by a Chinese company. Although flawed, the interjection of foreign investment was vital for Antigua’s economic sustainability in the later part of the twentieth century.

**Private Investors- The Rappaport Business**

Antigua also has a legacy of private individual investment led by powerful and wealthy men with whom Stanford had much in common. Bruce Rappaport, a Palestinian native and

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3 Lewis believed foreign direct investment would attract capital to the Caribbean and reduce unemployment, increase wages and foreign exchange levels while establishing foreign linkages with the local economy.
4 According to an article in *The Workers Voice*, “after being open for business for over a year, there are also redundancies and layoffs of mainly Antiguan managerial and supervisory staff, we see our nationals replaced by non-Antiguans supervisory and managerial staff brought in by Savoy Management.” (1)
businessman arrived in Antigua in 1979. Rappaport’s first business venture within the isle was the purchase of the West Indies Oil company. Due to low profits and great expenditure, Rappaport minimized productivity. Block and Weaver notes “the company was used as a throughput for products from Trinidad, Suriname and the Soviet Union.” (744)

Additionally, Rappaport played a crucial role in Antigua’s banking sector; he owned the offshore Swiss American Bank and the Antigua International Trust of 1983. Rappaport’s Panama based Swiss America Holding Company was the owner of this group while the parent company was his Inter Maritime Bank. Antigua’s economy benefitted from capital inflows from Rappaport’s businesses. Eventually, Robert Stanford, like Rappaport, would become involved in Antigua’s banking sector and other business ventures that initially benefitted the nation.

Furthermore, Rappaport engaged in philanthropic activities supporting the construction of the general hospital, the growth of the national archives as well as investing over ECD 30 million in public utilities.

Notably, in 1996, Chinese tycoon investor, Tan Sri Dato Kay Hock and his investment company, Asian Village Antigua LTD, was interested in purchasing Antigua’s largest offshore island, Guiana Island, and transforming it into an Asian Village Resorts but failed due to financial setbacks. However, Hock acquired Guiana Island in 2007. Stanford too would attempt

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5 Rappaport’s business ventures began in Palestine and expanded to Brazil, London, and Geneva Switzerland. Block and Weaver (2004) explain that, “Rappaport...[had] other business ventures outside of Switzerland were Bermuda, several Caribbean Island Nations including the Cayman Islands and Antigua, several central and South American countries and other key commercial centers in Southeast Asia.”

6 The West Indies Oil Company emerged in 1965 as a refinery and distribution company in Antigua by Natomas and Amaco International Oil after further expansion in Dominica. The company was sold to the government of Antigua and Barbuda in 1976. The government then, resold 75% of its shares to Rappaport's National Petroleum LTD of Bermuda in 1980.
to purchase and develop Guiana Island in 2004. Like Tan, Stanford had similar investment pursuits, which places emphasis on the patterns of investment in Antigua.

**Antigua’s Susceptibility to Exploitation**

Antigua stood, for years, at the edge of the quay to prosperity, hinging her development on the balance of probabilities. Her foe was debt, rising production cost and a backward sloping economy. Stanford’s financial involvement in Antigua was pivotal to the vulnerable nation. This section examines Antigua’s economic, social and infrastructural susceptibility to unsustainable growth. It proves Antigua’s dire need for FDI which gave rise to Stanford’s financial and monopolistic hold on the nation.

**Economic**

In all societies, capital is key, investment is key and economic stability is King. Antigua, since the latter 20th century has always been over-dependent on foreign direct investments. The 1974 world oil crisis played a crucial role in disrupting Antigua’s economic productivity as it set the stage for dire financial hiccups. The debt burden in Antigua remained consistently high. Antigua’s total expenditures often exceeded her revenues during 1999 and 2003. The IMF calculates, “in 1999, the current account and overall deficit were $74.47 million and $70.61 million respectively. By 2003, the current deficits and the overall fiscal deficit had ballooned to $38, 85 million and $158.78 million respectively.” (188) The unemployment rate increased while capital inflows within the country stagnated. Creditors continuously blacklisted the nation.  

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7 Prime Minister Hon. Baldwin Spencer (2004-2014) expressed that “Prior the arrival of Stanford It was clear that the economy needed a major injection, not only of capital itself but to be able to utilize that capital for creation of jobs, to assist the government with its own responsibilities. The whole idea of attracting foreign investment would have been popular. I think the Stanford’s and the Data Tan’s and so on of this world and even the Rappaports of this world would have looked at Antigua and saw where this Island had a lot of potential and it also had the opportunity for individuals like those to exploit the situation in the country. Their idea was to utilize what they were doing, to
Social

Furthermore, frequent hurricanes from 1998-2000 destroyed Antigua’s productivity. As Dick Russel, reports, hurricane Luis “damaged 90% of Antiguan homes, 65% of its business sector, and left seven thousand people unemployed. In a small country now dependent on tourism for 70% of its income virtually all such facilities along the coast needed extensive repairs.” (62) Similarly, Hurricane Georges left over 3,000 individuals homeless, and awarded Antigua millions of dollars in damages. Antigua needed a major interjection of foreign aid after the cataclysm of these natural disasters. Douglas Payne argues in The Failings of Governance in Antigua (1999) that “following hurricane Georges, Stanford granted the government a $5 million interest-free loan to be used for reconstruction.” (29)

Industry

Initially from 1632, when Antigua came under British control, sugar was King, but its fluctuating fortunes allowed for a shift to the tourism industry in 1960. Presently, tourism is Antigua’s main industry. Ian S. Horsford reports, “according to the ECCB, the total Gross Domestic Product for Antigua and Barbuda in 1996 amounted to $1,222.39 million EC, calculated at factor cost current prices. Of that, government services contributed 17.72% amounting to $217.50 million EC.” (101) Also government legislature, tariff barriers and import duties, caused locals to pay more for fruits and vegetables. Thomas O’keefe, states, “the fishing industry has been under attack only accounting for $21.80 million EC or 46.37% of the agricultural contribution.” (109) Antigua’s electricity prices continued to heighten due to the increasing oil cost in the global market, and the high maritime transportation cost that

extract out of Antigua as much as they can in a short period of time and at the same time give the impression that they are making significant contributions to the country.” Interview former Prime Minister, Hon. Baldwin Spencer, Jan 22nd, 2018.

8 The IMF in 2004 confirmed that “these disasters caused cumulative damage of about 40 percent of GDP.” (30)
undermine competitiveness in other local sectors. The manufacturing sector has been unprofitable because Antigua rarely export what it produces.

