

THE NEW EXECUTIVE **TIMES**

THE CARIBBEAN NEWS MAGAZINE

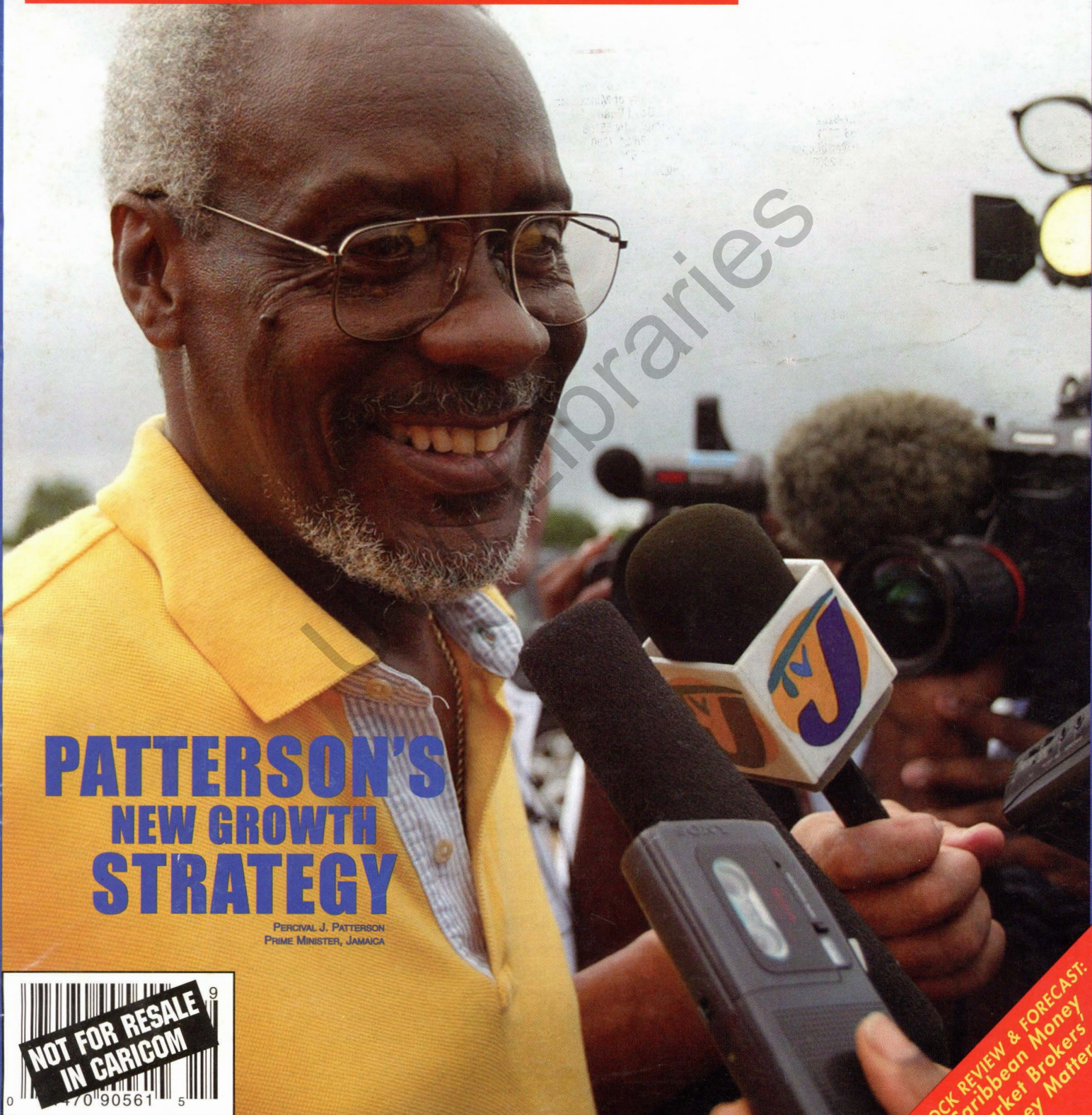
Dec 2002 - Jan 2003 Vol 5, # 6

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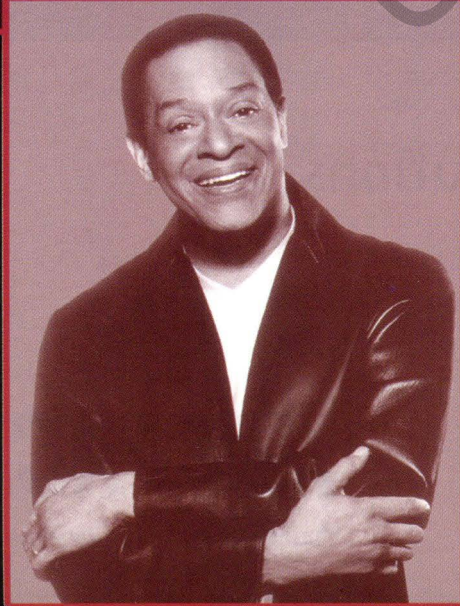
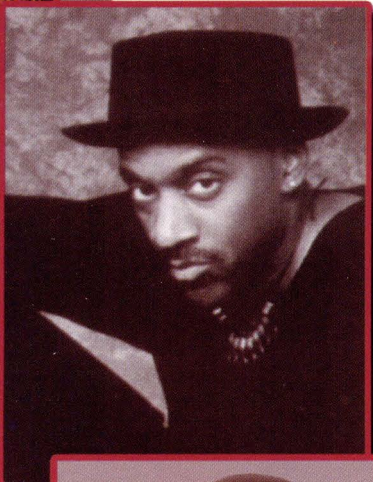
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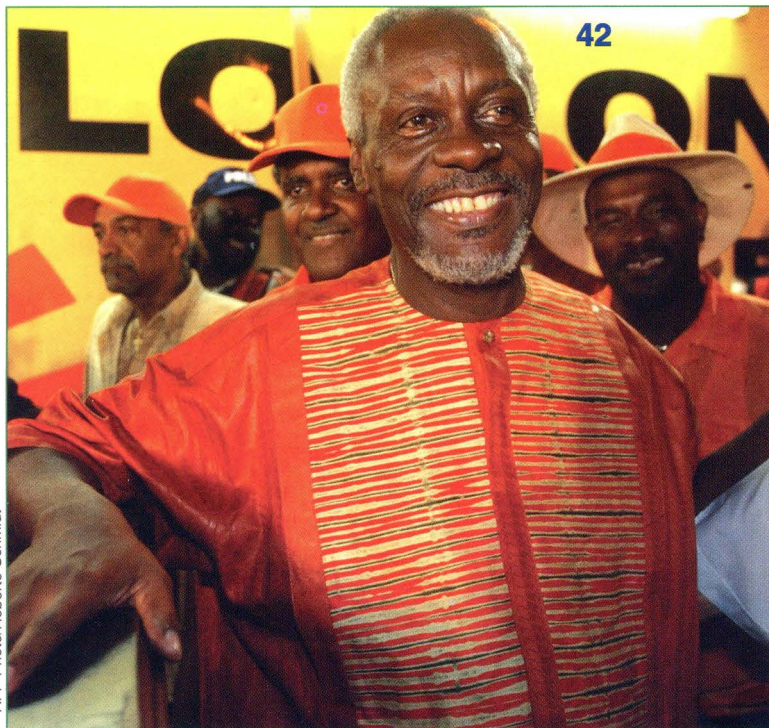
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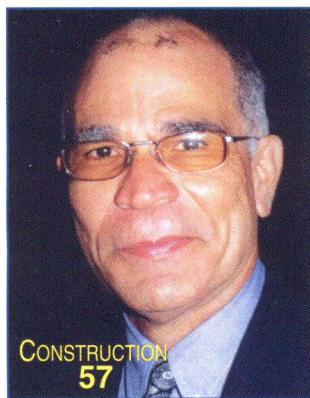
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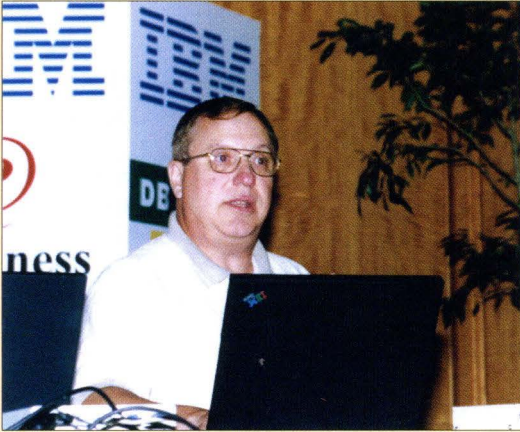
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Valid until December, 2003

IBM's new e-business suite



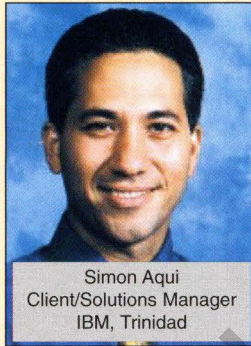
Businesses that can leverage technology to add value and transform their core processes, will gain a significant advantage in their markets, says Simon AQUI, Manager of Client and Solution Sales at IBM, Trinidad.

"Whether the transformation comes from traditional, high-tech or government enterprises, businesses across the region must use technology as a tool to connect their organisation and adapt to changing market requirements.

"Future business tools must be built on open standards that are flexible and easily integrated."

He said, as the world's second largest software maker, IBM has learnt through its own e-business transformation and by working with tens of thousands of customers across the globe that the fundamental principles of business still apply.

"Successful e-businesses start with a solid business plan that aligns their strategies and



Simon AQUI
Client/Solutions Manager
IBM, Trinidad

technology across the entire enterprise." He said as the global business environment becomes more competitive, security and privacy for corporate data becomes pivotal.

"In order to take advantage of new opportunities, infrastructure must become a key part of the business strategy discussion."

AQUI said IBM had been working on this solution for some time and it has revolutionised the way information is managed by corporate clients in the region with the launch of its new e-business solutions in the Caribbean.

Already the suite has been successfully launched in several Caribbean territories including the Netherlands Antilles, Barbados, Jamaica, Barbuda, the Bahamas and Trinidad. The applications include *Websphere*, *DB2*, *Tivoli* and *Lotus*. "All these products support the efforts of Corporate Caribbean to get online," he added.

"More than 75 percent of the world's businesses are in the early stages of e-business adoption," says Scott Odell, Briefing Manager at IBM's Silicon Valley Laboratory. He said this means there are still significant opportunities for business that can use the web - particularly since many private sector firms in the region are already trading online.

"It is in this context that IBM has offered software solutions for e-business activity. They offer lower integration costs with the flexibility to support emerging business models and new technologies." ■

ACS to chair US\$3.5M early warning weather project

The Association of Caribbean States (ACS) will chair the Supervisory Board of a US\$3.5 million project to help the Caribbean's Small Island Developing States (SIDS) prepare Early Warning Systems for climate change.

Confirming the report, ACS Secretary General Norman Girvan said, "This underlines the greater role of the ACS in cooperation to deal with natural disasters and the environment, across the Greater Caribbean.

The ACS will identify and maximise the synergies between this project, which deals with the island nations, and similar initiatives by its Central American members.

The project will provide national meteorological offices in the region with tools for better forecasting to support sustainable development initiatives in the Caribbean.

The Board, with the participation of CARICOM, the ACS, the World Meteorological Organisation (WMO), and the Government of Finland, will be the highest executive body of the project.

"In 1999, hurricanes Mitch and George crossed the Caribbean and Central American areas causing major damage. These hurricanes underscored the ecological and social vulnerability of the region," said Girvan.

Caribbean countries are well-placed geographically for the development of an early warning system for climate changes.

"The improvement of meteorological infrastructure is important, not only because of climate change issues, but also to assist in preparedness for, and to minimise the damage caused by severe weather," he added. ■

Praetorian Property Fund over-subscribed

The first exchange-traded properties based mutual fund in the southern Caribbean was oversubscribed at its initial public offering (IPO,) providing more than US\$36 million for real estate development projects around the Caribbean.

By the deadline, reservations had been made for 43,287,000 units - surpassing the maximum initial offering of 40 million shares.

The Praetorian Properties Fund, sponsored by Guardian Life and RBTT Bank will initially be a Trinidad & Tobago based closed-ended mutual fund, providing an avenue for portfolio investment in real estate and other property-related securities in the Caribbean.

Guardian Life hopes that through the fund, investors will gain exposure to real estate investments with the added benefit of diversification afforded by a mutual fund structure.

Its initial public offering of up to 40,000,000 units, at a unit cost of TT\$5, closed on November 22, 2002. The Praetorian Property Fund will now be listed on the Trinidad & Tobago Stock Exchange.

Terra Caribbean, a division of Ernst and Young Caribbean, is the property advisor and will bring to bear its international experience, professional accreditation in the real estate advisory field along with extensive knowledge of the local and regional markets.

While there will be investment in Trinidad & Tobago properties at the start, the Fund will be actively seeking potential opportunities in other Caribbean territories.

Executives at strategic alliance partners RBTT Bank and Guardian Life have expressed delight at the over-subscription of their first exchange-traded property mutual fund and plan to offer similar investment options for traders in the future.

Due to the oversubscription, Insurance Companies and Pension Funds will only receive 89.29 percent of the units requested.

These allotments are expected to achieve the widest investor participation and encourage an active secondary market, says a Guardian Life spokesman.

The Fund, which will be administered by Guardian Asset Management, will provide an avenue for portfolio investment in real estate and other property-related securities in the Caribbean, he added. ■

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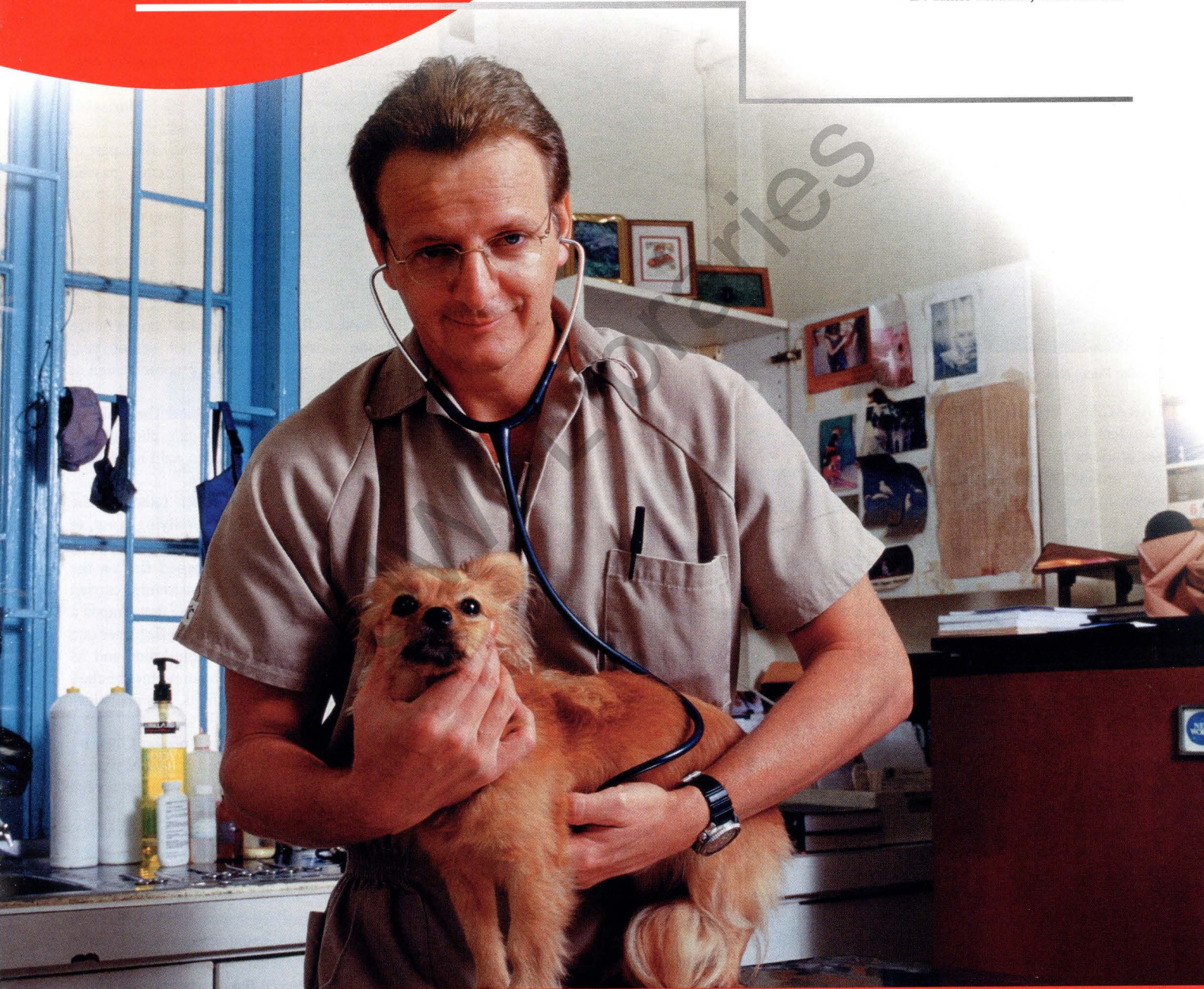
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Keeping you one step ahead

Chavez forces gas stations open



By Niko Price, Associated Press

CARACAS, Venezuela (AP) - Venezuelan President Hugo Chavez sent troops to force gas stations to open and threatened to take over private gas delivery companies amid increasing signs of scarcity due to growing strike action that has shut down production by the world's fifth-largest oil producer. Lines of cars stretched for blocks in Caracas as panic-buying at gas stations began after the first week of strike action in December. Shoppers emptied store shelves, worried about political unrest and Chavez's threat to declare martial law if needed.

In November, Chavez sent soldiers to protect oil wells and refineries from possible sabotage by strikers. He later sent soldiers to gas stations to ensure continued service, while delivering a warning to striking truck drivers. "They are failing to provide a public service, and that's a crime. We can seize those vehicles," Chavez said during a five-hour-plus edition of his weekly television program, *Hello President*.