Regarding tourism Okeefe explains that, “Antigua is one of the most tourist intensive countries in the world as measured by tourist arrivals per capita and tourism receipts as a percentage of exports and GDP. The tourism sector is the goose that lays the golden eggs.” (395) Consequently, the rise and fall of tourism mirrors the rise and fall of Antigua’s economy for, tourism is the main employer for the country’s workforce and there is an overdependence in that industry. The increase of importation duties and customs service on goods used in the hotel industry (i.e., beds, linens and furniture,) places tourism in the favor of Antigua’s competitive counterparts rendering the service sector susceptible. Stanford was able to create new markets within the tourism industry by adding to the ancient ‘sun, sea and sand’ appeal. His financial boost in all sectors of the economy paved the way for his financial and monopolistic hold on the nation.

**R. Allen Stanford’s Journey to Antigua**

The island of Antigua was an economic bust until the arrival of the Texas financier, investor and philanthropist, R. Stanford in 1998 who accounted for the islands boom. Stanford was born in March 1950, in Mexia Texas where he attended high school in Fort Worth, and graduated in 1974, from the Baylor University with an accounting degree in finance. As a financier, Stanford’s business ventures extended across the Caribbean to South America through his Stanford International Bank located in Antigua. High interest rates on certificates of deposits

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9 O’Keefe summates that “in recent years, the tourism industry in Antigua and Barbuda is being increasingly squeezed into a slow-growth, middle-market position by high wages, energy costs, and prices capped by competition from lower cost destinations, especially in the Spanish-speaking Caribbean. Antigua’s beaches, weather, and location are no longer enough to justify its high food and accommodation charges against the offerings of its competitors” (396).
(CDs) lured investors to his banks. The Antiguan Government knighted him in 2006 for his major contributions to the Antiguan economy. Gilbert Geis informs, “Fortune Magazine labelled Stanford as the 250th wealthiest person in the United States.” (283) In the following sections, Stanford’s business background, financial hiccups and involvement with the Antigua Financial Services Regulatory Commission (FSRC) are examined.

**Business Background**

A failing, and eventual bankrupt gymnasium coupled with a sequence of health clubs in Waco Texas was Stanford’s first business venture. In 1982, he declared personal bankruptcy. Cross explains, “his bankruptcy filing listed $13.6 million in liabilities and only $200,000 in assets.” (136) Subsequently, Stanford’s first business success appeared with his venture into real estate with his father. Both men bought depressed real estates and resold them years later when the market recovered.

**Stanford’s Financial Hiccups**

In 1986, Stanford, with James Davis as controller, established the Guardian International Bank (GIB) in Montserrat. Montserrat provided benefits for Stanford. He would have no transparency, no regulations and no taxes infringing his business. Operating an offshore bank in Montserrat meant ultimate privacy in a low tax jurisdiction. The same amount of privacy he would later receive in Antigua. For customers, he promised a strong defense for assets and the advantage of global tax savings, profit maximization and exceptional interest rates. Cross states “at the end of 1987 Guardian had deposits of just a few million dollars, but in little over a year reported deposits reached about $55 million, a growth of more than twenty-fold.” (200)

Stanford was not subject to American law nor did he have to pay into the Federal Deposit Insurance Company which ultimately meant, GIB had a lower cost than American banks.
Stanford increased sales by opening offices in Houston and Miami. However, Stanford’s unlicensed CD scales violated the Texan banking laws and in 1988 and 1989 the US Office of the Comptroller of the Currency issued warnings that Stanford had violated banking laws in Florida and California. Subsequently, The British and the US authorities placed Montserrat, namely Stanford’s bank, under scrutiny for money laundering from illegal sources and failure of offshore firms to pay taxes. The Bank’s auditor, CAS Hewlett & Co was not an approved auditor. He concealed rather than revealed financial details. Documentations concerning the GIB’s liquidity was uncertain and its license was revoked. Antonio Maia, remarks, “when bank regulations in Montserrat, where Guardian was chartered, imposed heightened scrutiny, Stanford closed shop and moved to Antigua, along with Davis, creating the Stanford International Bank, Ltd (SIB).” (303) Simultaneously, Stanford’s failure to pay over half a million dollars in taxes, allowed for inspection by the Internal Revenue Service in 1990.

**Stanford’s Involvement with the Antigua Financial Services Regulatory Commission (FSRC)**

In 1998, the Government of Antigua established a statutory authority, The Antiguan International Financial Sector Authority (IFSA), to aid financial reformation and regulate the offshore sector of the economy. R. Stanford was elected as Chairman of the board of directors, along with other members including the Antiguan Attorney General (Stanford’s Lawyer) and Stanford’s American lawyer. The Financial Service Regulatory Commission (FSRC) due to money laundering allegations replaced the IFSA. The role of the FSRC in Antigua was to examine the motives of investors and judge the errors of investors with findings leading to legal review. The Organization for Economic Co-operation and Development (OECD) stipulates, “in 1982, legislation was enacted under the International Business Corporation Act (IBCA) to make Antigua and Barbuda a choice offshore jurisdiction for businesses, including offshore banking
and insurance. Offshore entities generally enjoy tax exemptions in Antigua and Barbuda. The Financial Services Regulatory Commission (FSRC), in accordance with the IBCA, is responsible for regulating the IBC’s.” (12)

According to author Mervyn Lewis, “Stanford exert[ed] considerable influence with his wealth. He lent millions of dollars to the government, built new offices for the administration, funded a new hospital, and quickly evoked into Antigua’s biggest employer.” (30) The only barrier to Stanford’s scheme was the Antigua Financial Regulatory Commission headed by Marian Crick, Antigua’s leading banking government official in 1996. Crick removed Stanford from an advisory board of the regulatory agency. Stanford then orchestrated an office of employees in 1999 to work on the regulatory banking amelioration in Antigua but was denied the confidential bank exam records which he desired. Leroy King replaced Crick after her 2002 resignation. King proceeded to support Stanford’s initiative. King managed Stanford’s audits and certified Stanford International Banks investment returns and finances verifying the portfolio of Stanford’s bank. Author Chiden Kurdas notes, “Aside from Kings rubber-stamped audits of SIB, he also provided Stanford with confidential regulatory information about Stanford and SIB, including details on inquiries from the SEC regarding Stanford.” (500) Nevertheless, despite the warning signs, and Antigua’s weak financial regulations, Stanford’s financial inflows to the country assisted in maintaining Antigua’s economy at a critical period.

Chapter 2- Stanford and Antigua
Antigua is beautiful. Antigua is too beautiful…

Robert Stanford’s financial involvement in Antigua was economically beneficial to the sustainable development of the country. The tycoon’s business endeavors within the nation kicked to the curb, unemployment, low wages, debt and fiscal deficits. His net worth tripled that of Antigua’s gross domestic product. The impact of Stanford’s financial involvement within the isle was purely profitable. Stanford contributed chiefly to foreign capital inflows, an industrial boost, and globally through the media in the finance, real estate and the cricket arena. This Chapter illustrates how vital Stanford was to the local economy.

Financial Injections

Throughout the early 21st century, Stanford’s Group financially supported the Antiguan government. In education, Stanford contributed to the building of the public library in 2004 and granted a fund to the government to provide scholarships for university students along with a higher education complex. Additionally, there was also an agreement “to fund arrangements to relieve the Medical Benefit Scheme of the monthly EC$735 000 (USD 272 222) payments to the Sanford Financial Group.” (Antigua Budget Speech 2007, 26) R. Stanford was willing to cancel ECS50 million of the approximately ECS230 million that was owed to his organization by the Antigua government. (Antigua Budget Speech 2007, 26) Stanford also funded the macro and small business ventures owned by locals. During Stanford’s financial involvement in Antigua, between the years 2000 and 2007, the country’s growth rate accelerated. The United States Trade Commission (USTC), states “Antigua and Barbuda had been classified by the world bank as a “high- income economy”. (4-4). Positive inflows from the tourism sector resulting from Sir

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10 Jamaica Kincaid, A Small Place
Allen’s financial interjection increased the country’s real economic growth. ¹¹ (see Figure 1 below)

**Figure 1: Antigua’s Growth Rate 2000-2006**

Source- The Antigua and Barbuda Budget Speech 2007. (14)

**Employment**

One of the greatest impacts of Stanford’s financial involvement in Antigua was an increased employment rate. Antigua’s Employment rate doubled for, blue and white-collar workers were needed at Stanford’s business’ allowing capital inflows within the country to rise steeply in favor of economic growth. Stanford created within Antigua a high standard regarding work ethics, and professionalism that the country maintained.

Additionally, government institutions benefited greatly for, the employment boom caused substantial public returns to aid government outflows. Programs such as the School Meals Program and the School Uniform Grant received indirect benefits. Finance Minister Hon. Cort

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¹¹ Former, Minister of Finance calculated, in the 2007 Budget Speech, Pillars of Progress that “the average rate of growth of GDP between 2004 and 2006 stands at approximately 7.5% per annum while, for the period of 2000 to 2003, real GDP grew at an average annual rate of about 3%. For the period of January to June 2006, the GDP index for Antigua and Barbuda increased by 11.23%. This surpassed all the performances in all of the other Eastern Caribbean Central Union (ECCU) countries and was six percentage points higher that the ECCU average.” (13-15)
summates “we spent about 3.5 million to provide school uniforms to primary and secondary school.” (74) Cort also noted regarding the latter, “the number of uniform grants distributed steadily from 10,240 in 2004 to 12,589 in 2006.” (26) The increased work force contributed to taxes, social programs and poverty reduction. Cort exclaims in an assessment of the various components of the revenue profile, “all major sources of Government revenue grew at significant rates in 2006. Tax revenues, the largest contributor to revenue, grew by 26.5% from $454.8 million in 2005 to $575.1 million in 2006. Further, tax revenue in 2006 was 50% higher than the $382.6 million generated in 2003.” (see Figure 2 below)

**Figure 2: Antigua’s Tax Revenue 2003-2006**

![Figure 2: Antigua’s Tax Revenue 2003-2006](image)

Source- the Antigua and Barbuda Budget Speech 2007. (14)

**Real Estate**
Stanford was also the major contributor to the local real estate market. Stanford’s newspaper, The Antigua Sun and financial institutions namely; the Stanford International Bank, the Bank of Antigua and Stanford’s Trust Company, placed the island’s economy on a sound financial footing between the years 2000 -2008. Stanford’s businesses; such as his restaurants, The Pavilion Antigua, The Sticky Wicket, and his gym, The Athletics Club, and the Stanford Cricket Stadium generated income through tourist attraction along with the Stanford owned airlines the Caribbean Star and the Caribbean Sun Airlines. The OECD states that, “foreign investments in the airline sector has played a key role in making Antigua’s airport a regional hub in the Caribbean. Caribbean Star Airlines and Caribbean Sun Airlines, owned by Stanford, have undoubtedly contributed to increasing the number of Caribbean visitors to Antigua.” (18)

In 2004, when the opposition leader Baldwin Spencer became Premier, R. Stanford sought interest in Guiana Island, one of the largest offshore islands in Antigua. Like Dato Tan kay Hock

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in 2004, Stanford paid off the government for the original purchase of the island and was granted permission by Spencer to begin building. Stanford’s plan was to create a lavish community by developing numerous homes within the US$10-20 million range with a membership fee of $1 million per year in dues from the prospective residents along with a world-class golf course on the Island. He invested US$ 35 million of his own just in the design and acquisition phases. If the project continued, Stanford would have given the government $1 million in taxes yearly. The project would have increased tax revenues and benefit the local economy. However, for this project permission was eventually revoked as discussed in Chapter 3.

**Cricket**

Moreover, the March-April 2007 International Cricket Council (ICC) Cricket World Cup hosted in Antigua and with a budget estimated at nearly 190 million contributed to a rippling effect of disadvantages in funding preparations but Stanford’s financial involvement in Cricket helped relieve government pressures. In 2007 Stanford launched the hugely successful Stanford 20/20 Cricket Tournament at the Stanford Cricket Ground, which hosted numerous 20/20 matches between countless Caribbean islands as part of the Stanford Super Series, in which Trinidad was the victorious Stanford Superstars and received a USD 20 million reward. In November of 2008, the Stanford Super Stars successfully competed against England. ¹³

Additionally, Stanford’s involvement in cricket allowed Antigua’s construction sector to boom. Cort explains, “the growth in construction for 2006 is estimated at 35% thereby increasing the sector’s contribution to GDP by over three percentage points to 18.97 percent.

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¹³ The USTC calculates that “the social indications for Antigua and Barbuda are comparable to or exceed those of other countries in the region. Antigua and Barbuda’s per capita income of $14,251 in 2006 ranks as the highest among the OECS countries. Antigua and Barbuda ranked 57th out of 177 countries on the United Nations 2007-08 human development index, placing Antigua and Barbuda in the high human development category of countries.” (4-4)
Notably, the mining and quarrying sector expanded because of Stanford. There was an increase in the importation of concrete and cement to aid productivity.\(^1\) Correspondingly, Stanford’s involvement in cricket aided the tourism industry. Stanford’s cricket ventures within Antigua received Global Media coverage, which in turn increased visitors to the isle via cruise ship and air travel. Stanford’s financial involvement in Antigua provided capital to major sectors of the economy.

\[\text{Chapter 3- Things Fell Apart}\]

\(^1\text{Minister Errol Cort estimated that “production of aggregates increased by over 132% from 81,000 tons for the first half of 2005 to 188,000 tons for the first half of 2006. Further, the output of aggregates for the period ending June 2006 was 107% higher than the 90,655 tons produced over the same period in 2003”;}\]
“We are susceptible, to external shocks; our economy is so dependent on foreign interest, that whenever things fail with our traditional partners- it has a direct, sometimes devastating effect on Antigua. Of course, at that time, you had the fall of Stanford and the issue with British America and CLICO, even the government’s statutory possessions became involved in investing in CLICO. We had a double whammy in that period.”