A determined Chavez told the nation his government would not let the oil strikers halt the industry. He said they should be removed from their posts if they continued. "It's as if the doctor who's supposed to be looking after your heart suddenly starts trying to stop it," he said. The President accused his political foes of trying to stage a repeat of the April coup in which

Supporters (in black) of Venezuelan President Hugo Chavez fight with a local journalist in front of a state oil company office in Caracas, December 5, 2002, as a four-day-old opposition strike Chavez bites into the country's vital oil industry. (Mariana Bazo /Reuters)

he was briefly toppled by rebel military officers following a general strike that badly disrupted the country's oil operations. He was later restored to power by loyal troops and supporters.

"There is a plan under way to destabilise the constitutional government," he said.

He ordered the military to reinforce National Guard patrols at oil installations around the country.

Opposition leaders, angered by what they called heavy-handed military action to disperse anti-government protesters during the strike, are continuing the stoppage.

Some gas stations around the country were reporting they were running out of supplies.

Deputy Energy Minister Bernardo Alvarez expressed concern that the strike would hit oil exports. "It creates a problem not just for us, but for the world."

An international mediator, Organisation of American States' Secretary General, Cesar Gaviria, has been struggling to keep both the government and opposition talking. The government had refused to return to the negotiating table while the strike continued.

The strike has forged a deep divide between supporters of Chavez and those who want him toppled. It has stopped shipments of crude to

the United States, which purchases more than 10 percent of its imported oil from Venezuela. Angry mourners wept over the flower-covered coffin of a teenager killed at an opposition rally on December 7.

Relatives held an overnight wake before burying 18-year-old Keyla Guerra, the youngest of three people killed when gunmen opened fire on the peaceful rally.

"If my daughter's death contributes to the freedom of my country, I will have some consolation," her mother said at the private wake, according to family friend Marisabel Hernandez, a 48-year-old dentist.

Well-wishers left flowers as they filed past to hug her grieving parents. Friends passed around photographs of Guerra dressed up for carnival at age 4, and hamming it up at a friend's recent birthday party.

In her last year of high school, Guerra was looking forward to her graduation present, a trip to the beach resort of Punta Cana in the Dominican Republic. Friends said Guerra became more studious in her senior year because she hoped to study graphic design at university.

She also became more political. The walls of her room were plastered with photographs taken at anti-Chavez marches, said her friend, 16-year-old Xelmira Da Silva.

Guerra had accompanied her father to the Plaza Francia, an opposition rallying point, to support the general strike.

At about 7 pm, gunmen opened fire on the crowd of hundreds. Demonstrators carried bloodied victims to ambulances; they draped a red, blue and yellow Venezuelan flag over one of the dead. Three people were killed and 28 were wounded. Opposition supporters blamed the attack on pro-Chavez thugs. The investigation is continuing.

"It's sad to see such a young person killed by the hatred of another," said friend Marylena Hernandez, 24. "She has become a martyr for freedom."

Hundreds of supporters marched across town, waving Venezuelan flags adorned with black tape to represent their grieving.

Six shooting suspects were brought before a judge, while heavily armed police held back incensed opposition supporters as they hustled the suspects into a car.

The slayings caused the opposition, until now seeking only a referendum on Chavez's 4-year-old government, to demand his immediate resignation and new elections.

Talks between the opposition and government, suspended when the strike began on

South America/Caribbean move to merge trading blocs

By Harold Olmos, Associated Press

BRASILIA, Brazil (AP) - South American leaders have finally set a timetable for creating a free trade agreement to cover South America and possibly the Caribbean.

Negotiations will begin soon to eliminate tariff barriers between the continent's six Mercosur countries and five other nations of the Andean Community trading bloc, said Ramon Rosales, Venezuela's chief delegate.

A final agreement could be in place within a year, giving South America more clout in U.S.-led negotiations for the Free Trade Area of the Americas (FTAA), Rosales said. The plan calls for a free-trade zone stretching from Alaska to Patagonia, on the tip of Argentina, by 2005.

"We look forward to working and talking with Brazil about trade and economic integration in the region," said Richard Mills, a spokesman for the U.S. Trade Representative.

"The U.S. and Brazil are co-chairing FTAA

negotiations and we hope Brazil will focus with us on achieving hemispheric integration."

In a joint statement, the presidents of the six Mercosur countries praised the agreement, calling it an important step toward consolidating free trade across the region.

Venezuela is trying to recruit Caribbean nations to join the negotiations.

"The goal is to dramatically improve the negotiation capacity of the region in the creation of FTAA," Rosales said.

The Mercosur bloc - Brazil, Argentina, Uruguay and Paraguay - has a combined gross national product of almost \$1 trillion. Chile and Bolivia are associate members.

Venezuela, Bolivia, Colombia, Ecuador and Peru belong to the Andean Community. Guyana and Suriname also have been invited to join the negotiations to eliminate tariffs.

The Mercosur and Andean Community member countries have talked about the idea for years, but this is the first time they have set a

date to complete the free trade agreement.

"The technical discussions are completed, and now we are entering the political arena," Rosales said.

Rosales said the delay in agreeing on a deal was caused in part by the worldwide economic slump, its repercussions across the region and Argentina's financial crisis.

Some observers doubt that a final agreement will be in place by the end of 2003, in part because the region's top political leaders have been consumed by economic and political turbulence.

"It took the Europeans 20 years to get their act together with the European Union," said Jose Luis Guerrero, a business professor and expert on South American economic issues at Georgetown University. "This is not going to happen overnight."

Mercosur also approved a treaty which will make it easier for residents of each member country to move freely and work across the region. ■

December 2, resumed one week later, but appeared to make little progress.

The strike strengthened on the fifth day after critical oil exports had been paralysed by a rebellion in the tanker fleet of state oil firm, PDVSA.

PDVSA suspended exports of crude and products from Venezuela. Crude and oil product sales account for about half of government revenues for the OPEC nation.

Hundreds of troops were sent to PDVSA's Caracas headquarters, where support for the stoppage among managers and executives is strong, as pro-government supporters protested at the building's gates.

Processing at the western hemisphere's largest refining complex, the 940,000-barrel-per-day (bpd) Amuay-Cardon plants, was reduced to minimal operating levels as natural gas feedstocks from the Lake Maracaibo area were also crimped.

The shutdown of exports and falling wellhead pressure due to the slowing of natural gas needed to keep crude pumping was expected to cut into Venezuelan oil production, which averaged 3.1 million bpd in November.

PDVSA officials said oil output would fall at least 10 percent from the Lake Maracaibo region, which produces about half of Venezuela's crude.

The widespread absenteeism by PDVSA tanker administrators halted loadings at strategic oil ports including Puerto La Cruz,

Amuay-Cardon and Lake Maracaibo.

Oil Minister, Rafael Ramirez denied rumours circulating on local radio that PDVSA President Ali Rodriguez had resigned. Planning minister Felipe Perez admitted that oil exports had been hurt but denied local reports that shipments were running one million bpd below normal.

On the international markets, oil prices initially jumped more than 2 percent as the strike sliced into global supplies, oil refining and shipping operations.

A fierce snowstorm in the U.S. Northeast, the hemisphere's biggest user of heating oil, also boosted prices, with U.S. winter fuel supplies running below normal levels.

U.S. crude futures in New York rose 58 cents to US\$27.29 per barrel, and international benchmark Brent crude oil jumped 62 cents to US\$25.80 per barrel in London on December 7.

"Venezuelan exports are going to be disrupted with the ports closed," said Nauman Barakat, a trader at FIMAT International Banque. "That really pushed the market up."

OPEC member, Venezuela, pumps three million barrels per day of crude oil, and supplies 13 percent of U.S. imports.

The strike compounded market fears over oil supply security, already in a high state of alert because of the confrontation between Iraq and the United States.

Iraqi President Saddam Hussein said he was

ready to give U.N. weapons inspectors a chance to disprove American allegations that Iraq possesses weapons of mass destruction. But Washington, which has threatened to go to war unless Iraq can prove it has renounced biological, chemical and nuclear arms programs, insisted it had intelligence backing its contention.

Iraq insists that, since it has no such programs, it will merely be listing 'dual use technology' that has peaceful, as well as military, applications.

The Middle Eastern country ranked as eighth largest oil exporter last year, selling crude under an exception to United Nations sanctions.

Fears of supply disruption in the event of conflict with Iraq have been offset in recent weeks by a sharp increase in crude supplies from producers in the OPEC cartel.

OPEC's leakage above formal quotas topped three million barrels per day for a second straight month in November, according to a Reuters survey of industry officials and monitors.

Analysts expect the extra supplies to replenish U.S. oil stocks, which are running below normal levels ahead of the northern winter when heating demand peaks.

Heating oil stocks in early December fell 17 per cent below last year, according to federal figures, even before heavy snowfalls across the Eastern part of the country. ■

Insurers to take hard line on claims fraud



As consolidations continue in the financial services sector, the re-emergence of Trinre will create new options for customers says Rani Lakhan-Narace, Executive Chairman of the Trinidad and Tobago Reinsurance Company (Trinre).

Governments have been urged to introduce new legislation and enforce current statutes to combat insurance fraud and the rising cost of insurance protection.

According to Rani Lakhan-Narace, Executive Chairman of the Trinidad and Tobago Reinsurance Company (Trinre) the increasing number of fraudulent claims has been a scourge to the industry "and eventually the public will feel the brunt of increased premiums."

Unfortunately, insurers are viewed as having deep pockets and subsequently, there is little sympathy and insufficient scrutiny from the dispensers of justice, she added.

Narace who has been actively involved in restructuring and successfully turning around Trinre's insurance portfolio over the past two years, said the company had to face the harsh reality of fraudulent claims head on. She said the industry must also realise that there is a conspiracy of 'ambulance chasers' that have been preying on gullible claimants under the guise of fighting for the small man.

"For insurers, the threat of lengthy litigation or adverse publicity has been used as a manipulation tool to stifle the show of strength required to obliterate these unscrupulous practices.

"Our intention is to expose and pursue fraud and conspiracy whenever it rears its ugly head, and improve the integrity of the indus-

try. We also believe that if this issue is pursued collectively, insurance costs as a whole would be reduced, thereby benefiting all consumers and increasing our national competitiveness.

She said the company has been totally supportive of the principle of fair claim settlement, and has aggressively tackled and settled almost all the legitimate claims that were made before it was restructured 18 months ago.

Lead by Narace, the new management team has been so successful at turning around the fortunes of the company, which was facing bankruptcy two years ago, that most of its shareholders have opted to hold on to their stocks when an offer was recently made. "A prudent combination of financial management, capital injection, new operational and investment, as well as grueling diligence and renegotiation strategy for each client, have resulted in a significant turnaround in Trinre's financial performance, increasing its solvency margin to a phenomenal 400 percent," she said.

"With the support of AON, the second largest insurance intermediary in the world, our treaty arrangements for 2002 have been backed by Triple A security - a boast that few companies in the region can make."

The new regulations proposed by the Trinidad and Tobago government will transfer the responsibility of oversight of all the country's financial intermediaries to the jurisdiction of an integrated financial services supervisor.

Over the past two years, considerable work has been done in preparing for integrated supervision, says TT's Junior Finance Minister, Senator Conrad Enill.

"The design of the organisational structure has been completed, examiners have been trained in the techniques of insurance supervision and a diagnostic review of the operations of insurance companies and pension funds was recently completed."

The project, which is funded by the Inter-American Development Bank, included the re-training of staff at the Supervisor of Insurance's Office who will form part of the new Integrated Supervision Unit at the Central Bank.

He said the project team has also made significant progress on other proposed amendments to the insurance act to enhance the supervisory regime of the industry, and proposals for upgrading the legislation are currently being reviewed by the insurance industry.

Based on preliminary data, Trinre is expected to meet the new regulations and requirements proposed by the Minister for insurance companies, says Narace.

In acknowledging the recent consolidations in the regional insurance industry, she noted that

there was room in the market, as well as a need, for more robust players, so customers will still have viable choices, "So Trinre is well-positioned for an even more successful year of business in 2003.

"We intend to continue building bridges and forging relationships with our stakeholders to ensure that Trinre continues to flourish. The focus was not only on business results, but also on the solid

organisational development that is necessary to respond to the changing business environment.

"We must be able to address the issues of globalisation, while having the capabilities to embrace its opportunities.

"Across the region, the industry must prepare for international competition, as well as stronger oversight and more stringent regulations, if it expects to continue its growth path into the future." ■



Conrad Enill
Junior Finance Minister
Trinidad & Tobago

Barbados Jazz Festival celebrates 10 years



Luther Vandross acknowledges the audience's standing ovation during the finale of Black Entertainment Television's 6th Annual Walk of Fame: A Tribute to Luther Vandross. On stage were performers that paid tribute to Vandross. Photo: John Harrington. (PRNewsFoto)

For the past decade, Barbados has gone 'jazz hip & happy' (some might even say jazz crazy) every January. Throngs of jazz lovers congregate in the 'Gem of the Caribbean' to participate and party at the Barbados Jazz Festival.

"From January 13 to 19, 2003, once again that enchantment will sweep across the country, this time better, enhanced and more exciting than ever before, as we will be celebrating the Tenth Anniversary of the Festival," says Linda Clarke of the Barbados Tourism Authority.

It's a celebration you wouldn't want to miss, she said, noting that "Jazz sweet, sweet jazz, more than any other music, seems to have a magical ability to transcend boundaries of age, nationality, creed or race and bring fans together in rapturous unity." This has certainly been the experience of the internationally acclaimed Barbados Jazz Festival. Since it was launched a decade ago, there has been a growth in the number of Jazz Festivals around the world - including within the region, vying for the attention and attendance of fans, but the difference that makes Barbados such a favourite, is the quality and style with which the event is always organised and executed, she said.

"A quality that is easily seen in the number of Jazz legends who have made their way to this little island to grace and honour the fes-

tival with the treasure of their talent, like Ray Charles, Kenny G, Luther Vandross and Grover Washington Jr., to mention a few."

The style of the event is also evident in the ambience of the venues.

"Could there be a more magical setting for jazz pleasures and party than the lush greenery of the Farley Hill National Park?"

The elegant old world charm of Sunbury

Great House provides a perfect setting for "up close and personal" encounters with jazz aficionados, she added. The Heritage Park's open-air amphitheatre adds another exciting dimension. While the Garfield Sobers Auditorium is the perfect grand stage for a magnificent finale."

To celebrate this significant milestone in its history, this year's Festival promises exceptional quality and variety in its line-up of artists.

Starting with the incomparable, world famous, universally loved, Patti Labelle.

"If attracting such a legendary talent isn't coup enough, the 2003 festival is also featuring other premier jazz songstresses like Randy Crawford, CeCe Winans and Regina Belle.

"Talk about legend, talk about loved, talk about treasured talent, the one and only Al Jarreau will also be in Barbados for the Festival," she added.

Also performing is Chucho Valdez, named by *Jazziz* magazine as the world's greatest pianist, Marcus Miller -jazz prodigy and Ernest Ranglin, the Caribbean's guitar genius.

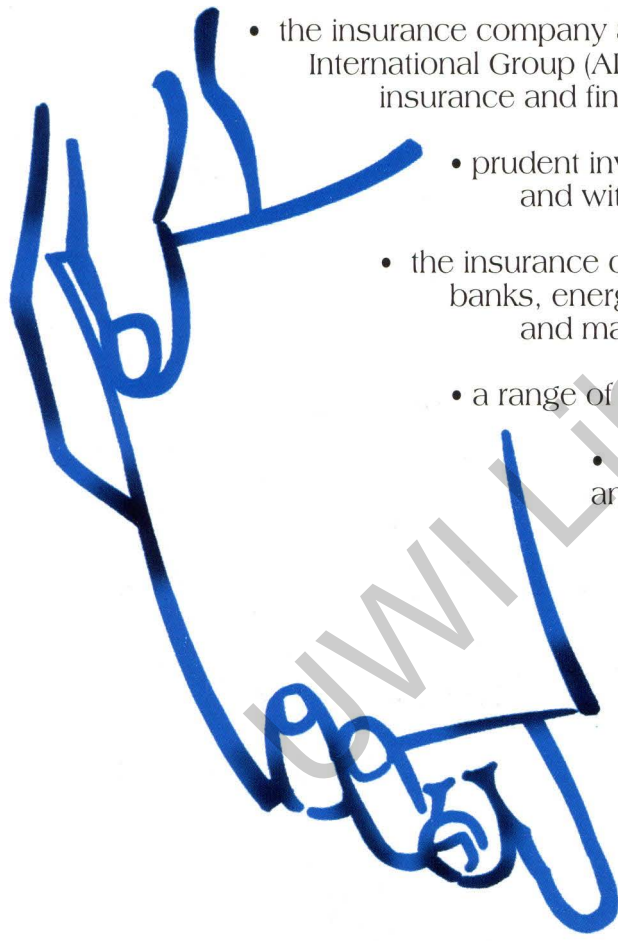
Another headliner is the acclaimed Freddy Cole, younger brother of Nat 'King' Cole. Though not as famous as Nat, Freddy, in his own right combines suave and elegant style with articulate vocal mastery, artistry that makes him quite a respected jazz singer. His renditions bring back memories of bygone times of grace and glamour.

A first for the Barbados Jazz Festival and a convenience for fans around the world is the festival's presence on the internet at <http://www.barbadosjazzfestival.com>, where the full 2003 schedule is listed. Also available online are comprehensive biographies of the performers and tickets. ■



After 25 years, 1970's supergroup LaBelle reunites Nona Hendryx, Sarah Dash and Patti LaBelle as they were honoured by BET last year. Patti LaBelle will performed live at the Barbados Jazz Festival in January 2003. (Andre Richardson/BET; PRNewsFoto)

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Fix local judiciaries before Caribbean Court

Region not prepared for independent Caribbean Court system. Too much politics in choosing judges, says Jamaican Bar Association.



Regional leaders should focus on establishing a working political federation and improving local judicial facilities around the region, before they considering the Caribbean Court of Appeal, says Jamaica's Bar Association (JBA).

According to David G Batts, Chairman of the sub-committee considering proposals for the regional court for the JBA, the Association has serious reservations about the operational and funding arrangements for the Court and he questioned the commitment of all the member states of Caricom behind the proposal.

He said a lot more work also has to be done to provide better facilities and resources to the local judiciary before such a change is made in constitutions across the region.

Batts said although the cost of pursuing litigation at the Privy Council was high and it was

important to develop regional jurisprudence, the majority of Jamaican lawyers felt that although there was scope for applying the law to take into account local circumstances, this was not sufficient cause to abolish appeals to the Privy Council.