- Hon, Baldwin Spencer, Prime Minister of Antigua and Barbuda 2004-2014.

As the above quote suggests, at the onset of 2007, a series of external and internal financial blockages occurred which severed Antigua’s economic standing. The island’s unemployment
rate tripled; and along with a loss of revenues, the debt burden increased, there were high fiscal deficits and expenditures, particularly on public wages, and salaries, and food prices increased all because of the near total collapse of Antigua’s financial sector. This chapter investigates the effects of the international market downturns and the subsequent impact of Stanford’s seized assets on Antigua’s economy. In 2010, the International Monetary Fund, reported that “Antigua and Barbuda’s banking sector is the second largest among ECCU members, accounting for about one fifth of the region’s deposits, assets, and loans.” (Antigua and Barbuda 2010, 6)\(^\text{16}\)

The public-sector credit accounted for about one third of indigenous banks loans and more than 90% of the total credit to the public sector at the ending of 2009.\(^\text{17}\)

**External Effects**

A fall in production levels with exceeding demands for the average supply of oil, coupled with the world’s most important oil exporter, Saudi Arabia, facing volatile production and unstable prices culminated the World Oil Crisis of 2007-2008 that had adverse economic effects on the Antiguan society. Correspondingly, the world wide Great Recession of 2008 duplicated, a recession in Antigua which caused havoc in the economy by terminating capital inflows within the country. Withal, in 2009, the Trinidad-based insurance companies British America Insurance Company (BAICO) and the Caribbean Life Insurance Company (CLICO) collapsed which further decimated Antigua’s statutory finances.

**The Collapse of Stanford’s Empire and the Internal Effect on Antigua**

\(^\text{16}\) Antigua’s Banking Sector comprises of eight financial institutions: four locally incorporated (“indigenous”) and four branches of foreign-owned banks.

\(^\text{17}\) Antigua and Barbuda Budget Speech 2007
In the latter part of 2008, the Bernard Madoff Ponzi Scheme, which included investment securities and stock option strategies was discovered by United States (US) authorities in the United States. Madoff’s Ponzi led to the US Securities and Exchange Commission’s (SEC) thorough investigation of the financial operations of its investor R. Stanford’s, businesses. Investigation into the finances of Sir Stanford led to the tycoon being charged by the SEC on February 17, 2009 in the United States of America. The charges placed the tycoon in the center of an alleged multi-billion-dollar fraud. The US Federal Bureau of Investigation (FBI) due to the civil nature of the offence did not arrest Stanford. James Davis, his chief financial officer and Laura Pendergest-Holt, his chief investment officer and Leroy King, head of the Antigua FSRC were also served. The Observer Newspaper (2009), explained in the article, Stanford Served that, “the assets of the Texas-born investor, who also has an Antiguan citizenship, and those of three of his companies – SIB, SGC and SCM – were frozen by the deferral judge after the SEC charges were filed.” (36) Stanford was also issued; among the documents, a complaint from the SEC as he was appointed a receiver for his businesses. The Observer added that, “US financial regulations have alleged that Stanford and his companies encouraged investors to buy US 8 million in CDs by making false promises of improbable and unsubstantiated high rates.” (36). This turn of events and Stanford’s termination of funds had a severe impact on Antigua’s economy.

Notably, banks are supposed to take CD monies and place them in safe investments with small returns, which they pay their investors. In contrast, Stanford sold CD’s to investors and paid the old investors interest from new investors, therefore, there was no real investment and the capital inflows from SIB were spent on his lavish lifestyle. When Stanford’s assets were frozen the nation of Antigua felt the effects. The country was unbearably burdened by the
recession of 2008, the collapse of CLICO\textsuperscript{18} and the World Oil Crisis and now the fall of its largest employer, Stanford. The freezing of Stanford’s assets meant for Antigua the freezing of capital inflow into the island. Antigua at this point had no economic standing because of its overdependence on foreign interest. When examining the impact of Stanford’s financial involvement in Antigua the effects on finance, real estate, cricket and tourism (the media) is observed.

\textbf{Finance}

\textbf{A) Banking}

Other financial organizations suffered directly due to Stanford’s fall. In Venezuela, clients purchased US $2.5 billion of the total US $ 8 billion in CDs that were the center of Sir Allen’s fraud charges. The Venezuelan government, in an attempt to alleviate the problem took over the local retail Stanford Bank of Venezuela. On the 19\textsuperscript{th} on February 2009, Peru regulation suspended the operation of the local office of the Stanford Financial Group for a period of thirty days. While Panamanian authorities took over the Stanford Bank in Panama. Ecuador suspended the Stanford Financial Group for operating in the Quito Stock exchange, a local brokerage, for a period of thirty days. Lastly, the Columbian arm of Stanford Financial Group seized operations in the Borgata Stock Exchange.\textsuperscript{19}

As for Antigua, the fiscal developments contracted. Also, a panic withdrawal of monies from hundreds of customers from the three branches of the Stanford owned Bank of Antigua (BoA), which held combined assets and deposits of approximately $700 million, ensued. This act forced the government to effectuate relief emergency aid from the Eastern Caribbean

\textsuperscript{18} The Colonial Life Insurance Company (CLICO) and the British Insurance Company (BAICO) were insurance subsidiaries operation under the parent firm CL Financial Limited (CLF), which was the largest private corporation in Trinidad and Tobago.

\textsuperscript{19} Derrick, Winston. \textit{The Daily Observer}, 2009, p.16.
Central Bank (ECCB). The ECCB is the monetary authority and financial regulator of the domestic banking system of eight participating territories of the Eastern Caribbean. After a thorough examination of the matter, the ECCB took over BoA. Subsequently, the ECCB sent a team of bank supervisors on Wednesday, 18 February 2009 to provide liquidity to the bank to meet the demands of depositors. On Monday, 23 February 2009 the former BoA became the Eastern Caribbean Amalgamated Bank (ECAB) with a new ownership structure that involved another local financial institution and four others in the organization of the Eastern Caribbean.\(^{20}\) (see Appendix A, Chart no.1, Fiscal Developments 2000-2009)

**Employment**

The employment rate decreased drastically following the charges against Stanford because full termination of employees from Stanford businesses followed. As a result, the Minister of Finance, Dr. Cort implemented a month-long National Unemployment Benefit Fund. Tax concessions were granted to the tourism industry and other sectors of the economy. However, in many cases employees were given less than two hours to leave the job site. Editor Andy Liburd, in an article entitled *77 Sent Home*, wrote “some 77 workers of the SIB and the Stanford Trust were sent home yesterday, empty handed and with no word as to whether or not they would receive their severances… The 77 workers join hundreds more private sector workers, particularly in the hotel sector who have been placed on the breadline as a result of the fallout from the struggling global economy.”\(^{(1)}\) Also, Antigua’s hotel industry laid off 200

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\(^{20}\) Dwaine Benette, *Bank of Antigua Under New Management* explained that “in addition to the BoA, the FSRC, has appointed Nigel Hamilton Smith and Peter Wastell, Client Partners at British Companies, Ventis Business Recovery Services, receivers for two of Stanford’s offshore Companies. Stanford International Bank LTD and Stanford Trust Company LTD.” \(14-15\)
hotel workers in the later part of 2008, restaurants and other businesses followed suit due to the effects of the global recession, which created an off-season within the country.

Notably, Stanford had been doing business in Antigua for twenty-years. Stanford’s companies served 141 countries in six continents with assets under management or advisement of $50 billion. Antigua and Barbuda Sales Tax was affected because of the decrease in purchases on food items in the public sphere. As Carrol Williams, reported in the article, ‘Fall in Prices for Basic Food Items in The Daily Observer, “If we were to compare the last quarter of 2008 to the first quarter of 2009, we will see a definite reduction on the cost of consumer goods in supermarkets.”’ (10) The government’s revenues were hampered. Institutions such as, the Social Security, the Medical Benefit Scheme and the Education Levy received low inputs from the public because of the mass unemployment. Additionally, when Stanford International Trust Workers were officially terminated, “workers were only paid for 12 days for every year they’ve worked for the company while reports indicate retrieved SIB workers also received a cheque in April 15, 2009, for 8 days’ pay in lieu of days worked in April” (Fuller, The Daily Observer, 12). It was clear that the circumstances around Stanford’s fall were far reaching.

Real Estate

Stanford owned 48 separate pieces of land equivalent to 254 acres occupied by the SIB, SDC, BoA, Stanford Hotel Properties, Gilberts Resort Development Holdings LTD and Pelican
Island Properties. Carrol Williams in her article *Land Acquisition Motion Passes Senate,* explained that “the Upper House in parliament ha[d] passed a motion which gave government the green light to acquire 254 acres of land owned by Stanford.” (39) After Stanford’s lands were granted to government further investigations showed the investor owned an additional 1,542 acres of land, Guiana Island. Stanford had bought 100% shares from Data Tan, and it was registered in Tortola, BVI. According to an affidavit, SIB bought the property in 2008 for $66 million along with Pelican Island for 17.5 million. Annabel Fuller, of the *Daily Observer,* reported that, “the US $541 million capital contribution set forth in SIB’s December 2008 monthly report was made up entirely of assets already owned by SIB’s entities which had been purchased by SIB in 2008 for approximately US$ 88.5 billion.” (36)

**Tourism**

Consequently, the charges against Stanford negatively affected Antigua’s main industry. It hampered direct and indirect capital inflows to the industry and the country’s global view through the media. Certain measures were necessary to save the country’s outlook. The Government rescinded Stanford’s knighthood in 2009. The 42nd Stanford sponsored Stanford Antigua Sailing Week also saw a decline as there was a total of 50 yachts registered compared to the 180 vessels in 2008.21 Regarding cricket, the England and Wales Cricket Board along with the West Indies Cricket Board ended sponsorship with Stanford and his financial corporations. The impact of Stanford’s financial operations devastated Antigua’s economy in all spheres.

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21 Carol Williams in *Stanford Charges result in Scaled Down Sailing Week Activities* reports that “putting on an event like sailing week cost a minimum $750,000 he explained, meaning they’ve had to scrap some initiatives including using flags on participating boats and reducing the publicity campaign.” The Daily Observer, 2009.
Chapter 4 - Continued Chaos
“Antigua and Barbuda’s economy went up in smoke… in dollar terms more than half a billion dollars was destroyed in three years. Antigua’s economy ranked among the worst performing economies globally.”

This chapter is divided into two-time periods which both examine the repercussions of the failures surrounding the collapse of Stanford’s empire. The former examines the years 2010-2012 while the later examines the years 2013-2016. This chapter reveals that although there were instances of economic relief after the economic crises, Stanford’s financial power had such a strong hold on the nation’s financial outfit that Antigua could not have recovered after his fall.

**2010-2012**

As the year 2009 closed loans were commonplace to obtain financial relief. Venezuela provided US$50 million to the Antiguan government. However, the country possessed a deficit of $315.5 million which it needed to fund primary expenditure. Finance Minister Harold Lovell, explained that “revenue and expenditure will continue to diverge, thereby worsening the overall fiscal balance and generating substantial financial gaps. The average financing gaps would amount to nearly $500 million each year and the debt stock is expected to grow to more than 6 billion by 2014.” (25) (see Appendix A, Chart no. 2 Fiscal Path 2006-2014)

At the onset of 2010 the Antiguan government implemented economic incentives, of which the National Economy and Social Transformation (NEST) Plan (2010-2014) was most successful, to capitalize on cost efficiency and public-sector management due to public debt,
revenue decline and budget deficits.\(^\text{23}\) In 2015, the IMF, pointed out that “the fiscal reform program was successful in reducing its public debt-to-GDP ratio from approximately 130% in 2010 to 89% in 2012.” Although fiscal reform provided debt relief Antigua depended on capital from Venezuela, China and Cuba for social and economic security.

Socially, China constructed thirty power plants for the installation of street lights within the isle while Japan financed the fishing industry. Economically, recurrent expenditure exceeded government capital in 2010 - 2011. Wages and salaries were the core features of expense. Minister Lovell calculates that “wages and salaries amounted to $260 million in 2010, 42% of the recurrent expenditure” (30). In 2011, it amounted to 43%. The IMF, in (2015), calculated that “it increased from 31% in 2009 to 45% in 2012.” (20) The Government implemented a wage and hiring freeze within the central government. Antigua was bankrupt so as part of an IMF adjustment program the IMF loaned the government $275 million to reduce the increasing public-sector indebtedness and the deteriorating fiscal position. To aid this cause the government also tripled direct and indirect taxes to facilitate government inflows and outflow.\(^\text{24}\) The IMF, explained that “tax revenue accounted for 93.5 % of the total revenue, and its annual growth has been on the increasing trend since 2011.”

Furthermore, Antigua’s banking sector declined. In July 2011 due to liquidity and statutory requirement failure, the ECCB, once again under an act of emergency, assumed control of one

\(^{23}\) The NEST plan was divided into four categories. Firstly, the Fiscal Consolidation Program (FCP) based on an expenditure and revenue impetus which increased taxes, protected social spending and reduced interest rates for internal and external debt. Secondly, the Economic Action Plan (EAC) encouraged economic and employment activities while the Social Transformation Program (STP) developed the social sphere regarding health and education. Lastly, the Financial Sector Stability Program corrected the flaws of the FSRC and regulated the banking and non-banking institutions.