"Nowadays, globalisation and international trade are trending towards a unifying approach, particularly in relation to commercial matters and international maritime matters. The Privy Council is, in this context, a deciding advantage.

He said the JBA has highlighted the poor conditions and infrastructure in the local judicial system, as well as the absence of reading material and suitable libraries.

"Certainly, available resources would be better spent addressing the appalling con-

ditions in our Magistrates and Supreme Courts. Until this is done and the local system is justice is maintained at a satisfactory level, the Privy Council should be retained.

He said that in Jamaica in particular, not much had been done to ensure that every principal court office in every parish has a full up-to-date set of the Laws of Jamaica and the Subsidiary Legislation.

In addition, neither the Jamaican Law Reports nor the West Indian Reports are readily available to judges.

As a corollary, the Association was also concerned that a Caribbean Court was not a National Court, and since it will depend on the continued support and participation of other sovereign nations, there were no guarantees of permanence or continuity.

"Bearing in mind the economic constraints -

which presumably account for the notoriously poor conditions throughout our local justice system, it is likely that a Caribbean Court may not be fully funded and over time it will be starved of resources."

He also cited the history of default by regional governments in payments to the University of the West Indies and the Law School.

Batts also suggested that the regional Court may not inspire confidence because of concerns about the independence of judges from political interference.

"Recently, the impasse in Trinidad between former Prime Minister Basdeo Panday and the Chief Justice and the fact that statements from Jamaica's Prime Minister P. J. Patterson suggested that the recent moves to fast track the Court was motivated by disagreement with the Privy Council's decision in the Pratt vs Morgan case, combine to bring the matter of judicial independence into sharp focus."

He said the Association was dissatisfied with the proposed method of appointment and removal of judges.

"Our recommendations are that the court ought to be entrenched in the constitution of each participating state and that the Treaty should also mandate this requirement.

"The current proposals will give the President of the Court too much authority and influence. The fact that he is intended to be a direct political appointee has made this concern even more critical. We feel he should be first among equals."

He said the Court can only be viewed as impartial and independent when it can ensure security of tenure and adequate remuneration for judges and the system must be free from political influence.

He added, apart from the proposal for the President of the Court to be a political appointee, the majority of members of the regional Judicial Services Commission will also be political appointees. This Service Commission will be chaired by the President.

"Because of its composition, the fear that the Court will lack the necessary independence to do its job is one of the principal grounds for our opposition. The Commission is too heavily weighted in favour of persons who either directly or indirectly have political connections.

"A restructuring of Article V to ensure that the regional judicial services commission comprises persons who are not susceptible to the



Resources would be better spent addressing the appalling conditions in our local Magistrates and Supreme Courts.

...David G Batts
JBA Committee
Caribbean Appeals Court

influences of the governments and who cannot be described as persons having direct or indirect connection to the Governments of the region, would allay fears and go a long way in communicating the governments' commitment to having a court that is independent and impartial and on equal or better footing than the Judicial Committee of the Privy Council, which it will replace."

Also of concern is the proposal that allows the individual States to make reservations, particularly on the jurisdiction of the Court. This means Jamaica, or any other state, could sign the treaty but exclude jurisdiction of the court for any type of case.

"Provisions such as these are ominous as it raises new concerns about judicial independence," says Batts.

Despite concerns expressed by the JBA, Batts and other prominent lawyers across the region, government administrations have expressed their intention to support the court. This includes Prime Minister P J Patterson of Jamaica, Glenda Morain, Attorney General of Trinidad and Tobago and Owen Arthur, the Prime Minister of Barbados.

Batts said the Association has acknowledged the work that has been done to deal with some of these issues, including the composition of the Regional Judicial Services Commission, but pointed out that many of the other fundamental concerns have not yet been addressed. Since the Agreement to establish the court was approved by the Jamaican Government in February, 2001, the Bar Association has stepped up its lobby efforts to improve the local justice system. They have also been pressing for an amendment of the agreement to include a public referendum and its entrenchment in the constitutions of all participating territories.

Arthur said despite strong objections to the regional court, the initiative and desire to create a Caribbean Court of Justice predate the Pratt and Morgan case.

He added, however, that it is essential that the debate about the purposes of the Court, be appropriately set within its historic and con-

ceptual context, and that the function and authority of the Court in underpinning our regional economic development be understood by all.

"Whatever might be the jurisdiction we accord to the proposed Caribbean Court of Justice, a Caribbean Court of original jurisdiction is urgently needed to deal with disputes arising from the Revised Treaty of

Chaguaramas," he said.

"Without a Caribbean Court of Justice to interpret Community Law and to settle disputes arising from the new treaty, the Caribbean Single Market and economy and the entire Caribbean integration process will experience the most profound difficulty in succeeding." The Caribbean Court of Justice is expected to come on stream in the second half of 2003. Following the Caricom Heads of Government Meeting in Belize in early 2002, Prime Minister Patterson said the funding for the court has been put on secure footing, and Caricom's Finance Ministers and Attorneys General will continue their work to ensure the new Court is established within the new deadline.

According to the current Caricom formula for contributing to regional institutions, Jamaica now pays 23 per cent, Trinidad and Tobago 25 per cent, Barbados 10 per cent, the Bahamas 9 per cent and Guyana 7 per cent. He estimated that the court would cost US\$20 million to run in the first five years.

"I am concerned that we continue to ignore the strong encouragement from the United Kingdom. It is time for us to leave that institution and seek to establish our own final appellate tribunal in the Caribbean and I am not waiting until somebody kicks me out, I want to go of my own volition and preserve some dignity in going," says Patterson.

"I strongly support the independence of the judiciary, but if Parliament decides that there must be capital punishment for certain kinds of offences, that is a matter for us to decide. I am willing to spend all the time in the debate that will take place among us, but once we

decide that is the law of the land, the law of the land must be respected. We cannot allow any court, inside or overseas, to trespass on our sovereign competence as a Parliament to legislate on matters of national policy.

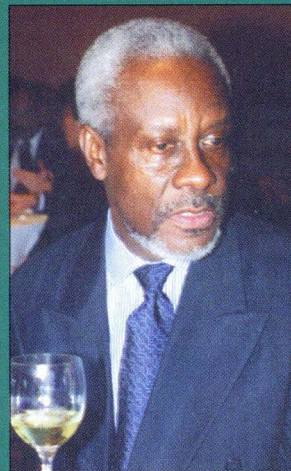
"For example, the Government's failure to carry out the death penalty was not due to a lack of political will, but arose out of respect for the law. If the law is to be respected, Parliament must show a demonstrable respect for it and, therefore, while appeals are pending the state could not proceed to impose penalties, especially those of a terminal nature," Patterson added.

"The United Kingdom is a member of the European Union, and the European Court had taken decisions which have required adjustments in English law, including the abolishing of the death penalty. Certain other offences which have existed for years have also been removed from their statute books," he said.

"The government of the United Kingdom, at the Ministerial level and at meetings with Caribbean Ministers, including a 1998 meeting in Nassau of foreign Ministers, has said that in respect of non-independent countries in the Caribbean, the U.K. has the right to enact laws by imperial statutes.

"In respect of the independent countries, they were fully aware that being sovereign states, there was no such imperial authority.

"But, they have said to us, very, very clearly, that we must not continue to operate in the belief that a court sitting on British soil, will be prepared to uphold convictions for offences



We must not believe that a court sitting in Britain, will be prepared to uphold convictions for offences that no longer exist in Britain.

...Hon. P.J. Patterson
Prime Minister, Jamaica

that no longer exist in Britain and to impose sentences which are no longer applicable in there.

"It is against that sort of background that, in addition to the previous considerations which have arisen over time, we in the Caribbean must move toward the establishment of a Caribbean Court of Appeal, which will be the final court of appeal for the territories which subscribe to it," he added. ■

ILO presses for social intervention in globalisation



“Economic growth alone cannot ensure equity, social progress and poverty alleviation,” say senior International Labour Organisation (ILO) officials. “Caribbean governments, labour and employer groups must play a greater role in redistributing wealth and social services.”

While the region is familiar with the hardships that unequal distribution of the gains of globalisation has brought to this part of the world, “It is interesting to note that this phenomenon is one of global significance and not just isolated to the developing world,” says Beverly Harry-Emmanuel, a senior project officer at the ILO’s Caribbean office.

Emmanuel, who is currently assigned to the ILO’s Programme for the Promotion of Management-Labour Co-operation (PROMALCO), said this economic trend and its adverse social consequences have led to the organisation’s adoption of the global Declaration on Fundamental Principles and Rights at Work.

“Although there has been higher productivity with globalisation, workers also have higher job insecurity, there is greater income disparities, increased growth in the informal sector and increased potential for social and political instability.”

In 1998, the member states of the International Labour Organisation adopted the Declaration, which embraces and promotes four main privileges. They are: the freedom of association

and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the abolition of child labour and the elimination of employment and occupational discrimination. She said the ILO has found that the problem of forced labour is not relevant to the Caribbean region. Therefore, focus has been placed on addressing the other three fundamental principles, “as non-adherence to this framework will threaten the economic, political and social stability of the region.

“Globalisation has contributed significantly to the world. Some of these gains are technology transfer, access to international capital, knowledge and expertise, cheaper production of goods and services, access to new information, international standards of education and advanced medical services and larger, freer and more accessible markets.

“However, the stark reality is that economic growth cannot alone ensure equity, social progress and poverty alleviation, since only those with the economic capacity to access these advantages will benefit.

“By the end of this era, without specific and deliberate intervention, the negative consequences of globalisation would be detrimental to poorer nations and peoples of the world.

“Left to run its course without intervention,

the developing countries - and the Caribbean in particular - will inherit higher job insecurity, greater income disparities, poverty and an ever-growing informal sector without the social mechanisms to transfer the benefits that the sector will contribute to the economic stability of the region.

“The ILO hopes that the Declaration will be able to reduce the impact of these negative consequences by improving access of the poor and wage earners to a more even distribution of the economic benefits of globalisation.

“Through the principles of Freedom of Association and the Right to Collective Bargaining, the rights of all workers and employers to join groups for the promotion and defence of their occupational interests are protected. This is a basic human right that goes together with freedom of expression and forms the basis for democratic representation and governance,” she added.

“Workers and employers alike must be able to exercise their right to influence matters that affect them. On the other hand, discrimination at work denies opportunities for individuals and robs societies of what those discriminated against could have contributed.

“Equal treatment at work means that all workers are allowed equal opportunities to develop the knowledge, skills and competencies that are relevant to the economic activities they wish to pursue.”

She said the ILO has traditionally promoted the principle of tripartism, which requires the social partners (labour, government and employers) to play an important role in the development and propagation of the principles of the Declaration.

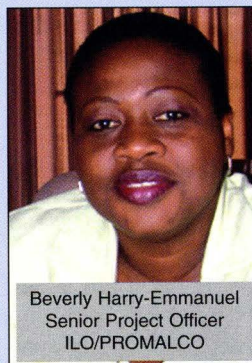
Their role requires social dialogue, the implementation of the fundamental principles and rights as set out in the Declaration, the International Labour Standards and literature on Decent Work. This makes the link between

good labour relations and productivity, minimising conflict and promoting stability, while enhancing enterprise flexibility and adaptability. This will promote innovation and problem-solving and replace the tradition of adversarialism with more constructive relations.”

PROMALCO was established to galvanise the intent of the Declaration as far as the principles of collective bargaining, freedom of association and equality of

opportunity in the workplace are concerned. The organisation will be hosting the second Caribbean Enterprise Forum in Jamaica on January 23 to deal with these issues under the theme; ‘Innovative Management-Labour Relations for Decent Work and Enterprise Competitiveness.’

“We work in partnership with stakeholders of



Beverly Harry-Emmanuel
Senior Project Officer
ILO/PROMALCO

..economic growth cannot alone ensure equity, social progress and poverty alleviation..

Caribbean Enterprises to release the full potential of the human capacity in the Caribbean, to improve levels of productivity in quality jobs that are meaningful and economically rewarding to the workers.

"Too often in the effort to reduce unemployment and positively impact on job creation the importance of meaningful work is undervalued. We must address the socio-economic problems that occur when jobs which are not economically viable limit the workers' access to basic health care, education, technology and information, as well as food and shelter for dependents.

"Employers, governments' ministries and other State agencies which impact on human resource development, economic and business issues must acknowledge that jobs must provide the stimuli for growth and development of the individual and engage the human capacity for learning, while providing sufficient economic rewards to allow for a decent standard of living.

"When jobs fail to meet those intrinsic qualities they rob people of their dignity, self worth as well as motive, and they fail to create a sense of ownership and commitment to the organization.

"In such circumstances workers perceive themselves to be trapped in a cycle of helplessness and feel that they do not belong. Thus, they reciprocate and contribute only as much as (or less than) they believe they get from the employment relationship.

"A 2001 ILO Caribbean Enterprise Survey of senior human resource managers from 353 enterprises revealed that only 17 percent were in favour of trade unions. This has direct implications for the issues of collective bargaining and freedom of association.

"Additionally, with regard to the issue of equality of opportunity in the workplace, our data revealed that recruitment practices very often reflected a two-tier approach to selection. At the first level a set of social criteria such as race, sex, family structure and age are applied to the potential candidates.

"Once that original shortlist is derived, a second set of criteria are applied which results in the selection of a successful candidate.

Emmanuel said this system eliminates the best potential candidates who would have succeeded if they had been assessed according to the requirements for effectiveness in the particular job.

Consequently, the individual is denied the opportunity and right to engage in economic activity of choice and the enterprise is denied of the added value that that prospect would have brought to the enterprise.

"For the region to move forward and maximise the benefits of the globalisation, attitudes and processes must be adjusted to address more relevant issues such as productivity and competitiveness of the firm.

"There must also be an understanding of where enterprises are currently positioned at the national, regional and international levels and what is required to move to the next level," she added. ■

Barbados prepares for early elections

By Wayne M Lewis

Though not constitutionally due until January 2004, all indications are that Barbados Prime Minister Owen Arthur will call elections within the first three months of 2003, say political observers.

If there were any doubts about the possibility of an early poll, events within the past two months have dispelled them.

First, Arthur had indicated that he would like the candidate nomination process of his Barbados Labour Party (BLP) to be completed before October 2002.

Then, there was the recall of former Chief Electoral Officer, Hensely Robinson, who had retired in February 2001. Robinson has confirmed that he was offered a two-year contract effective July 31. While his mandate has not been spelled out publicly, it is well known that some of the constituencies have swelled over their limit and there will be need for some boundary realignment.

Another event that has not gone unnoticed is the resignation of Lynette Eastmond, who for the past five years has been the Director of International Business. Pundits say her resignation is the clearest indication that Arthur is contemplating an early poll. Eastmond had said she would quit the top post to be a candidate for the BLP in the next election. Arthur has subsequently come out openly in support of Eastmond's bid for nomination.

In addition, government has decided to legislate civil servants' salaries and forego protracted wage negotiations that were already ongoing for nearly a year.

The legislation in parliament did not go down well with the National Union of Public Workers, the largest union in the country, after government said it could only pay a 5.75 per cent increase in the first year of the two year contract. The union wanted 6 per cent.

The economic climate in the country has not been the healthiest, with the economy contracting for the last five consecutive quarters, beginning April to June 2001.

Tourism, the mainstay of the economy declined by almost six per cent last year, following the terror attacks on the World Trade Centre.

The highly emotive issue of hanging has remained on the front burner of the past few elections, and with crime on the increase, it is expected to feature whenever the poll is called.

However, in an apparent effort to appease

a large percentage of the electorate who might be clamouring for capital punishment, government recently amended sections 15, 23 and 78 of the constitution, making the imposition of a mandatory death sentence and its execution consistent with the constitution.

The amendment is designed to counter the impact of Pratt & Morgan and a series of other decisions by the Judicial Committee of the Privy Council in London.

Despite occupying 26 of the 28 seats in the House of Assembly, the BLP has to look for seven new candidates for the upcoming election, as two new constituencies will be created and several elder party members will retire.

Eastmond is favoured by Arthur for one of the new constituencies, while former West Indian cricketer, now senator, Desmond Haynes, is favoured for the other.

Former Prime Minister, Sir Harold St. John, renowned criminal lawyer Richard 'Johnny' Cheltenham, and Sir Henry Forde, Arthur's predecessor as opposition leader during the 1986-94 period, are all retiring from active politics.

Additionally, Arthur recognises that over the past eight years the opposition Democratic Labour Party (DLP) has been in such disarray, culminating with opposition leader David Thompson handing in his resignation as party president in September 2001. Owen would surely like to capitalise on the DLP's problems.

However, recognising that it could be caught unprepared and observing the signs from the Prime Minister, the DLP has been moving to get its candidate selection process rolling.

The opposition party will go into the next election with an inexperienced slate, led by a party president who is not a sitting member of parliament.

It will be the first time in two and a half decades that the party will be going to the polls without party icon, Branford Taitt, who recently quit active politics after losing the election for party presidency, for the second time in less than a year.

Meanwhile, former DLP executive, Dr. Richie Haynes, who broke away to form the National Democratic Party (NDP) in 1989, has indicated that the party will not contest the upcoming general election.

The NDP, which has been described as moribund, has unsuccessfully contested elections in 1991 and 1994. The party did not contest the 1999 elections as well. ■

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MoneyMatters

With Compliments from Caribbean Money Market Brokers Issue #9 DECEMBER 2002

2003 Budget Review

On October 21st 2002, Prime Minister Patrick Manning presented the Budget Statement for fiscal year 2003 to the House of Representatives. This following article highlights the main points and provides an analysis of the statement and is preceded by a look at the global economy.

Global Environment

World output or Gross Domestic Product (GDP) continues to recover in 2002 primarily due to a partial revival of the US and Euro Area economies, with forecasts for the year to post a growth rate of 3.2 percent (in nominal terms) after contracting 1.4 percent in 2001, and 3.5 percent in 2003, after averaging 6 percent in the early 90's. The US economy, which accounts for approximately 21 percent of total world output, has shown mixed signals with regard to the strength and sustainability of this recovery with unemployment fluctuating between 5.6 and 5.8 percent while projected growth rate for the world's largest economy is 2.1 percent in 2002 and 2.7 in 2003, with

continuing downward pressure on the dollar. Japan, caught in a mire of bad monetary policy, continues its recession, contracting 0.7 percent in 2002 with growth of 0.7 percent expected in 2003. In the Euro zone, unemployment is up to 8.3 percent and Germany is in another recession and decreasing business confidence. Forecasts for 2003 show a marginally higher global growth rate of 3.5 percent thus implying difficulty for companies to expand their revenues and earnings. However, the biggest hurdle to cross is the deflationary environment and the inability of world central banks to put forward viable solutions.

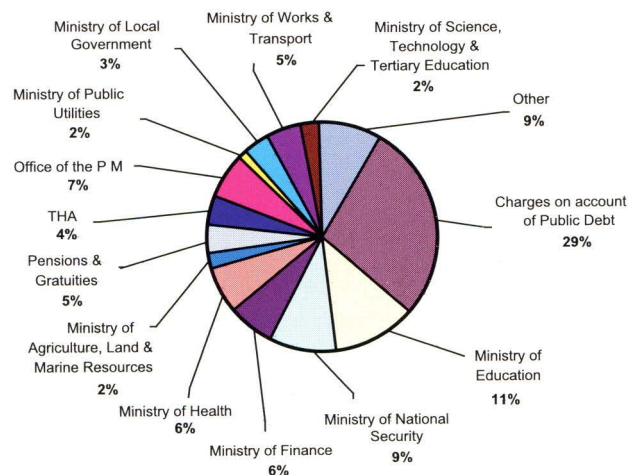
Trinidad and Tobago Budgeted Expenditure 2003

Central Government expenditure for 2003 is budgeted to increase by approximately 41 percent over actual expenditure in 2002 to \$19,765 million with recurrent expenditure rising by \$5,700 million (or 43 percent). Compared to expected revenues of \$15,725

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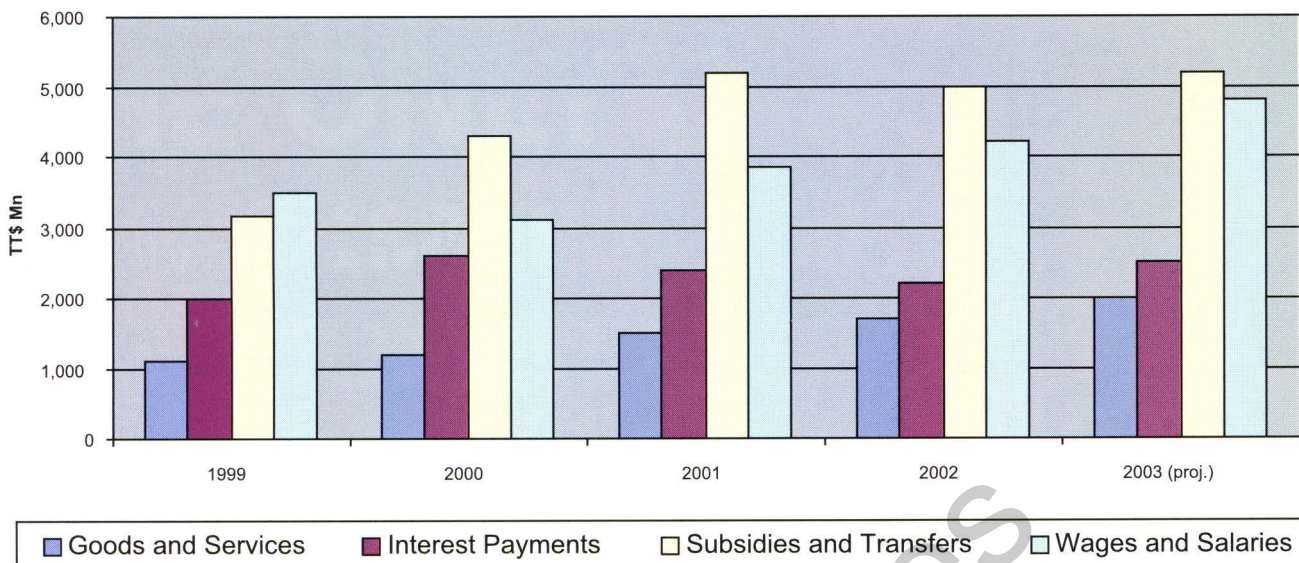
Trinidad and Tobago Budgeted Expenditure 2003



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Total Recurrent Expenditure



million the budget deficit is expected to be approximately \$623 million or around 1 percent of GDP clearly indicating an expansionary thrust. This deficit is expected to be funded by domestic borrowing amounting to \$1,000 million and foreign borrowing to the tune of \$930 million. The largest increase in expenditure, on a sectoral basis, is directed to government spending in the areas of health (10 percent increase) and education (12 percent increase) emphasizing government's focus on improving the social conditions, particularly of the lower strata in the population. However, note must be made of the budgeted increase in the perpetually escalating "Subsidies and Transfers" category, which is projected to reach \$5,200 million, increasing from \$4,987 million in 2002. No mention was made of the ever increasing need to privatize a portion of public service pension plans to release this continuing burden off the Treasury.

Several factors, however, require immediate attention. The primary issue is the possibility of increasing inflation as a result of the increase of disposable income as a consequence of the income tax reduction. With interest rates being as low as they are, there is

little incentive to delay consumption in return for increased consumption in the future. Secondly, the Public Sector Investment Programme (PSIP) outlines, allocates \$907 million for 2003, compared to the allocation of \$1,340 million in 2002 where \$923 million was actually spent. Again the bulk of the spending (outside of Administration) is directed to Education (16.7%), Roads and Bridges (12.5%) and Health (11.7%). It should also be noted that a grand total of \$15.6 million of the PSIP is targeted to the Tourism Sector in "the ongoing effort towards the diversification of the economy"; clearly, not sufficient to provide the thrust so badly needed in this sector.

Trinidad and Tobago Revenue for 2003

Government's revenue projections are based on an oil price of USD22/bbl. The index which is closest to the price which Trinidad & Tobago receives for its crude is West Texas Intermediate (WTI). This index has been hovering around the USD25 level in recent times as the markets remain spooked about a possible War between the US and Iraq. The US Congress has given George Bush the go ahead to attack Iraq giving 48 hours notice and without needing the approval of the United Nations Security

Council. This big stick policy on the part of the world's largest military machine should keep spot prices up for some time giving the GOTT some extra revenues.

However this windfall could prove to be a double-edged sword. If oil prices begin to rise on fears of supply shortages this could prevent the rebound of the World economy. While the US could get a fillip from defense spending, high energy and transportation costs could put a damper on any recovery. Given the interconnectedness of the global economy, fallout in demand by the United States would prevent the other economies of the world from growing output. In this context, while the GOTT could have positive price variances it could be facing negative production variances.

The single largest revenue source is projected to be taxes on income and profits, which accounts for 38.0% of the projected revenue. It is possible that most of the increase this year would be accounted for by the petrochemical sector. The reduction in corporation taxes from 35.0% to 30.0% does not apply to the petrochemical sector from which the bulk of the revenues would come. In any event the Minister has estimated the

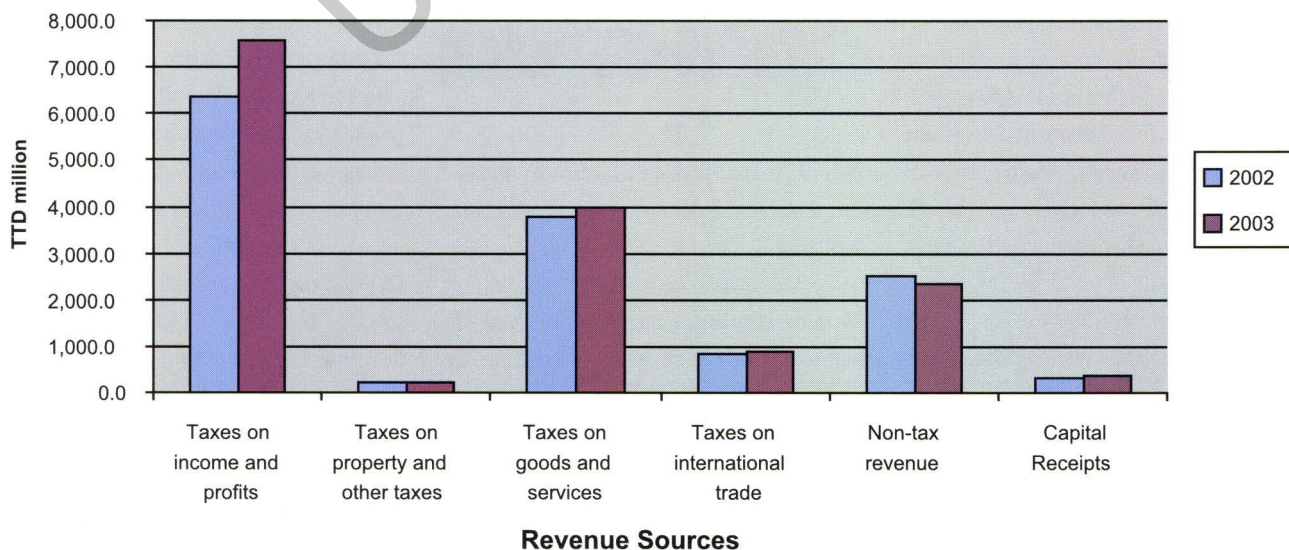
short-term loss from the corporation tax cut to be a mere TTD300MM odd. However, due to the Laffer curve effect, it is expected that the reduction in taxes will promote productive endeavor and lead to a wider tax base in the medium to long term.

Of the TTD20 billion in projected expenditure TTD16 billion odd is going to come from revenue sources leaving the other TTD4.0 billion to be financed. However, it is highly possible that the level of required financing would increase given that our expenditure side is heavily fixed, which in a declining revenue environment from negative production variances, could result in deficits. The current incremental domestic borrowing requirement is TTD1.0 billion. If more borrowing is required the system liquidity level of TTD2.5 billion could be exceeded causing rates to rise leading to the Crowding Out of private investment. In this scenario, as Prime begins to rise, rates on bank overdrafts and demand loans would also increase leading to reduced business profits and lower revenues from Corporation taxes. Reduced access to credit would prevent investment and consumption leading to a fall in Aggregate Demand.

Therefore, it is imperative that monetary policy act in order to prevent the Crowding out effect, as this would have a negative impact on Government revenues. The use of Open Market Operations and the Reserve Requirement along with

the recently implemented repo facility thus has an inextricable link to budgetary revenues. It is critical that the CBTT sees their role in this process. In recent times the CBTT's role has been unwittingly contractionary as they sought to protect the exchange rate by keeping liquidity tight. Now they must be inventive and find a way of reducing rates while still keeping the rate stable. Monetary policy and macroeconomic policy has to be complementary or the economy cannot operate effectively.

In conclusion, the Government of Trinidad & Tobago is merely paying bills. Only 5.0% of this budget's allocation is in developmental expenditure, the rest being used in recurrent expenditure and debt servicing. Given the fixed nature of this expenditure combined with the possibility of volatile revenues from production variances it is highly possible that a budget deficit could be the order of the day, if system liquidity cannot afford it. Budget deficits have shown to create distortions in the economy and cannot promote sustainable economic growth. It is imperative that the GOTT seek not only to balance the budget but also to aim for a small surplus. In the coming years this fiscal discipline would be critical in order to reduce our potentially stultifying debt load. This country has to learn to live within its means.



Conversation with the “Masters”



The Masters' is a money management competition. One year ago three teams of professional fund managers were each given TT\$35,000.00 cash to invest. Their objective: Maximize returns on their investment while maintaining capital.

Money Matters chats with Brent Salvary and Varun Maraj of Team B and asks them to give us a little insight into this team's successful strategy.

Q. When you commenced the process of investing one year ago did you have a strategy for winning this Masters Competition? What was it?

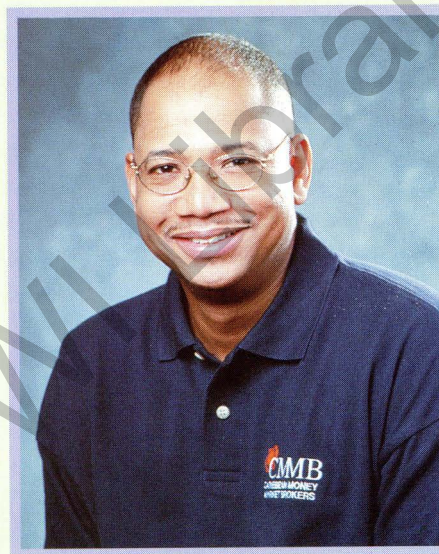
A. Our strategy for the tournament competition was basically to find undervalued stocks, based on estimates, set price targets, and sell when those targets were met, or surpassed. So basically we were timing the market and pursued a disciplined strategy. From this, we projected a return in the vicinity of 30 percent. All of this had to be done within a one-year time horizon

Q. For nearly six months after the commencement of the competition your team was trailing both the other teams. And yet you managed to come from behind and beat both the other teams with a total return of over 36 percent. How did you manage to overtake the other teams that had established an early lead over you?

A. We started the competition being ahead of our rivals for the first four weeks and stayed there until the TCL takeover bid arose. From that point in time until when the issue was resolved, stocks such as Neal & Massy and NEL surpassed the targets but we remained behind. However, our rivals kept

the stock hoping for the bid of \$7.15 by CEMEX to materialize. At that point in time we parked our monies in a call deposit and re-evaluated our position bearing in mind that the competition would end at the beginning of November 2002.

At this point in time we lost ground in the competition. The other teams raced ahead by investing in a lot of speculative stocks such as Prestige Holdings. In the interim, we carried out our analysis on a short list of 10 stocks and from that list we identified four ideal candidates, which were Ansa McAl, WITCO, Trinidad Publishing



Brent Salvary

and RBTT. We believed that investing must be disciplined and deliberate in order to outperform the market.

We deliberately stayed away from the “herd”. In pursuing such a strategy we believed that we would initially under perform the market. An example of this was TCL. We did not invest in TCL, but the other teams purchased the stock and continued to hold it, in the hope that Cemex bid of \$7.15 will be successful. However, this did not

materialize and the price quickly dropped to \$5.00 creating a loss for both teams. We assessed the TCL issue and decided not to speculate, as there was nothing inherent in the stock to warrant that price. At the same time, our “pick-to-click”, WITCO announced good second half results and quickly rose from around \$9.80 to \$15.50 pushing us ahead, this time for good.

Q. To what would you attribute your success in this competition?

A. Good analysis of the stocks available, and most importantly, discipline in sticking to our strategy and of course some luck with regard to the market recognizing value. By good analysis we mean using the right models to value a particular stock and the correct model to gauge the money flow into a stock. For example, the WITCO share should be valued using a dividend discount model and not through a relative valuation such as a P/E multiple.

Q. What was your general allocation between stocks and bonds (or fixed income instruments) in your portfolio?

A. Since we targeted a return of around 30 percent, our portfolio was skewed toward stocks with the average allocation being 70:30 in favour of stocks.

Q. Why did you overweight stocks over bonds?

A. *We were overweight in stocks since this type of security would provide higher returns, especially in a low interest rate environment that persisted throughout the period of the competition. A low interest rate environment favours stocks and this factor actually helped the stocks in our portfolio.*

Q. Your portfolio outperformed the nearest competitor's portfolio by over \$1,300 and your competitors were also well aware of the environmental factors such as political uncertainty in Trinidad & Tobago. What did your competitors miss that you both did not?

A. *We paid attention to the fundamentals of the stock/company, and did not take any unnecessary "bets". Speculation is fine, once the risks are fully understood.*

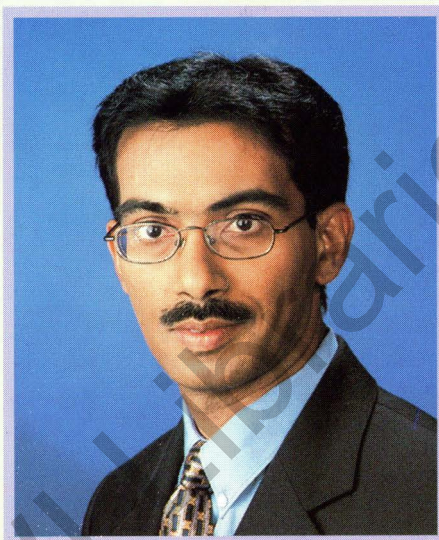
Q. In earning this kind of return on your portfolio in such a short time did you take undue risk in your investments? How did you measure the risk of your portfolio?

A. *Actually, our risk profile throughout the competition, was relatively low. There are two basic ways by which risk can be measured. First, the market risk of the stock which evaluates how the stock moves in relation to the movement of the overall market. This is known as 'Beta'. With the exception of one stock, we bought stocks whose beta was around one. Thus we took the risk of the overall market which can be defined as being risk neutral. Also there is the risk that is specific to the company, such as business risk and financial risk. Again some of the stocks that we bought were non-cyclical meaning they had low business risk. With the exception of one, most of the stocks that*

we bought were not highly leveraged and therefore of low financial risk.

Q. Tell us a little bit about the background of each of you and how you came to participate in this competition.

A. Varun: *My educational background is an undergraduate degree MSc. in Business with majors in Economics and Finance. I achieved Level II of the CFA program and I am a certified valuation analyst. At present, I am the Managing Director of the Intercommercial Banking Group.*



Varun Maharaj

My participation in this competition was a last minute and reluctant decision. On the morning of the day that the competition was being launched I was approached by Ram Ramesh of CMMB to partner with Brent one of his analysts, I agreed reluctantly (thinking I would not have time to devote to the competition). In the end, I must say that this was a refreshing and enjoyable experience because my efforts would have in some little way contributed to a better understanding of the investment process.

A. Brent: *My educational background is an undergraduate degree in Business with majors in Economics and Finance and I am presently enrolled for the CFA program, Level II. I am employed with CMMB Securities as a Research Analyst and I also trade on the Trinidad & Tobago Stock Exchange as an Authorized Dealer. As regard to participating, my CEO (Ram Ramesh) came to me one day and demanded that I take part after everyone else declined!*

Q. You both work in established financial institutions and you have knowledge and access to information that other people may not have. What would your advice be to someone who wants to begin investing in a portfolio of investments? Where should they start?

A. *The first thing a potential investor should do is get some professional advice to ascertain his/her investment profile e.g. degree of risk aversion and investment pattern and most importantly, discovering his/her investment goals.*

Q. Looking back on your portfolio, is there something you would have done differently to obtain a higher return on your portfolio?