\(^{24}\) New taxes include: the revenue recovery charge, luxury tax on motor vehicles, increased property tax for certain taxpayers through the introduction of market valuation of properties. Secondly, LPG cooking gas increased by 52% along with gas and diesel prices. Airport charges were doubled; along with social security and the Antigua Barbuda Public Authorities Bill, college fees increased, increase cost for vehicle registration fee and inspection fee and increase cost in port fees and lastly increase health care fees at the general hospital.
of the largest banks in Antigua - the Antigua and Barbuda Investment Bank (ABIB) - and placed it in conservatorship for resolution. IMF, calculated that the “ABI accounted for about 15 percent of the total deposits in the country… fiscal consolidation and debt relief led to a decline in the ratio to GDP from over 100 percent in 2009 to around 90% in 2011.” (2) (see Appendix A, Chart no.3 Public Debt to 2014)

Stanford was convicted of charges that his investment company, The Stanford Financial Group was a massive Ponzi scheme and fraud. Stanford was sentenced to 110 while Leroy King, former head of the Antigua regulatory Commission, faced numerous court cases to date. Socially, in 2009 the government launched the People Benefits Program (PBP) to provide free shopping allowances on food items for the unemployed, elderly and the less fortunate in society. The PBP became effective in 2012 with 1,800 beneficiaries through aid from Venezuela. Debit cards were provided to 2,500 individuals valued at $215 monthly which allowed for the purchase of groceries at designated outlets. Minister Lovell, noted that “a total of $12,154,718.84 has been spent on the program since its inception.” (20) Secondly, China completed repairs on a community gutter “valued at $3.46”$^{25}$ million; expanded the airport terminal and funded the construction of educational and recreational facilities in various communities.

Economically, Antigua experienced fluctuating fiscal growth. In July headline inflation fell to 3 ½ % yearly while core inflation was 2 ½ %. Taxes played a crucial role in sustaining the island in 2012; revenue from direct taxes on income amounted to “82.8 million”$^{26}$ which was more than the amount collected in 2011. Also, revenue collected from the personal income tax

\[^{25}\text{Budget 2013, 28}\]
\[^{26}\text{Antigua Barbuda Budget Speech, 27}\]
increased from that collected in 2011. In addition, direct and indirect taxes collected in 2012 achieved its goal to cover government expenditure.

Strikingly, despite fiscal consolidation, expenditure negatively affected wages and salaries, good and services, travel, payments to the general hospital and interest payments on debt. The years 2010-2012 mirrored declines in; profits, liquidity to local banks, tourism, construction, and manufacture. The aim of the FCP was to increase revenues to surpass current expenditure however, although there was an improvement from the deficit of ‘$307.9 million or 10% of the GDP in 2009 to a surplus of $38.1 million or 1.2%’ the FCP stabilized the economy to the expense of the public. The impact of Stanford’s fall devastated the economy insomuch that the economy could not have returned to the economic boom years of 2000-2007. (see Appendix A, Chart no.4 Public Debt to 2014)

In 2013, Antigua’s unemployment rate, cost of living and poverty increased. The debt stock rose to a whopping “$3.5 billion with a repayment schedule of $430 million a year 27 The fiscal space became so confined that spending on goods, services and other governmental necessities were obliterated. Funding of “USD 50 million from Venezuela, USD 20 million from the West Indies Oil Company in a legal dispute settlement and USD 20 million from the Caribbean Development Bank could not have provided relief to the economic contraction.”28 The government owed LIAT ECD $8.5 million, the Chinese government ECD $19 million and West Indies Oil Company ECD $80 million as they threatened to discontinue fuel supply to the APUA.

In 2014, the Hon. Gaston Brown became the Prime Minister and finance minister of Antigua and Barbuda under the political arm of the Antigua Labour Party. PM Brown cleared the

27Antigua Barbuda Budget Speech 2014, 10.
28Antigua Barbuda Budget Speech 2014, 11
outstanding debt to LIAT, the IMF, and public servants and had reduced the debt to West Indies Oil. The tourism industry revived in 2014. Minister Brown calculates “the number of stay-over arrivals in Antigua and Barbuda at the end of November 2014 was 223,216, a growth of 3 percent over the previous year”. (Antigua Barbuda, Budget Speech 2014, 22) In June 2014 the government signed investment deals worth 2 billion dollars to aid the hotel industry which in turn created jobs and placed the economy on a sound financial footing.

Nonetheless, Antigua was still dependent on foreign aid for economic relief. China funded scholarships and the construction of The UWI College as well as a Cataract Surgery Clinic at the public Hospital. Venezuela under the PetroCaribe Initiative allowed for the provision of oil within the island at a reasonable cost. Cuba, however, provided scholarships, facilitated medical tourism and reconstructed waterways in Antigua. Mexico, loaned Antigua ‘USD 40M and a grant of USD 5M’ for the building of affordable homes within the island. 29 One must admit, the weight of Stanford’s fall continued to pressure Antigua’s economy.

Between 2015 and 2016 drought scorched the land and the government could not have met the demand for water supply within the isle. Investment and installation of reverse osmosis plants in numerous villages were effective in providing the water to those communities. However, communities without the plants experienced rationing of water supply. Regarding the ABI bank, Eastern Caribbean Amalgamated Bank purchased some of its assets and assumed

29 PM Brown explained that “the Government will continue strong and mutually beneficial relations with the US, Canada, the European Union, Japan, Mexico and Brazil, we are also seeking to strengthen Antigua and Barbuda’s ties with non–traditional development partners, including the United Arab Emirates, India and Turkey. In the latter case we have received a pledge of US$2.1 million in grant funding that we expect to be delivered soon to assist in the funding of a fire engine for Coolidge Fire Station.” (Antigua Barbuda, Budget Speech 2014, 23-24)
deposit liabilities on 27th November 2015 while the remaining assets were managed by a receiver.30

In 2016, Antigua’s economy stabilized for the high cost of living decreased due to a deduction in the debt to GDP ratio. The growth rate accelerated due to construction, revenue stamp duties, and revenue from tax consumption. Minister of Finance Brown calculated that “construction value- rose by 12% to $274 million. The hotel and restaurant sector increased by 6% to $408 million and the wholesale and retail sector expanded by 8% to $402 million.” 31 The government implemented a National Housing scheme that erected numerous affordable houses in various communities, however, the communities were high-end communities as opposed to poverty-stricken villages that needed the assistance. Personal income tax was scrapped in 2016 and “fiscal deficits were converted into surpluses.” Brown confirms; that ‘this is evidenced by the reduction in the debt stock from $3.1 billion in 2014 to $2.9 billion in 2016.’32 (see Appendix A, Chart no.5 Antigua and Barbuda Real Sector Developments 2006-2014)

All sectors of the economy experienced growth during the years 2014-2016 as Antigua’s economy experienced gradual recovery after Stanford’s fall. Regarding, the ABI bank, the government established a Depositors Trust Fund to lawfully record reimbursement to depositors in which payments were made to depositors. 33 Although economic growth was

30 PM Brown described the economy as having a “fiscal crisis, financial sector crisis, Social Security bankrupt; Antigua Port Authority bankrupt; Antigua Public Utilities Authority bankrupt; pensioners on the brink of losing their pensions; Mount St. John Medical Centre in crisis – a state-of-the-art hospital with no state-of-the-art equipment or efficient management; the airport unfinished; the car park abandoned; the roads like warrie boards; citizens afraid in their homes; rapists and gun-toting, home-invading criminals threatening the land. All that was part of our reality.” Antigua Barbuda Budget Speech 2016, 5
31 Antigua Barbuda Budget Speech 2017, 8
32 Antigua Barbuda Budget Speech 2017, 14
33 Brown confirmed that “as part of the Trust Deed, the Government issued a bond for $157 million at an interest rate of 2% per annum to the Depositor Protection Trust. Of the seventy-five eligible individuals and entities that had
steady, employment still fluctuated and fiscal reports still reflected the weight of Stanford’s fall.

PM Brown argues that:

tourism, the main driver of the economy, is still below pre-2008 crisis levels, investment dried up and the offshore sector was virtually locked down. The failure of the bank of Antigua and the Stanford International Bank, the collapse of CLICO and the British American Insurance Company, and the problem of ABI bank all cost the people of Antigua and Barbuda over a billion dollars.  

Thus, one must admit that Stanford’s fall resulted in a financial setback in Antigua that led to a prolonged economic decline.

Conclusion

balances with the ABI Bank in Receivership, fifty-six have already signed up as DPT beneficiaries and received both payments. The Government has paid $18.7 million to the DPT, and we will continue to do so until the amounts owed to the affected depositors by ABI Bank (In Receivership) are fully paid.”

34 Antigua Barbuda Budget Speech 2017, 26
Robert Stanford was a major player in Antigua’s economic outfit. This study has shown in Chapter 1- Antigua, that Antigua economy needed, in the latter part of the 20th century a major financial interjection which allowed the country to become susceptible to exploitation for Stanford saw in Antigua as in Montserrat, a haven to facilitate his financial empire. Secondly, Chapter 2- Stanford and Antigua proves that Stanford made Antigua and economic powerhouse for capital inflows to Antigua from Stanford businesses aided Antigua’s main industries and other principal, both statutory and public, sectors within Antigua between the years 2000-2007. However, Chapter 3- Things Fell Apart, argues that the seizure of Stanford’s assets meant for Antigua a pause in economic buoyancy which is reveal through the high employment rates and massive debt burdens that progress in the final chapter, Chapter 4- Continued Chaos which proves that Stanford was such a major financial player in Antigua’s economy that after his fall Antigua could not have fully recovered.

Appendix A

Antiguan Financial Charts (2000s)
Chart 1: Antigua and Barbuda: Fiscal Developments, 2000-09

Figure 2. Antigua and Barbuda: Fiscal Developments, 2000–09

The fiscal deficit worsened in 2009...

Overall balance (percent of GDP)

...owing to a drop in revenue and a sharp rise in expenditure...

Primary expenditure (percent of GDP)

Revenue (percent of GDP)

...particularly in capital outlays and transfers.

Components of primary spending

As a result, public debt remains high despite debt forgiveness in 2005.

Interest payments (percent of current revenues, right scale)

Arrears (percent of GDP, left scale)

Public debt (percent of GDP, left scale)

Chart 2: Fiscal Path 2006-2014

Source: The Antigua and Barbuda Budget Speech 2010 (26)

Chart 3: Public Debt to 2014
Source: The Antigua and Barbuda Budget Speech 2010 (27)

Chart 4: Current Account Balance (EC$M): 2008 to 2012
Source: The Antigua and Barbuda Budget Speech 2013 (20)

Chart 5: Antigua and Barbuda: Real Sector Development 2006-2014
Since the global crisis, growth has lagged behind the rest of the world. Real GDP (index, 2006 = 100)

Tourism rebounded in 2014, reflecting the economic recovery in the country’s key source markets.

Tourist Arrivals and GDP Growth in Main Markets (Annual percentage change)

Contribution to Growth (in percentage points)

Growth is also being held back by ongoing banking sector problems which have stymied the expansion of credit.

Private Credit Growth by Type of Bank (in percent, y-o-y)

The weak recovery has been associated with a sharp drop in public investment since 2013...

Central Government Investment

... as well as a fall in foreign direct investment.

Foreign Direct Investment (percent of GDP)

Sources: ECCB; WEO; country authorities; and IMF staff calculations.

Chart 6: Antigua and Barbuda: Fiscal Development, 2010-2014

The fiscal stance was eased substantially in 2013 following the end of the SBA.

While tax revenue has continued to decline.

Spending rose in the run up to the June 2014 elections but declined thereafter...

Gross financing requirements have increased recently.

Arrears have emerged as a main source of financing.

Meanwhile, public debt has begun to rise again.

Sources: ECCB; WEO; country authorities; and IMF staff calculations.

Chart 7: Antigua and Barbuda: BANKING System Performance, 2010-14

Loans to deposits continue to fall, reflecting negative credit growth.

Declining net interest margin, together with high levels of non-performing loans...

Put profitability under pressure.

While banks report capital ratios well above the regulatory minimum..

The low provisioning for NPLs causes concerns of overstatement of capital.

High exposure to government is another source of vulnerability.

Provisioning to NPLs (In percent)

Governance Exposure to Total Assets (In percent)

Sources: ECCB and IMF staff calculations.
1/ Excludes one bank under ECCB conservatorship.

Appendix B

Interview with Former Premiers

Interview 1 - Monday 22nd 2018 Time 9:45 AM - Hon. Baldwin Spencer, Former Prime Minister of Antigua and Barbuda

Interview 2 - Hon. Lester Bird, Former Prime Minister of Antigua and Barbuda. Tuesday 23rd January 2018. Time 1:00 PM

TITLE OF THESIS:

Chapter 1

Antigua

Dick Russell, in his article “Islands Under Siege” states, “there is trouble in this Westerner’s paradise, and local Antiguans sense it all around them in myriad of ways.” The trouble that Antigua faced was a dark cloud of economy insolvency, political misguidance and social and infrastructural backwardness which made Antigua susceptible and in need of foreign aid from investors.