A. *Coming to the end of the competition we seriously considered acquiring Guardian Holdings as we saw some short-term potential, but we did not, due to a lack of supply on the market and uncertainty as to what price we could get the shares at.*

We paid attention to the fundamentals of the stock/company, and did not take any unnecessary "bets". Speculation is fine, once the risks are fully understood.

The POWER of Compounding



While certificates of deposits and bank savings accounts are great places to store money for everyday spending, they are not the answers for a savings plan. Most of these investment instruments pay a meager 2% to 3% per annum on outstanding balances only, every quarter. If this is your retirement plan, then it is time to consider a better alternative to accumulating wealth faster.

Don't fear risk!

Remember that there are no risk-free investments. Even bank accounts have risk called inflation risk, where the purchasing power of money is lost if prices rise. The upside to risk is that the greater it is, the greater the rewards since investors

compounding. Compounding simply means interest on interest. Therefore, your investment will grow at an increasing rate rather than at a constant rate. As an illustration, consider Kate and Sam who both invested \$1000. Kate invested in a money market account paying 8.00% and Sam invested in a certificate of deposit paying 4.00%. After 5 years, Kate's investment will have grown to almost \$1,450; a return of 45% over five years and, Sam will have earned \$220 on his investment; a return of 22% over the same period. Even though Kate's investment is initially paying twice as much as Sam's investment, after 5 years, her money market account will pay 2.05 times greater than the certificate of deposit. Compounding speeds up the return on investments!

how long it will take for an amount to double given the interest rate, or, alternatively, the interest rate needed for an investment to double in a given number of years. For example, Kate's \$1000 will take approximately 9 years to double ($72 \div \text{interest rate} = 72 \div 8 = 9$ years). If Sam wanted to double his money in 10 years, then he will have to invest it at a rate of approximately 7.2% ($72 \div \text{number of years} = 72 \div 10 = 7.2$).

RULE OF 72

$\frac{72}{\text{Interest Rate}}$ = Number of Years it will take to double your investment

$\frac{72}{\text{No. of Years}}$ = Interest Rate required to double investment for a given no. of years

Source: Putnam Investments

Keep Investing!

Compounding will work effectively if interest received from investments is reinvested and capitalized on the original sums. Also, it is important to keep adding more money to investments at regular intervals. Every month or every quarter, the investor can set a fixed amount that she wishes to invest and then maintain the discipline to do so. This can be done by setting a fixed amount from your salary, or a standing order from a bank account, into a money market account. The greater the amount of money invested, the faster the rate of return will grow, and the faster wealth will accumulate.

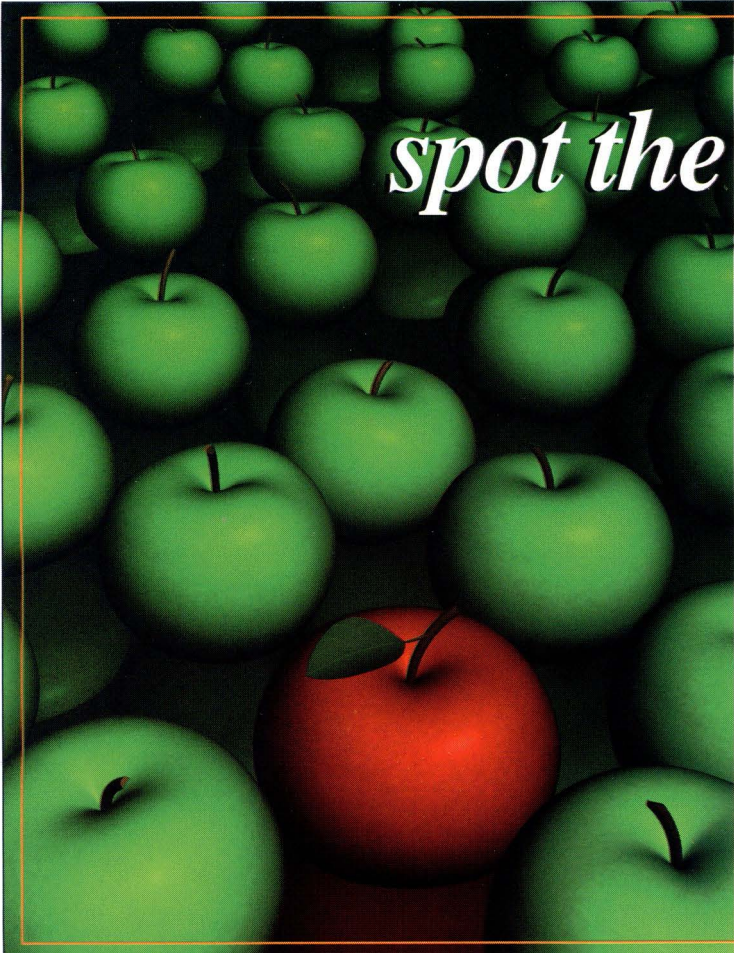
It is never too late or too early to start saving. The most important thing is to start!

have to be compensated for taking the risk to begin with. The important thing is to understand the risks of your investments and be comfortable with it.

There are many investment vehicles, such as money market accounts, that offer higher returns than a savings account, and have diversified risk. These investments have accelerated growth through the power of

Doubling your money- the "Rule of 72"

There is a popular mathematical rule that an investor can use to determine the length of time for his investment to double. It has been proven that the number of years that it takes \$1.00 to become \$2.00, multiplied by the interest rate will always be 72. Using this "Rule of 72", an investor can estimate



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Unconventional Ways of Reading the Markets!

How do you determine how the economy is performing? What indicator tells the best story about a country's economy? For some people it may not be your usual technical forecasts or reports from leading financial analysts and economists.

Here are a few of the more peculiar indicators that some people actually place a lot of confidence in!

Lipstick/Lipstock

Leonard Lauder of the internationally renowned cosmetics firm Estée Lauder theorized that in recessions, persons are less likely to buy expensive items and would therefore indulge in cheap indulgences like lipstick! So when lipstick sales rise, it signals a depressed economy.

Most statistics have hinted that this theory may be true; sales of Estee Lauder's lipsticks actually doubled in the US after September 11th!

Aspirin Count

You can truly use your head here... In the year before markets slump, it seems that more people have headaches! Aspirin sales have been shown to jump in these seemingly stress filled times and in the time before a good year, aspirin sales actually fall!

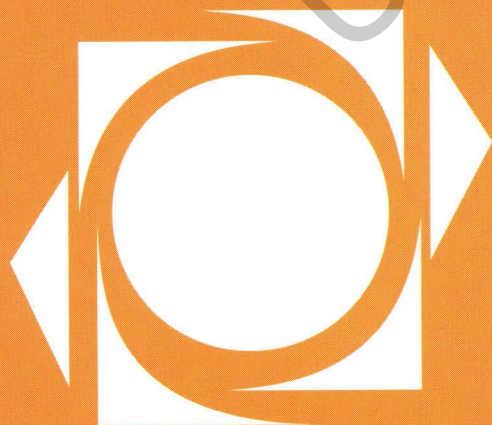
Wardrobe Colour

It's all in the shoulder padding... According to the British Fashion Council, when there is a positive outlook for the economy, women tend to wear bright colours in strong designs. (Think the typical power suit.) But in times of a sluggish, dispirited economy, women favour cheap fabrics and duller colours.

Hemline/Skirt Length

Believe it or not this indicator has been around since 1901! The flirty and confident mini skirt would sooner reflect a booming economy while a long and uninspiring skirt length is indicative of a decelerating economy.

Based on an article from Money Magazine, September 2002 issue



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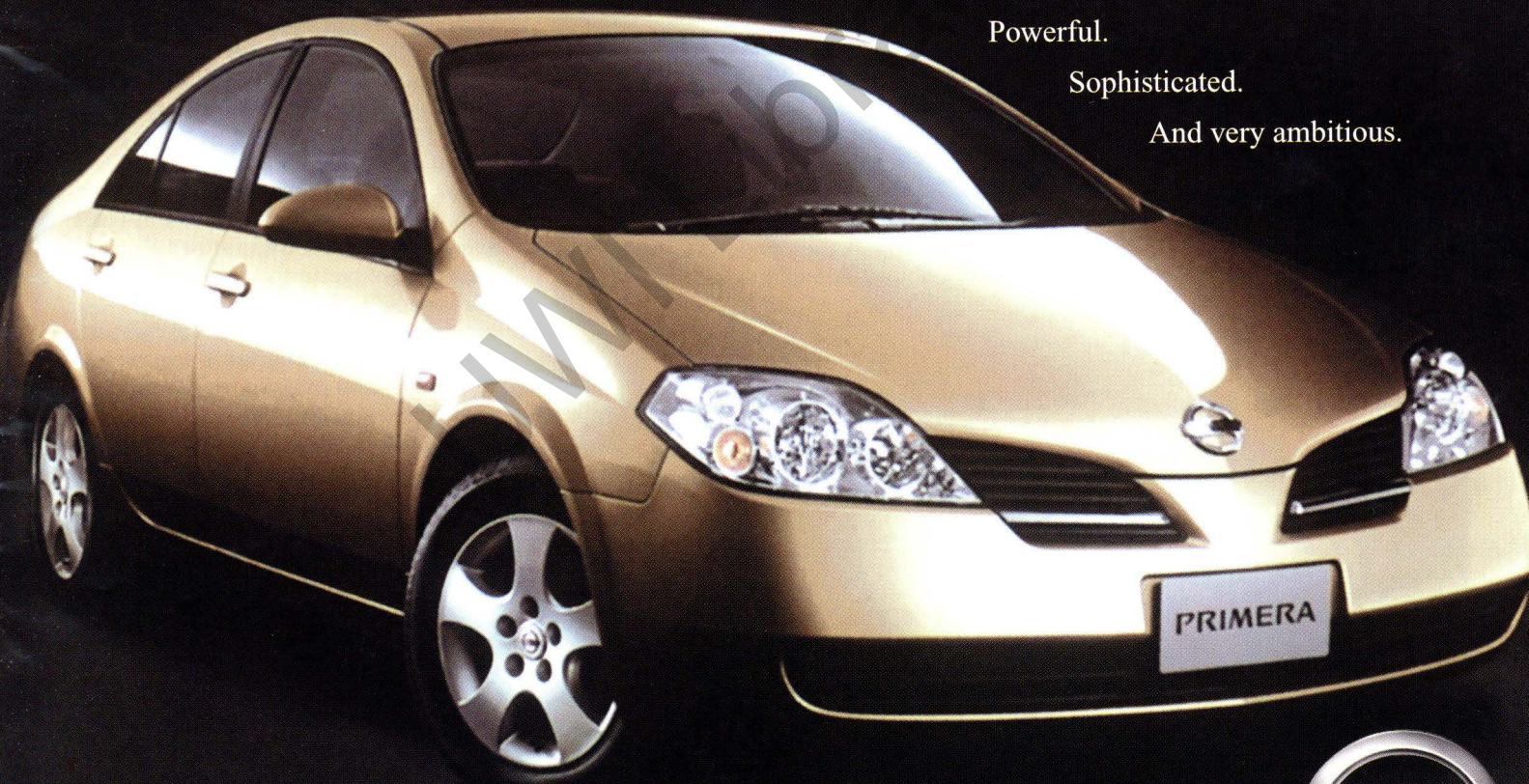
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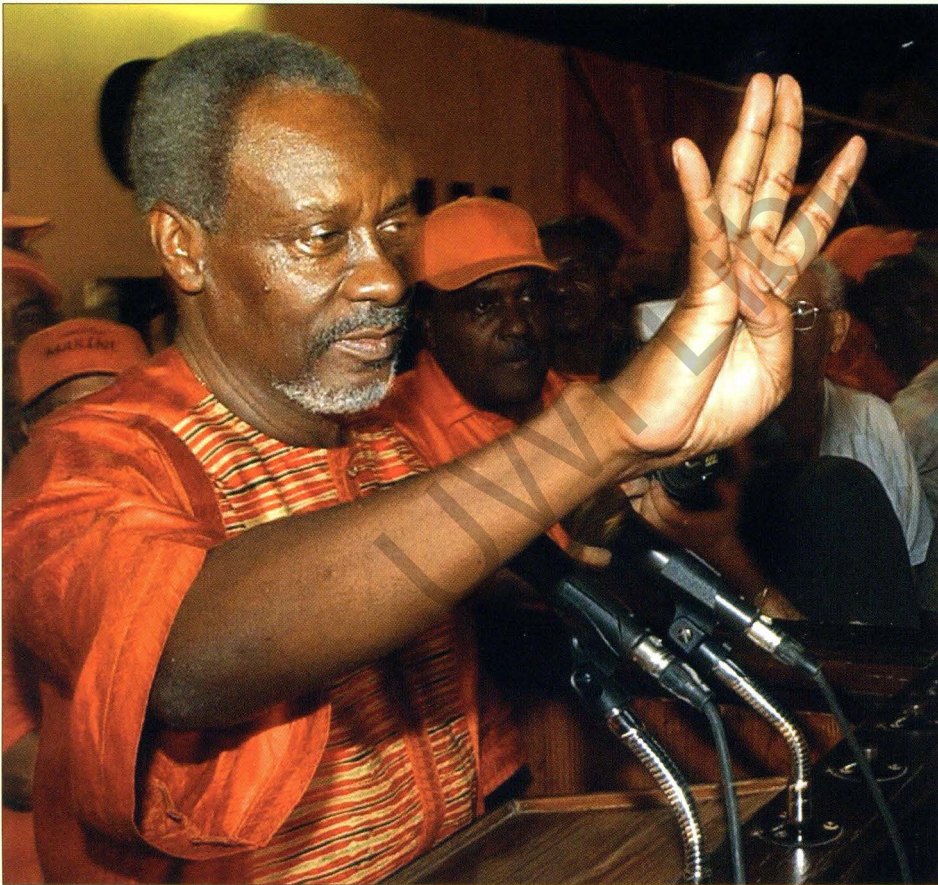
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The Jamaican PM's success offers a practical strategy for successful governance and managing adjustment in the new global economy.

Patterson basks in 4th election win



Despite announcing plans to step down as leader of Jamaica's ruling People's National Party (PNP) during this new term in office, Jamaica's 67 year old Prime Minister Percival J. Patterson has no plans to slow down.

Coming on the heels of an historic fourth straight win at the polls for the PNP, Patterson has shown that it is possible to tackle difficult nationwide economic and social adjustment without losing the popular vote, and he is

using that momentum to wrap up several key projects before he leaves active politics.

This win will afford Patterson the opportunity to leave at the top of his game and under his own terms, as the PNP successfully weathered the strongest election bid in three decades by the leading opposition party, say political observers.

"Although it was a hard fought battle to maintain a majority in the parliament," says Lorne

McDonnough, Jamaica's High Commissioner to Trinidad and Tobago, "the Prime Minister's strategy for success deserves a second look by many other political leaders across the region who are contemplating difficult but necessary economic reforms.

The High Commissioner noted that Jamaicans remain optimistic and suggested that many, on both sides of the political fence, saw the new balance in the parliament as a positive development which would invigorate debate and strengthen the country's democratic traditions. McDonnough said both political parties have formally recognised that the last election was the most transparent and well run election in recent history. There has also been a genuine and credible effort to change the political culture in Jamaica based on bi-partisan consensus building approaches and real efforts to reduce, if not eliminate, violence from the political landscape.

"In the past, coming out of the seventies, Jamaican politics was much more polarised, since both parties had totally different ideas on how the country should go forward. Today, there is more convergence of policies on key issues such as national security, trade, technology, education, as well as Jamaica's social and economic development."

PJ Patterson's achievement is no less remarkable when you recognise that it has come following one of the most volatile terms in office for the PNP.

After the terror attacks in the United States, the country faced the most dramatic downturn in its tourism sector, a fall in international commodity prices for bauxite and the gradual elimination of preferential treatment for specific commodities, most notably bananas.

Additionally, his government had to cope with the growth in domestic violence, drug trafficking and consistent protests against some of the government's social policies.

"To deal with these issues, Patterson has taken a more 'hands on' approach. He is seen as the consummate politician and a man of the people," says Lloyd Williams, political observer and Senior Associate Editor at Jamaica's *Gleaner* Newspaper.

"His supporters say he has brought to the job of Prime Minister, a new and refreshing, consultative, non-confrontational approach. He has found favour with the nation at large, and has served to lower political tensions.

"Skilled lawyer that he is, he is always careful in his choice of words, sometimes to the point of being platitudinous.

"His detractors say he is weak, too detached, too laid back, sometimes he hardly has his hands on the wheel of state and situations have to push him to speak out or to act even in times of crisis.

"On the campaign trail, they often try to label him as homosexual, a charge he has found it necessary to go on national radio to deny.

They accuse him of highlighting his 'blackness' as being more acceptable to the electorate than the 'whiteness' of Opposition Leader Edward Seaga who happened to have been born in the United States."

In response, Patterson has chosen to dig deeper into his work and let it speak for him.

Constitutional reform, completing the country's economic turnaround, a referendum on gaining Republican status, and the adoption of the Caribbean Court of Appeal as the final Court for Jamaica are key issues for Patterson's new administration.

Actively involved in leading the adjustments necessary to change Jamaica's economic fortunes, Patterson has, so far, been the only political leader in the Caribbean to seriously take on the economic issues facing his electorate and still hold on to power.

Despite losing five important seats in western Jamaica to the main opposition Jamaica Labour Party (JLP), Patterson's PNP held on to 34 seats to keep its majority in Parliament in the October 16 general election.

"The other thing about his leadership style is that it is motivating. When you work with him you're inspired to do your work," says a close aide to the Prime Minister.

"And when he does that, there is even more reason to reject non-performance. You would be amazed working with him. He is very motivating. He gives you motivation. A lot of us are in this thing only because of him."

For many voters who have endured the downturn of the past five years, Patterson is viewed as the light at the end of the tunnel.