1. Bruce Rappaport was a Geneva Banker who was close to America and Israeli Intelligence. He was involved in many high profile international scandals and there were ongoing investigations into his financial involvement in Antigua, namely his banks. Rappaport had shady ties with the Reagan Administration such as; the Iran-contra affair, and Israeli bribery case which involved a, US backed oil pipeline in Iraq, the bank of credit and commerce International bribery- shipment of weaponry through a
melon farm in Antigua to Columbian kingpins- and lastly, the 1980, Reagan campaign sabotage. What was Rappaports Financial involvement in Antigua? How did the collapse of Rappaport’s Empire affect Antigua’s economy?

2. What was the relationship between both the ALP and the UPP government with the 1996, Chinese Tycoon investor, Tan Sri Dato Tan Kay Hock who was interested in purchasing Guiana Island and transforming it into an Asian Village Resort but whose investment plans failed in 1998?

3. Stanford then, took the helm under the UPP administration. He paid off the government for the original purchase of the island and was granted permission by the Prime Minister, Hon. Baldwin Spencer to begin building. However, permission was terminated when Stanford gave a speech about the poverty and the dire state of the Prime Ministers constituency, in which Spencer called him ‘arrogant and obnoxious’ subsequently, Stanford formed the ‘I believe’ campaign I light of the Guiana purchase and his business plans. What was the outcome of the project?

Susceptibility to Exploitation

1. “In all societies capital is key, investment is key an economic stability is King. In the years before Stanford was Antigua economically stable? To add what were the contributing factors to foreign debt and fiscal deficits?

“What was the major economic problems that occurred at the onset of the 21st century.

2. In 1998, the government closed several banks because of money laundering and in 2001, the Multinational Financial Action Task Force reported that Antigua was headstrong in the plight against money laundering. What was the results, of money laundering in Antigua and did this weaken Antigua’s economy?
3. In 2004, the United Progressive Party came into power for the first time ending the monopolistic hold of the Bird’s government. How did the government meet the economy at the onset of 2004?

4. Antigua benefitted from foreign direct investments to aid public works and grant public employment payouts. However, the OCED notes, “the rise in FDI flows into Antigua contrast with the situation on Latin America and the Caribbean as a whole. FDI inflows to the region fell by 3 percent in 2003, to USD 50 million- the lowest level since 1996.” Do you think Antigua was overdependent on Foreign Direct investment and what was the major cause of this decline?

5. How did the government handle the effect of scrapping personal income tax in 1970’s?

6. Why was personal income tax which was scrapped in the 1970’s reintroduced under the governance of the United Progressive Party? How did the locals react to this reintroduction?

7. How many times have Antigua and Barbuda been on a blacklist and how has that affected the country?

8. In 2013, the government launched a scheme for foreigners to acquire citizenship with a monetary donation or property investment. What was the cause, purpose and benefit to the country from this venture?

9. Do you believe the government was aware of Stanford’s involvement in Montserrat, namely, the establishment, closure and the British and the US scrutiny of the Guardian International Bank in Montserrat due to suspicion of money laundering, before his arrival to Antigua?

Stanford’s involvement with the Financial Services Regulatory Commission
1. What is the role of the Financial Service Regulatory Commission?

2. What is your perception of Leroy King? Why was there a need to set up a commission? Was there any conflict of interest between Stanford and the commission?

Chapter 2

Stanford and Antigua

1. Jamaican Kincaid wrote once ‘Antigua is beautiful. Antigua is too beautiful. Sometimes the beauty of it seems unreal. Sometimes the beauty of it seems as if it were a stage set for a play, for no real sunset could look like that; no real seawater could strike that many shades of blue at once… No real sand on any real shore is that fine or that white (in some places) or that pink (in other places… ‘Allen Stanford was a visionary, for, he saw something in Antigua that the government nor locals could not have foreseen. He recreated his vision for Antigua by developing it. What were the benefits of Allen Sanford’s financial involvement in Antigua in relation to cricket, finance / banking and real estate?

Real Estate

1. What businesses did Stanford own/set up in Antigua?

2. How much land was allotted to Stanford?

3. In a 2002 interview with Wall Street journal, Stanford denied a deal with Bird to take over Half Moon Bay Hotel. He stated ‘There’s a misconception that I’m in bed with Lester Bird… he added, I don’t always get my way as people think I do.? Stanford indeed, didn’t always get his way for, before he had set up the Antigua Star Airlines, he
tried but failed to purchase LIAT. Why is that so, Also, In a campaign for the 2004 elections you have stated, ‘basically, Bird wants to sell someone else’s property for huge profits to pay off deficits created by his mismanagement. This is unconscionable and a new low, even for a government as controversial as the Birds.” What was the result of the Half Moon Bay Hotel ordeal? Similarly, Stanford failed to purchase the Leeward Island International Airport before the set up of the Antigua Starr Airlines. What accounted for that failure?

4. How did Stanford get involved in the Antigua Sailing Week which then became the Stanford Antigua Sailing Week? What were the abets and hinderances of this venture?

Banking and Finance

- Employment

1. Do you believe Stanford set a standard in the tourism and hotel industry that Antiguans live up to?

2. Past Stanford employers, claimed that Sir Allen, was the best employer, for he paid on time as well as trained and elevated blacks above their white counterparts. Did Stanford’s employment standards bring competition with that of the government, who were often lax on timely payments? Did individuals move away from the public sector to be employed by Stanford?

Chapter 3 and 4

Thing Fell Apart - Banking & Finance -Employment /Real Estate /Cricket

1. If it looks like a duck, if it waddles like a duck / and if it quacks like a duck, it must be a duck. In a speech to the nation regarding the damaging effect that R. Stanford’s could
have on the country, “if the charges were proved correct you stated, “the fall -out threatens catastrophic and immediate consequences.” How did the fall of Stanford unravel?

2. How was the government contacted about the scheme and what assistance did the government give? Was R. Stanford Ponzi Scheme a surprise to the nation and the government?

3. Hon. Errol Cort, former Minister of Finance, was Stanford’s local lawyer for years but, yet, when the Bank of Antigua dived into hot waters in 2009, it was Cort, the Minister of finance who protected the locals’ money. What does this say about governance in Antigua and Barbuda?

4. You’ve publicly announced that the UPP and the Eastern Caribbean Central Bank were putting contingency plans in place to revive Antigua economy after the crash of Stanford’s empire. What were those plans, and did they work?

5. What were the internal effects that resulted from the crash of Stanford’s Empire

6. What are the long term / current effects of Allen Stanford’s financial involvement in Antigua.

7. Where Stanford’s past employees reimbursed? If so what program/programs were put in place for those who lost money with the seizure of Stanford’s assets?

8. Has Antigua’s relationship with foreign Direct investors changed since Stanford. Is the government more cautious?

9. Has Antigua recovered between the years of 2010-2016?
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