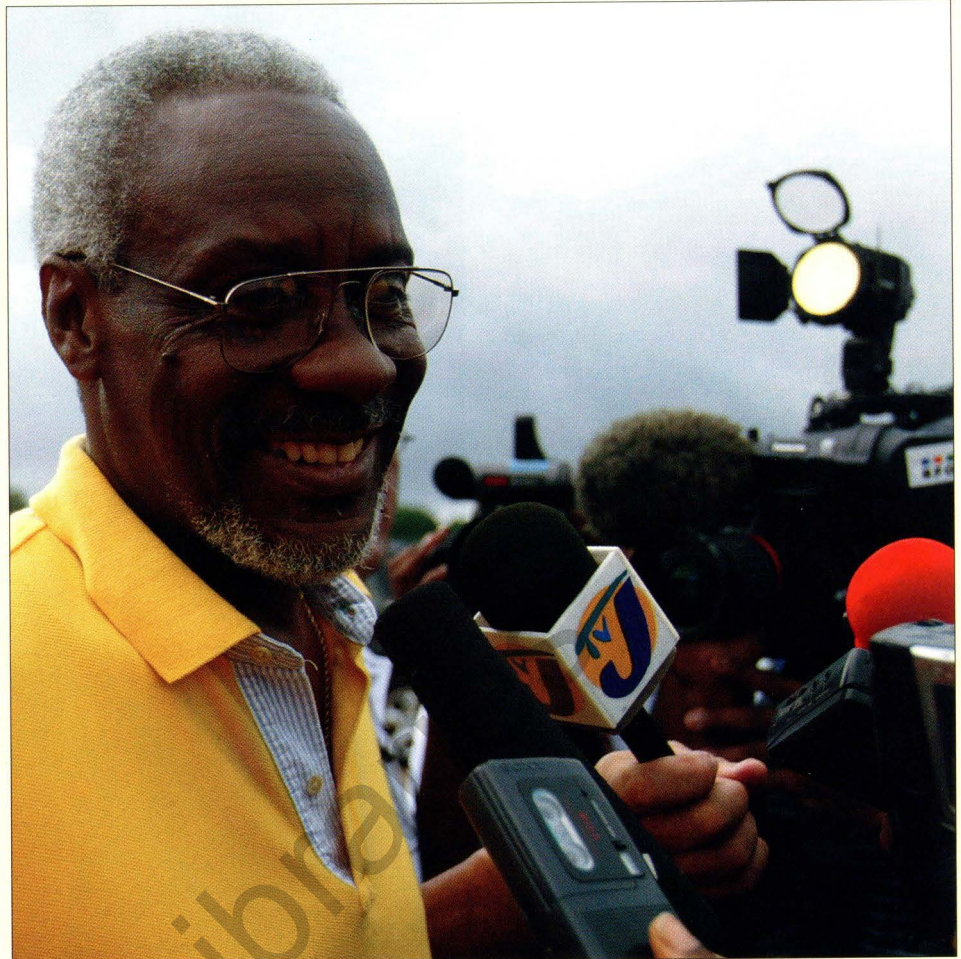
One of his early objectives after his appointment as Prime Minister, was to reclaim economic independence for Jamaica by spearheading the country's retreat from the International Monetary Fund after 18 years of draw-downs.

This laid the foundation for Jamaica to exert real control over its economic affairs. The country was able to take on its economic adjustment program under its own terms - with more realistic targets and objectives that meshed better with its social needs.

His efforts, say supporters, has led to the stabilisation of the Jamaican economy with low inflation, a sustainable exchange rate and growing Net International Reserves of more than US\$1.7 billion.

Concerning the social transformation of the country, Patterson is on record as saying that he "wants history to remember him as the Prime Minister who distributed the most land to the people of Jamaica," states Williams.

He has also spearheaded new social programmes, such as the National Youth Service Programme, the Special Training and Empowerment Programme (STEP), and the



Lorne McDonough
Jamaican High
Commissioner to TT

Jamaica Drugs for the Elderly Programme, for the most vulnerable social groups -the young and the elderly. He renewed a programme to inculcate positive values and attitudes and has appointed a former Minister of Education to guide the project.

On the international stage, Patterson is recognised for his contribution in steering several successful multi-national trade negotiation projects especially in relation to the African, Caribbean and Pacific countries. He was one of the principal architects of the LOME convention negotiated in the 1970s. He currently chairs the CARICOM Subcommittee on External Trade Negotiations.

Seen as an elder statesman in the region, Patterson is well respected by his peers as wise council and is frequently consulted by other regional leaders on issues such as political strategy and national development.

Patterson's rise to the top was seen by his supporters as a fitting culmination of more than 20 years of distinguished service to the State. This included appointments to various senior Cabinet posts, among them, Minister of Industry and Tourism, Minister of Foreign Affairs and Foreign Trade, Minister of

Development, Planning and Production, Minister of Finance and Planning and Deputy Prime Minister from 1978-80 and 1989-91.

Percival James Patterson was born on March 10, 1935. He began his political career in the 1950s as an organiser for the PNP, shortly after completing a B.A. (Hons.) degree in English Language at the University of the West Indies, Mona. He had previously gone to high school at Calabar College, Kingston.

He later studied at the London School of Economics and at the Middle Temple in London, where he qualified as a barrister-at-law and was subsequently admitted to practice in Jamaica. He was in private legal practice from 1963 to 1972 and was a founder-partner of the Kingston law firm, Rattray, Patterson, Rattray. He was appointed a Queen's Counsel in 1984.

Described as the consummate politician - a man of the people - Patterson worked up the ranks of the party over the years. He served the PNP as a member of its National Executive Council, as vice president, chairman and he has been president since March 1992, when he defeated Portia Simpson, the current minister of Local Government and Community Development.

He was the PNP's national election campaign director in 1972, 1976 and 1989. He won the March 30, 1993 general election, becoming

Prime Minister in his own right for the first time.

He had previously been appointed Prime Minister of Jamaica on March 30, 1992, following his election as president of the PNP and the retirement of his predecessor, Michael Manley.

In spite of all his successes, Patterson is already planning his departure from active politics.

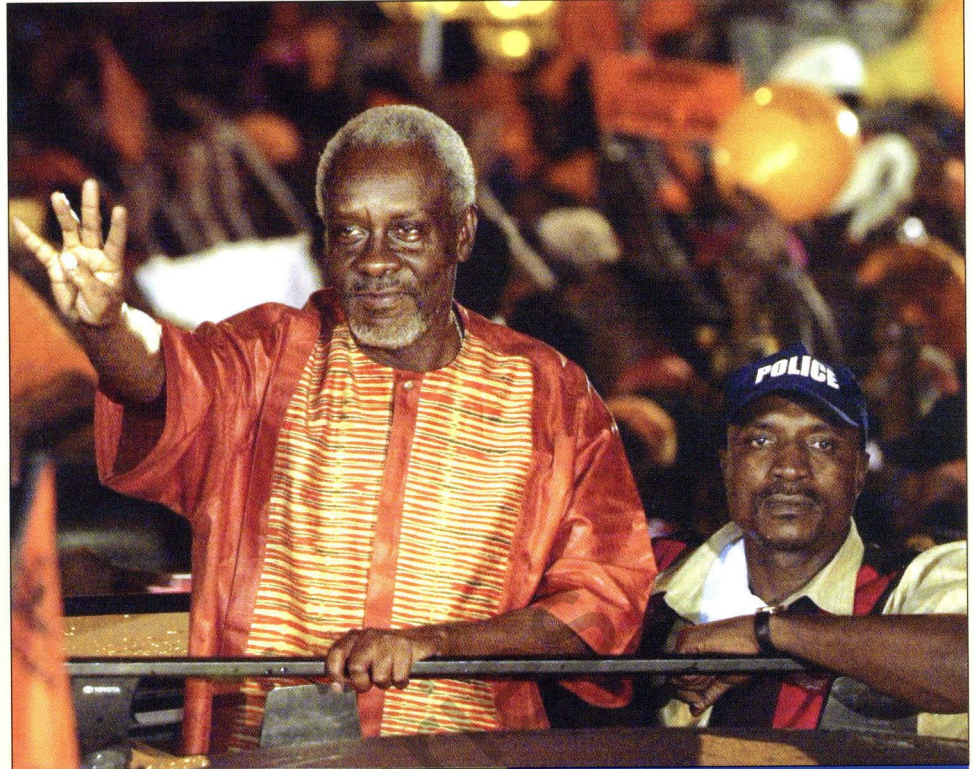
"I want to go when I have advanced the process in a number of projects. There are some constitutional changes which must come into play. We are well down the wicket into regional integration and I would like to see that process progress much further, particularly since Jamaica will also assume the chair of CARICOM next July.

"We have a number of other major domestic projects that are far gone, including Highway 2000 - the first toll highway in the English-speaking Caribbean; the North Coastal Highway Project - the second phase has already started; and the Land Administration and Management programme - where a pilot for this project was launched in the parish of St. Catherine.

"We still have work to do on our programme for poverty alleviation, to improve the health and education systems," said Patterson "and, we are poised to launch a new National Health Insurance Plan."

The government has set targets for universal basic school education; the wiping out of illiteracy; implementing universal secondary school education and removing, over a specific period, the cost-sharing element of tertiary

Patterson's supporters celebrate after Jamaica's ruling People's National Party won its fourth consecutive General Election.



Jamaica's Prime Minister P.J. Patterson flashes the number four to supporters as he arrives at his party headquarters in October, 2002 after initial reports placed him as the winner of his country's governmental elections. Patterson, first elected into office in 1993, will head into four more years in an unprecedented third consecutive term.

AFP Photo/Roberto Schmidt

education as part of our strong commitment to the education sector as a priority.

"We would like to complete the plan for universal basic school education by the year 2004, and wipe out illiteracy by 2005. I would like to see those through before I leave."

He said the success of the PNP government can also be attributed to his deliberate decision to introduce new talent in leadership positions and in the Cabinet.

"We have always engaged in a process of blending experience with renewal, and during the course of my Prime Ministerial tenure

there have been changes in the Cabinet," he said.

"Virtually every Minister has been subject to changes in his or her portfolio. This affords new members an opportunity to contribute to the thinking and implementing process of the government with a background of experience. "Not just in this election, but in previous ones, we have always introduced a number of new candidates. This has allowed us to infuse the team at the representational level with new blood, with new energies, with new ideas."

This also holds well for his plans to step down, as the pool of competent politicians within the PNP able to take over the leadership reigns of the party runs deep.

"At no time whatsoever have I said that no one can succeed me in my party because only I understand complex things. I have made it my duty to involve all members of the Cabinet in decision making and to ensure that they acquire the experience, not only about their own ministries, but about governance and what, as a team, we can do to build a better and more unified Jamaica.

"I certainly intend to make that my principal focus in my third term as Prime Minister and certainly the term during which I shall make my exit," he said. ■

Microsoft partners with region's .NET developers

Microsoft's new *Visual Studio.NET* Suite has given software developers in the Caribbean and across the globe, the tools to match their cutting edge colleagues in Silicon Valley and the Far East, says president of the Microsoft Developers (MS Dev) Association in the Caribbean, Kevin Khelawan.

He said the new tools, initially provided to developers as a beta programme by Microsoft's Chairman, Bill Gates, at a programmers' convention in Florida in 1999, has dramatically reduced the development time

impact and it can be done from right here in the Caribbean.

"For a regional developer, the only limit now is creativity," Khelawan added.

Committed to advancing and developing Microsoft *Windows*-based software developers in the Caribbean, MS Dev was originally a 'listserv' community, mainly trading ideas and solutions on a regional bulletin board. The core objective was providing peer level support for regional *Windows* developers.

With the establishment of MS Dev Caribbean,

Microsoft Caribbean's presenter, Liz Romero, Business Solutions Manager, Rory Rivera and Juan Martinez present the newly released *Visual Studio* development tool to regional programmers.



and the cost of bringing sophisticated distributed applications to market.

"The internet is the inspiration behind this new approach of Microsoft's new suite for developers. This makes it possible to access the applications and data anywhere in the world, as it is now possible to develop inexpensive enterprise wide solutions that can be accessible from a desktop and a simple browser, securely - from anywhere in the world.

With the new architecture, a developer can easily use the same framework to quickly build sophisticated database management and manufacturing applications, as well as simple database-driven web pages or information portals, he added.

"It has reduced development times from months to mere weeks or days and will do wonders for bringing the web and new technology to a wider cross-section of the Caribbean.

"It is clear that regional software developers have the skill and the potential to develop world class software. We only need to count the number of developers from the region that are working for foreign companies and developing great software. Regional developers must realise that they can make a global

this strategy has been taken a step further, as the group will expose an even wider audience to cutting edge Microsoft development tools, technologies, techniques and ideas. It will also provide a formal and direct interface to the Microsoft Corporation.

"Since the launch of our *.NET* strategy in 1999 and additional modules of our software suite earlier this year, there has been tremendous enthusiasm from the regional developer community," says Rory Rivera, Manager of Microsoft's *.NET* product line in the Caribbean.

He said Microsoft has invested more than US\$5 billion in developing the new platform over the past four years. This is more than the total investment from Microsoft's other competitors in this market - Sun Microsystems and Oracle, over the same period. This new initiative is expected to make a serious challenge to their dominance in the developer market.

Free versions of the software suite, as well as scholarships and funding for training, will be offered to students and universities across the region as part of Microsoft's plan to widen access to the new tool for developers.

The company is also expected to spend more than US\$200 million worldwide over the next

few months promoting the new platform for developers, as it prepared to launch its online Content Management Server module in November.

Rivera, who has been touring the Caribbean as part of the promotion for the new software suite said the awareness of the developer community in the Caribbean is more than encouraging.

"Almost all of our presentations are oversubscribed and we only provide minimal promotion of the event - mainly through direct mailings," he said.

"Our goal with these programmes is to provide the tools, education and training necessary for developers to easily create the compelling and exciting applications and web sites that consumers demand."

He said the regional tours and presentations were a tangible way to show that Microsoft was committed to providing developers with all the resources they need to begin developing for the internet immediately.

The platform is very stable and user-friendly with numerous sub-systems to make object oriented programming much easier and faster. "*Visual Studio.NET* has been used to manage mission critical equipment and systems in hospitals in Puerto Rico," says Rivera. "That explains the level of reliability that we have built into the software suite."

Another large project in the Caribbean - also in Puerto Rico, is a project to bring the entire operations of that island's government online. "You will be able to pay your taxes, apply for visas, birth certificates, submit tenders for government projects, apply for a driver's permit and many other government services online.

"That project will take four years and will cost US\$50 million to complete. In the process the Puerto Rican government will be the most efficient and responsive in the world and it will do wonders for encouraging business in that territory."

He said the Microsoft's *.NET* design tools are robust, scalable, secure and are filled with additional resources that help the developer with routine programming tasks - including the ability to automatically generate programmer documentation. This allows other developers, working on different modules of the project, to easily update and link their module to work as one seamless application.

"Our strategy is to get people connected in the most productive ways possible. From a website, people can stay in contact through their Pocket PC, cell phones and have the latest mission critical data and information anywhere and anytime.

"Developers in the Caribbean are more than capable of creating these new applications - we are just providing the tools to make this possible," he added. ■

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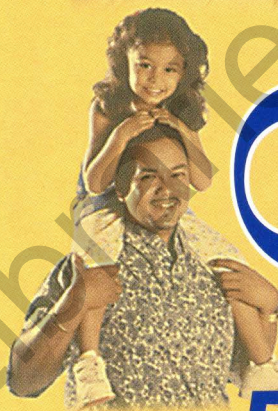
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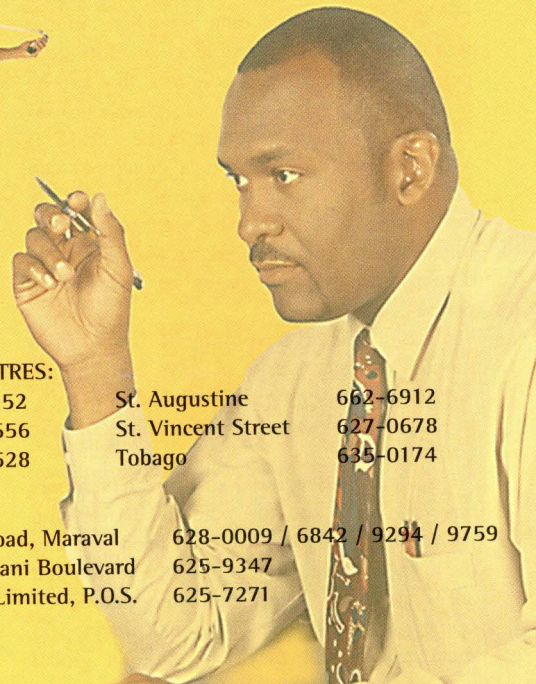
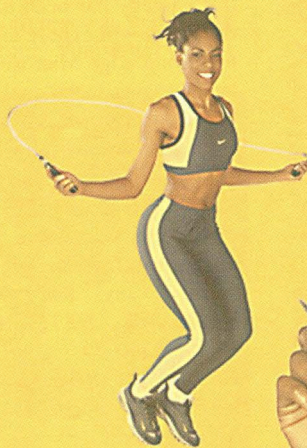
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Tech sector to fuel regional growth

SPECIAL REPORT
BizTech 2002



RBTT Bank's promotional robot RBTT-1 took the spotlight at BizTech 2002

with creative and customised business solutions.”

He said the organisers should be congratulated on their initiative in bringing this conference to fruition and providing a cohesive private-sector response to global realities.

“As business executives with a drive to succeed and deliver, we are constantly seeking potential business allies, innovative methods of conducting business, and an enhanced customer base.”

Recognising the value of technology in advancing business activity, now and in the future, he said RBTT welcomed any opportunity to play a more active role in demonstrating how technology can enable businesses to compete more effectively in this new age of globalisation.

“Globalisation is today’s reality and as Caribbean people, we must identify and embrace the opportunities, always in pursuit of initiatives that enhance the integration agenda and ensure that there is an equitable balance in the allocation of resources.

“Under the RBTT brand, we are bringing together the people who work for the Group throughout the region into a common culture, aligned under a common vision. This mammoth undertaking would be impossible without espousing and accessing all the relevant options technology has to offer.

“As Caribbean businesses have been researching and testing new ways of enhancing their own competitive edge in this global playing field, advances in technology continue to play a greater role in our future business successes. “Emerging communication technologies have changed, and continue to change, the way we do business, and it is incumbent on all of us that we understand these changes.

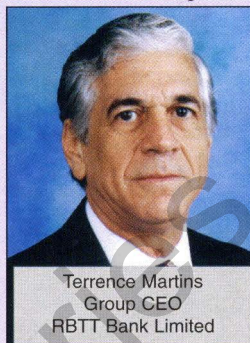
“It is no secret the extent to which these conferences stimulate constructive activity and cooperation in commercial enterprises,” he added.

Months of elaborate designing in preparation

for a dynamic display at BizTech 2002 culminated in an exhibition in which RBTT-1 stole the spotlight with high-tech maneuvers.

RBTT-1, a state-of-the-art robot offering information on RBTT’s products and services, was an integral part of the bank’s futuristic booth. The booth displayed a wide range of credit and debit cards and offered giveaways related to a card product quiz. RBTT’s additional products were showcased via interactive CDs and other state-of-the-art technology.

BizTech 2002, with its “Welcome to the Future” theme, highlighted the role of technology in enabling regional businesses to compete more effectively in the global arena.



Terrence Martins
Group CEO
RBTT Bank Limited

Brian Stollmeyer, Chairman of BizTech 2002 organizing committee described the business technology forum as the “first really serious business-specific event of this magnitude ever held in the Caribbean.”

The conference attracted nearly 10,000 local and regional visitors over the four-day period and included presentations from all Caribbean countries including

Cuba. New technology and business products were also exhibited from businesses based in Canada, the United States, the Far East, South and Central America.

Following on the heels of the Building Industry Trade Show (BITS), BizTech was the second successful business conference hosted by Events Caribbean in less than a year.

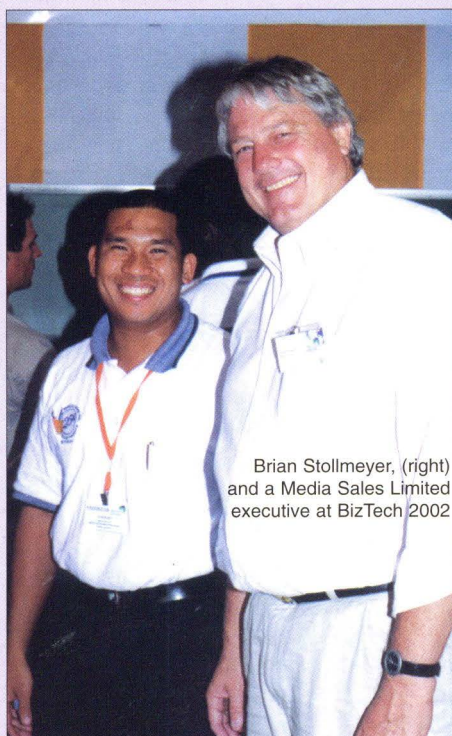
Stollmeyer said that plans are already being made for the second BizTech conference which will be hosted in the second quarter of 2004. ■

Emerging communication technologies have changed the way we do business in the Caribbean and it is important to understand these changes to take advantage of new opportunities across the region, says RBTT Bank’s Group CEO, Terrence Martins.

Speaking in October at the opening of the Caribbean Business Technology Conference, BizTech 2002, Martins said as the largest indigenous bank in the region with a presence in 11 jurisdictions, they would welcome opportunities to use technology to break down barriers (whether perceived or actual) which hinder regional trade.

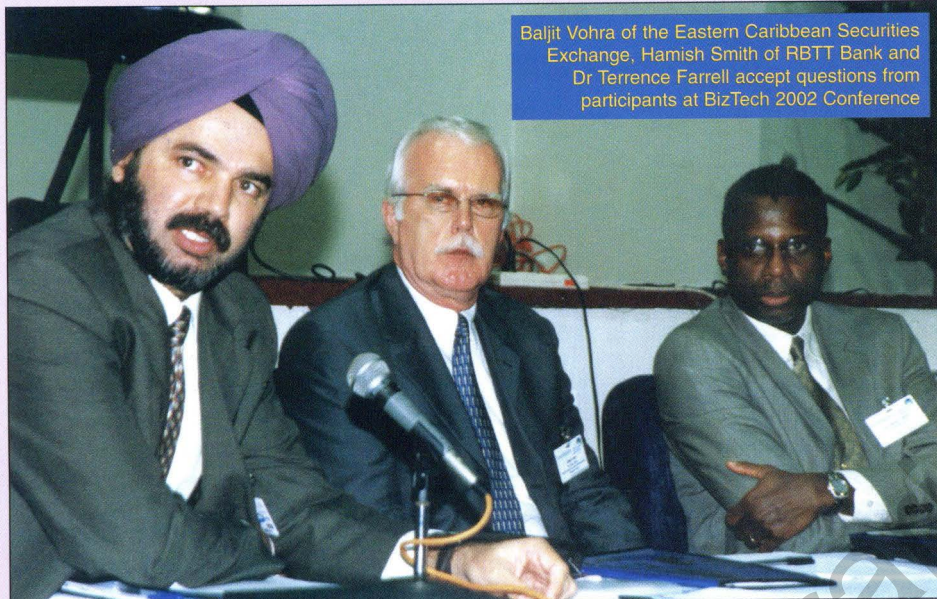
He said the bank has supported the conference because it identifies strongly with the goals and regional aspirations of the bank. It provides a framework and an enabling environment for innovation, increased competition and sustainable development for high tech, as well as other private sector firms in the Caribbean.

“At a more fundamental level, however, we at RBTT believe that we share a common vision with symposia such as BizTech - a vision that seeks to support and promote regional trade,



Brian Stollmeyer, (right) and a Media Sales Limited executive at BizTech 2002

Caribbean slow to adopt online banking



Baljit Vohra of the Eastern Caribbean Securities Exchange, Hamish Smith of RBTT Bank and Dr Terrence Farrell accept questions from participants at BizTech 2002 Conference

Caribbean households have been slow to adopt new on-line banking and financial services technology, as early predictions of large scale adoption are not being realised, says Dr Terrence Farrell, Group Executive Director at Guardian Holdings Limited.

He said home banking via the internet is institutionalised in some developed countries, but the services are still limited and the technology has not had the predicted degree of market penetration.

"The development of these technologies and the concept of 'Business Process Re-engineering' which was supposed to facilitate these new technologies in our businesses and homes in the late 1980s and early 1990s led to intense speculation about future business services - but market response and the return on investment have been slow to materialise.

"Commentators had predicted the demise of bank branches and their relocation to shopping malls, the elimination of financial intermediaries, like brokers, as customers interface directly with providers, as well as the increase in home banking."

He said there were also predictions of the elimination of cheques and eventually cash, as the 'electronic purse' became pervasive as banks outsource some parts of their value chain - especially the back office functions. This will facilitate a faster, more efficient service to customers.

"The reality is that the rate of growth of bank branches has slowed significantly, but banks continue to invest in 'bricks and mortar,' as well as in their automated teller machine

(ATM) networks, remote access facilities and other ways of relieving pressure on the banking halls.

"Online stock trading has also become institutionalised through the efforts of intermediaries such as E-Trade and Schwab. However, market volatility has exposed the limitations of this form of trading in situations where speed in effecting transactions is essential."

He said although there has been some consolidation, financial intermediaries have far from disappeared. Direct customer access has happened, but the degree of market penetration has also been below predictions and traditional insurers have defended their market space by creating their own direct writing subsidiaries.

"In the Caribbean, credit and debit cards have reduced the use of cheques, but although the rate of growth has slowed, cheques are a long way from being eliminated.

"New and expensive applications have been built using new technology platforms that exploit larger and cheaper databases, with faster and wider networks. However, the implementation of customer relationship management (CRM) applications in the Caribbean has not proven to be either easy or always value adding.

"Even on a global scale, outsourcing has grown in some industrialised countries, but at nowhere near the rate predicted by commentators. There have been a few attempts at outsourcing in the Caribbean especially in Jamaica, but it is safe to say that there is still considerable skepticism among institutions on

this opportunity."

Farrell said there are opportunities for applying advanced technologies in the financial services industry in the Caribbean, but a serious limitation has been the small scale of Caribbean financial institutions. This can be solved by acquisitions and consolidations, but it will only leave the opportunities for using these technologies to the larger players.

The high cost of telecommunications has also been a major hindrance, not only for the company deploying the new technology but also for the consumer. If the cost of accessing the technology or the reliability of their connection is poor, customers will not realise the benefit. This has impacted on customer acceptance and their willingness to pay for the new service, he added.

"Despite the low response to Internet banking and online financial services in the Caribbean and many parts of the world, the growth of Internet-based finance has been identified as the strongest trend in global banking today," says Larry Howai, Chief Executive of First Citizens Bank, Trinidad. He said the Caribbean stands to benefit from this trend in significant ways, "as the use of the Web has already increased efficiency and reduced operating costs, and could prove to make a major contribution to banks' profitability when its use becomes more widespread by service providers and customers."

Already, it is cheaper to acquire new customers and manage their assets on-line compared with traditional channels, he added.

"Before the decade is out, retail-banking customers will be able to do most of their banking transactions on the Internet.

"Online retail banking is being driven, among other things, by lower operating costs, the ability to offer new services and the greater facility it provides to carry out one-to-one marketing.

"Corporate banking also benefits from Internet banking applications through online inquiry and transaction services, the facilitation of more tailored products, the ability to provide more niche products and faster response times.

"But, the risks of e-finance have not yet been fully documented," he said. "Internet banking does expose banks to certain risks that are still being assessed. Financial data is very sensitive and any person or business transmitting such data would have a legitimate expectation that only the intended recipient would be able to

...a serious limitation has been the small scale of Caribbean financial institutions...

read it.

"In practice, this is not always the case, even though encryption processes may have been used.

"Unless strong encryption is used, brute force attacks can successfully break it."

In addition to breaking encryptions, the ability of hackers to steal customer and financial information from merchants' web sites can further erode confidence in e-banking.

"For electronic banking to be attractive to consumers and businesses, it should not only save money, but also provide trust and confidence to its users. This can only be ensured over time."

Howai said First Citizens Bank has been the first and arguably the only bank within the Caricom area to launch an Internet Banking service. This achievement has only been possible because of its real-time banking and transaction processing system, as well as access to the supporting telecommunications infrastructure within the country.

"The cost of purchasing the technology and the expertise that goes with it is very high, and small banks will have difficulty in meeting the price tag. In addition, from access to inexpensive and reliable telecommunications, the educational infrastructure to deliver electronic access to its population and encourage its use must also be in place.

"Caribbean integration must, therefore, become a firmer reality for the region to progress, otherwise the larger financial institutions from the developed world will soon become the dominant players."

Howai said in terms of government's role, the legal infrastructure to facilitate e-business must be urgently addressed. Most Caribbean countries lack this legal framework. One of the most important of these is the legitimising of e-signatures.

"In June 2000, the United States introduced the Electronic Signatures in Global and National Commerce Act (E-Sign Act), making digital signatures legally binding. In November 2001, Argentina did the same and in January 2002, Germany's Government approved the wide scale use of digital signatures in public administration. The Caribbean is still a long way behind."

He said despite these considerations, any Caribbean business that fails to enhance its prospects through the effective use of technology such as the Internet is ultimately a higher business risk for its shareholders, its customers and for its bankers. While the higher risk may, on the surface, be translated into higher charges, there are many hidden costs associated with the increased business risk. These hidden costs include higher prices to the consumer and the reduced ability to respond to product and other market changes.

The cost of this additional risk is too great to be ignored, he added. ■

Region must deal with US trade deficit

The Caribbean must set a goal of balancing its trade deficit with the United States within two years, as a first step to achieving global competitiveness and sustainable social development, says James Moss-Solomon, Chief Executive Officer of Grace Kennedy, Jamaica.

"We need to become competitive and we need to do it fast - before the Free Trade Area of the Americas (FTAA) and the World Trade Organisation (WTO) requirements come into effect or we will not be able to catch up," he said.

"We must tap into the vast groups of Caribbean peoples who live in North America and Europe and use them as the catalyst to get our products into these markets. Conservative estimates put the number of people with Caribbean roots abroad at more than 5 million.

"We must use this advantage and find a way to target these people abroad and get their support for our productive enterprises, rather than just sending money back home to their families.

"Our families living abroad are our assets and we must involve and encourage them to become our partners in developing our industry and our markets."

He said this strategy sounds simple and it has been attempted by individual businesses and government agencies, but several things must be in place for the strategy to be successful.

"The first prerequisite is to establish a single common stock exchange that is modern and efficient. The delays we have been seeing and the new schedule for getting these markets together is entirely unacceptable. We must lobby our governments and get the political will in place to achieve this important objective.

"There is no depth to our stock market and a lot of our investment money is going abroad because the options available in the region are inadequate. Additionally, there are many businesses that need investment and equity funding, but do not have access to the formal economy to raise funding through venture capital and joint ventures.

"Secondly, we need to direct much of the region's savings towards production, rather than consumption.

"Jamaica has more than US\$2 billion invested in annuities, government treasury bills and

other forms of securities that are earning minimum returns and are not contributing to production. Money is needed to retool many of our industries, adopt new technology and for training our citizens to deal with the new global environment.

"Corporate Caribbean needs to develop more of its own brands - brands that can have international appeal. We must identify international partners to launch joint ventures to service the needs of our niche markets that appeal to Caribbean peoples living abroad - and over time expand our reach into the more mainstream markets.

The markets in the major North American cities with significant Caribbean populations such as New York, Toronto and Washington are so large that even if we get access to a small percentage of this market we will still be

in a very good position.

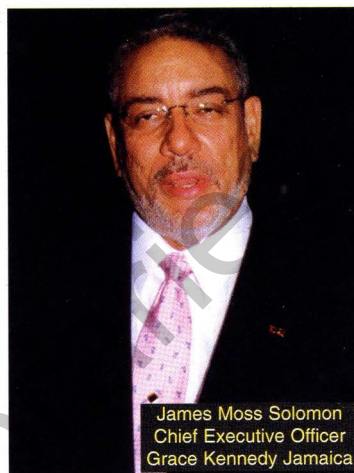
He said for a company like Grace Kennedy to target the industrial markets, we have to improve our productivity and competitively produce four or five products that are more relevant to the new global environment. We cannot expect to export the wide range of products we currently produce and market in the Caribbean.

"Grace is still small when we are compared with Unilever and Procter & Gamble," Moss-Solomon added, "but the difference is that we should be moving forward using the resources of the entire region behind us.

"By offering a few strategic products, we will be using raw material from several islands, with production in a different island and packaging from a third country. We can use countries that have a competitive advantage in their field, so by the time the product reaches to market we will be in a position to effectively compete with the advantages we have acquired from the entire region."

Business in a global environment does not know boundaries and we cannot afford to wait until negotiations are finalised in the WTO or the FTAA to make our moves or put policies in place, he added.

"We need to position ourselves now in preparation for competition, as well as to deal with the issues which will arise when we simultaneously open our markets to our competitors." ■



James Moss Solomon
Chief Executive Officer
Grace Kennedy Jamaica

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Hotels must invest more in training & technology

Caribbean hotels must invest more in training, says Hilton Trinidad's General Manager, Ali Khan. This is the only way the hospitality sector can empower workers to become more competitive in the new knowledge-based global environment.

Speaking to participants at the Caribbean business technology forum (BizTech) held in Trinidad in October, Khan said organisations of the future - particularly those in the hospitality sector, must engage customers and create unique, tailored experiences that engender loyalty and enhance their brand. Using technology across multiple channels to drive loyalty from their most profitable and best customers is the only way to build seamless relationships with customers, he added.

He said technology has made it possible for the hospitality sector to become consumer-centric, and as more information is gained about customers, the more seamless the services of hotels and resorts must become.

"From consumer touch point to reservation, and from reservation to fulfillment, all these processes can help us to build and enhance our customer relationships."

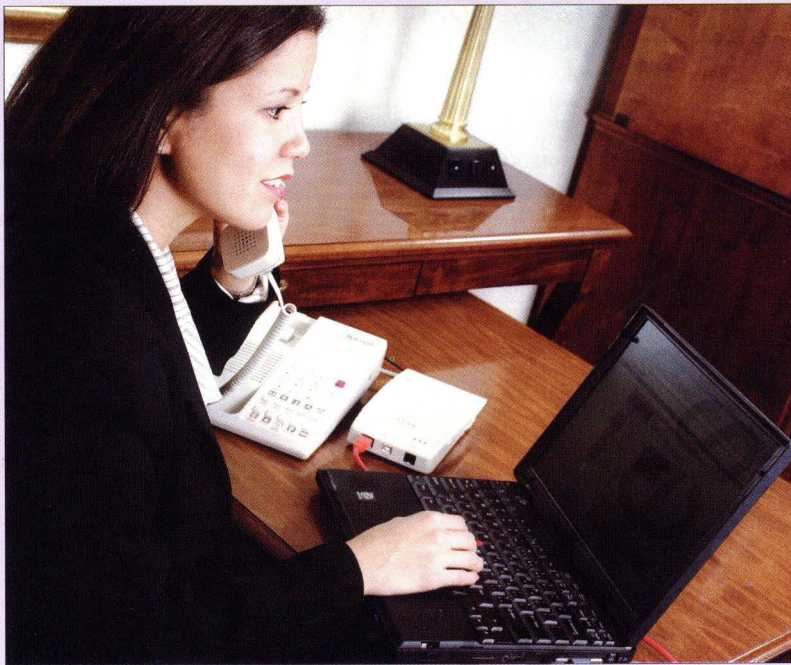
"Customer-centric also means we present a single personality to our guests. The guest should know what to expect, no matter through what channel they contact us.

"The reality in the hospitality industry in the Caribbean is that, although on the operational level we can be very 'guest friendly,' the true meaning of consumer-centric is often not bought to the internal processes of the organisation.

He said the industry is good at customer profiling in terms of collecting the required data. "Where we fall down however, is how we use the data.

"Not so long ago, the hotel conferencing industry feared that new communications technology, such as video conferencing would negatively impact on the number of corporate meetings and conference bookings. The fact, however, is that the number of bookings continues to grow from year to year."

Rather than eliminating the need for corporate meetings, enhancements in communications technology have enhanced the content, effectiveness and relevance of these services to corporate clients.



He said the demand for connectivity in meetings is increasing everyday and customers want the same facilities they have at the office. "The greatest need for today's meeting planners is the ability to link a meeting room in a hotel with an office back at the firm. Simultaneously, high speed data links are allowing access to information stored on the firm's intranets.

This also allows features, such as teleconferencing, to be more easily incorporated in a meeting or training seminar.

Khan said the opportunities that new technology provides go far beyond the immediate cost savings. Significant measurable incremental returns can be achieved when new technology is used to strengthen the consumer relationship.

"Hotels have traditionally been conservative and were reluctant to use technology in any shape or form. It is obvious that the sector must go further to catch up with other sectors and their global competitors in terms of external distribution and bookings on the internet.

"New websites help increase hotel revenue and occupancy levels by providing visibility and exposure through a variety of distribution channels. All this technology is aimed at driving users to book rooms, and the travel industry is undergoing significant changes thanks to these new technology-driven opportunities."

He said both new and established service providers of the travel and hotel services industry base their business on communication links and bookings with suppliers.

"Currently this communication is largely conducted through adolescent technology which is costly and a less efficient use of resources.

"The emergence of new internet-based service providers and the rapid adoption by competing destinations will force us to rethink our systems and consider lower cost and more efficient platforms for distribution and booking.

Today, hospitality companies are giving as much thought to high tech, as they are to the new 'high touch' factors.

Khan said customers are demanding more sophisticated, yet easy-to-use, technology in hotel rooms and it is influencing their reservation decisions. He said, at the Hilton, the need for other innovative features and services are driven by the service expectation and

lifestyles of their guests.

He said as the internet rolls ahead at break-neck speed, nowhere does the technology have greater potential for the hospitality industry than in the areas of education, research and training.

In the past, hotels relied on classroom training sessions, videos and operations manuals to relay information and education to their employees. Now, the internet is on the brink of revolutionising the way hotels deliver information to employees.

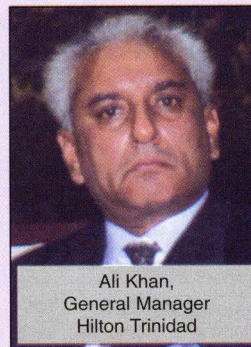
Education delivered via the internet does not lessen the impact of the education.

In fact, it can enhance students' experience, as they can now interact with their counterparts around the world.

In terms of back office operations, providing on-line single access terminals can centralise all aspects of multi-property hotel operations, by uniting property management, reservations and procurement with real time room inventory, guest relationship management and reporting tools.

"These solutions put owners and operators in touch with their staff, suppliers, and travel professionals, via a universal database.

Properties can be managed remotely, to increase productivity and minimise costly mistakes, while leveraging the power of real time information to control costs. ■



Ali Khan,
General Manager
Hilton Trinidad

Total Finance to double profits by 2004

With an ambitious strategy to expand its human resource and branch network to aggressively pursue new high-end individual and corporate business, Trinidad-based Total Finance Limited plans to broaden its investor base and double profits by 2004.

Despite a relatively small asset base of just US\$12.3 million the firm has been consistently outperformed its larger competitors over the past five years by offering higher returns on deposits and better return on assets. Total Finance also boasts one of the best performing institutional equity portfolios on the local market, under its investment team chaired by Managing Director, Gene Montrichard.

"Being small has its advantages and we have been capitalising on this to fuel our growth over the years," says Total Finance's new General Manager, Roger Henderson.

"We can respond faster to customers' requests - often they get a response on the spot as our personal interaction puts us in a better position to evaluate our customers' business proposals. "On the other hand, in a larger institution, you still have to undergo the long bureaucracy and approvals process - despite meeting all the bank's requirements and showing a track record as a good customer."

The bulk of Total Finance's business is generated by consumer loans and trade finance operations. The company will continue to expand its successful private banking, equity portfolio management and project financing business.

"We can also work with a narrower spread. As a non-bank financial institution, we do not have to make the tremendous investment in commercial banking halls, the technology to clear cheques, electronic transactions or back office operations as commercial banks.

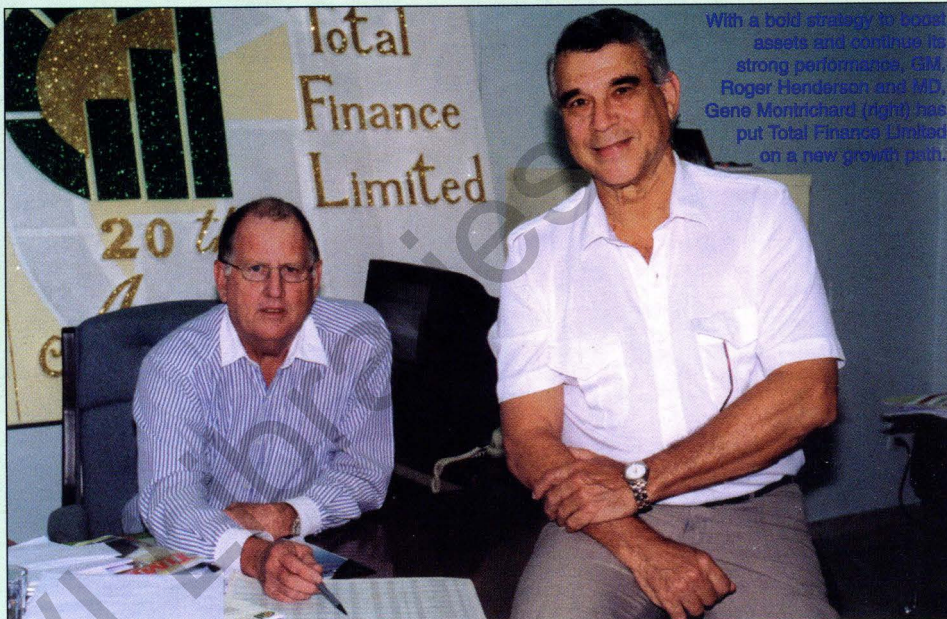
"The statutory deposit for non-bank intuitions is also about half the requirement for commercial banks, so we can use more of our money for investing and income generation.

"For a commercial bank, profitability is driven by increased volumes. Finance houses, however, are in a position to pursue quality investments that have longer term maturities. "For high-end depositors, non-bank financial intuitions can provide a better managed and personalised investment portfolio, so we could reduce our costs and provide much better customer service.

"Because of this option, almost all non-bank financial intermediaries offer higher returns on deposits than commercial banks - and all deposits are covered by the deposit insurance fund."

Total Finance's strategy for growth over the next five years is to go back to its core business, recruit new clients and embark on a promotional campaign to educate investors and savers of the new options that are available.

"I would admit that although Trinidad's non-bank financial institutions had a stormy past, they now represent one of the most secure,



With a bold strategy to boost assets and continue its strong performance, GM, Roger Henderson and MD, Gene Montrichard (right) has put Total Finance Limited on a new growth path.

forward thinking and best regulated intuitions in the Caribbean," says Montrichard.

Formed 20 years ago by a group of business partners pooling their resources to invest the TT\$800,000 required to meet the minimum Government requirements for starting a non-bank financial institution, Total Finance was established on the eve on the stormiest period for Trinidad's financial services industry.

Without proper regulation and oversight by an ill-equipped, under-funded government department without adequate legislative power, financial intuitions were allowed to virtually invest in any project they choose - as well as their own subsidiaries and projects, without established prudential guidelines.

Although the return on deposits was listed as high, so too was the risk to individual investors. In addition, there was no plan for protecting investors, if projects failed. Between 1983 and the introduction of new guidelines and regulations for the financial sector in 1995, several weaker and more poorly managed financial institutions closed their doors or were consolidated.

Starting with the failure of International Trust in 1983 - one of the country's most successful

finance houses, confidence in the sector reached an all time low, as other intuitions soon followed. It culminated with the closure of three government-owned commercial banks, namely Workers' Bank, the Credit Union Bank and the National Commercial Bank. The impact on the financial system continued to spread.

These intuitions were eventually bailed out by government and their assets were consolidated to form the First Citizens Bank.

Although the Deposit Insurance Fund and the Financial Services Act were too late for those institutions, their introduction is now generally recognised as the strength behind the grow-

ing influence of Trinidad and Tobago's financial services sector throughout the region.

"If these measures were in place in the early 1980s, many intuitions, such as International Trust, BCCI, the National Commercial Bank and the Credit Union Bank, would not have fallen."

Montrichard said, however, that if nothing is done soon to get this type of rigorous regulation in place for the local credit union and cooperative movement, the financial services industry will soon be facing a another crisis.

"Meeting prudent financial targets, investing in training and upgrading the skills of investment managers, providing insurance coverage for depositors, as well as making minimum statutory deposits, are all important for fostering confidence in the financial system.

Because of this rigorous regulatory framework, the likelihood of an intuitional collapse in the financial services sector that is regulated by the Central Bank is now very remote.

"Financial intuitions are almost always being audited. There are internal auditors, external auditors, auditors for the financial statements, as well as government auditors from the Ministry of Finance and the Central Bank,

Contractors call for review of Tenders Laws

Advancing technology, a growing backlog of government tenders awaiting approval and concerns about transparency in the awarding of public contracts have fuelled calls for a review of tendering laws across the region.

Public tendering for contracts is the only way governments can ensure transparency and value for their investment in public works, but legislation must be updated to take advantage of new technology and the increasing number of requests being made on these agencies, says regional construction experts.

Speaking to participants at the regional business technology forum 'BizTech 2002,' Managing Director of Exeqtech, Michael Paty, said that with current resources, it is impossi-

who visit several times a year."

Since then, the liberation of the financial services industry has provided the basis for the growth and regional expansion of Trinidad's financial services companies, but there has not been the growth in investment opportunities locally, or even within the region, to use this excess liquidity," says Montrichard.

"The local stock market is saturated and much of the money has been flowing out of the country and the region to investment opportunities in North, Central and South America, when no adequate opportunities exist in the Caribbean.

"This is particularly true for blue chip investments from pension funds and high worth customers, as publicly listed stocks on the local and regional markets are only marginally traded. For Trinidad, the establishment of a new administration, prospects for government continuing its Public Sector Investment Programme, as well as new opportunities in the energy sector have provided some new opportunities for investors.

"We are preparing for when the time money begins to come back home," says Montrichard.

"We have strengthened our organisation to play a more active role in raising investment and funding for new projects. We also have the skills set to tackle complex projects that require special financing arrangements such as projects in the energy sector and major public works or construction projects.

"As the rate of interest continues to fall, our cost of funds has also fallen. This makes more projects viable, and we must get involved in quality projects that will provide strong, secure investment opportunities that will fund our growth and enhance the return for our investors." ■

ble for Tenders Boards in many Caribbean countries to deal with all the tendering requirements for local and central governments.

Exeqtech, a leading regional project management firm, has provided management services for several high profile public works projects around the Caribbean over the past few years, including the US\$200 million Piarco Airport Project and the construction of four new stadia in Trinidad.

Paty said local Tenders Boards should take on the role of regulators or an agency with the power to oversee and enforce best tendering practices within their territory. The Tenders Board should establish the guidelines for tendering for government projects, rather than be the agency actively accepting tenders for all state projects.

With the growing backlog of tenders to be handled by these Boards, many projects continue to be unnecessarily delayed. Over the years, this has cost many regional governments valuable time, money and lost opportunities.

In addition, Tenders Boards have not been consistent in their procedures for handling public tenders, he said.

"Often we see a change in tendering procedures, requirements and documentation with the appointment of every new board. This does not go well for fostering confidence in the tendering procedure and can open opportunities for corruption and manipulation of the system.

"Tenders Boards should assume the role of oversight, allowing the decentralisation of government tendering to the various agencies and local government departments. The Board should provide the guidelines for tendering that all agencies must follow and have the power to sanction individuals and corporations that breaching these regulations."

He suggested that Tenders Boards should follow the pattern set by the Inter-American Development Bank, which has published a rule book for tendering for projects funded by the Bank.

"There are clear guidelines that must be followed before funds are released, including provisions for appeal and sanctions if the rules are not followed."

He said Caribbean organisations have grown to become quite competitive and have been successful at winning contracts for large projects that were previously handled by multi-national corporations.

"As this trend grows and more transparency is being demanded for trade, access to internationally funded projects and multi-national negotiations, the region must get accustomed to operating in a globally competitive environment, say James Moss-Solomon, Chief Executive Officer of Grace Kennedy, Jamaica. "Soon with the enactment of WTO and the FTAA rules, special interest groups will lose the ability to manipulate tendering procedures,

as membership in these trade grouping will require updating regional laws to meet the best practices used abroad.

"This will mean that foreign contractors will have access and can bid for local contracts and we can bid for foreign contracts as well - and the same requirements will have to be met for transparency and competitive bidding, as local projects will soon fall under the same scrutiny," he added.

The region must transform its business operations from a predominantly family

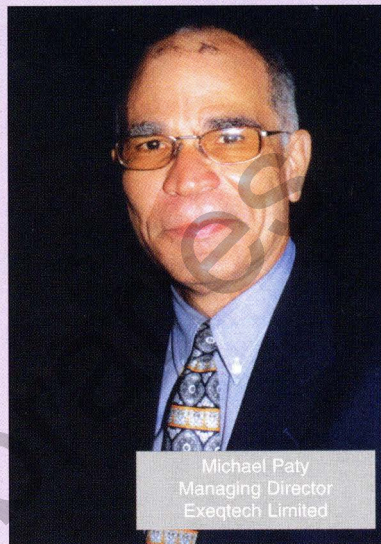
ownership structure to a corporate structure, where they can more easily access equity funding to adjust to this new dimension of trade, investment and global competition.

"We equate equity investment in the Caribbean with borrowing money and it puts our businesses at a disadvantage when we begin to compete on the global stage where access to funding by our competitors is more flexible.

"Jamaicans and people around the region do not consider it to be an investment when they take their earnings and put in back into their business. For us, RBTT's move is seen as Trinidadians buying out the country when they invest in Jamaica, but Donald Trump is seen as a foreign investor and is welcomed with open arms.

"We need to look at the whole concept of investment differently," he said. "How would a foreign investor feel coming into a market where local businesses are not investing as well.

"We must identify companies with the best practices across the globe, evaluate our position and look at upgrading our plant and equipment, as well as investing in our human resource, new technology and develop a strategy for becoming world class competitors," he added. ■



Michael Paty
Managing Director
Exeqtech Limited

Scotia / Magna to cover the Caribbean by January 2003



Scotiabank MD, Richard Young, thanks Economist & Researcher, Mary King, as she unveils the new Magna credit card. Mike Parris of Magna Rewards looks on.

By December 2002, the MagnaCard Rewards programme expects to attract more than 500,000 users in the southern Caribbean with an annual buying power of more than US\$350 million, says Mike Parris, Director of Magna Rewards.

The new consumer loyalty programme was launched together with the new Scotiabank Magna MasterCard in Trinidad in October by their regional corporate partner Scotiabank.

Parris said MagnaCard, which was first introduced in Barbados six years ago by the island's point-of-sale electronic debit card processor, will be rolled out to all the major markets in the English-speaking Caribbean including Jamaica, the Bahamas, the Dominican Republic and the Eastern Caribbean by January, 2003.

With the plan to handle data processing for St Lucia, Jamaica, Barbados and other regions from their hub in Trinidad, the facility was already handling more than 5,000 transactions daily before it was officially launched.

"More than US\$1.5 million in sales have already been spent at retailers and our projections are already ahead of budget in just the first 10 days of operation. This activity is expected to grow to about 10,000 transactions per hour at peak times, when the programme is fully adopted.

Parris said as a major corporate partner, Magna has spent three years interfacing with Scotiabank's MasterCard environment to ensure that Magna points can flow directly into the card holder's account when they use the card.

"The ScotiaGold MasterCard, which was ranked number one by a Trinidad and Tobago Ministry of Consumer Affairs Credit Card

Survey, targets customers who require larger credit limits. The interest rate on this card is the lowest on the TT market and offers a 1 percent rebate on purchases," says Scotiabank Trinidad's Managing Director, Richard Young.

"However, our standard MasterCard, which we have often referred to as being 'plain vanilla,' only because there is no reward programme linked to it, will now become one of the most attractive in the industry - particularly when it is used with the Magna Card.

"Our intention has always been to improve our standard MasterCard, and for some time we have been looking for a programme that would offer value to our standard cardholders.

"In our search, we came across several loyalty programmes on the market that offered miles or points, but we quickly realised that most consumers generally do not get value from these due to restrictions, high minimum requirements, etc.

"What we wanted was to differentiate ourselves and deliver realisable value, and we were able to do that with our partnership across the region with the Magna Rewards Programme."

The Magna MasterCard was launched last year in Barbados, in Trinidad in October and St Lucia in November. It will be launched simultaneously in Jamaica when the Magna

Reward programme is introduced in December.

"The Scotiabank Magna MasterCard is an international credit card, which will issue Magna points on all retail purchases - 1 percent on local transactions and 0.5 percent on any purchases made abroad," says Ingram Bain, Manager - Retail Services at Scotiabank. "Magna MasterCard holders also have the added advantage of being able to earn extra points, in what is called 'double dipping.' That is, by using a Magna MasterCard to pay for purchases at a Magna merchant, a cardholder can earn points from the merchant, as well as from Scotiabank.

The flexibility and ease of use of the Magna Rewards programme also allows each merchant to offer specials and exciting promotions as often as required by giving customers bonus points during sales and promotions. And, if a Scotiabank Magna MasterCard is used to make the purchase you can earn an additional 1 percent worth of points.

Scotiabank is the only financial institution participating in the Magna Rewards programme and points will be issued for purchases both locally and abroad.

"What attracted us was the potential of the programme. There are no restrictions in purchases, it is simple to use, there are no blackout periods and a family can pool the rewards from their purchases into one account so they all benefit from using their Scotiabank and Magna Cards.

"Since the launch there has been a 13 percent increase in the demand for our new MasterCards and we expect that growth to increase - particularly as we approach the Christmas season."

He said existing standard cardholders can easily upgrade to the new card without reapplying for a new card by contacting their local Scotiabank branch. New applicants in Trinidad received 750 bonus points (valued TT\$75) when the new loyalty programme was launched. Similar offers have also been made to new Scotiabank Magna Card applicants in other territories.



Ingram Bain
Manager Retail Services
Scotiabank (TT) Limited

By November there were more than 40 merchants or retail chains at approximately 400 locations in the southern Caribbean including KFC, ESSO, various supermarkets and clothing chains, etc, and some 250,000 persons who have already received their free Magna Card. Magna points can be redeemed at Magna merchants across the region or for travel on any airline or cruise liner. ■

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Caribbean must reinvent its tourism product

The Caribbean has lost its advantage in the global tourism markets because the islands still consider each other as competitors and have not been communicating on developing our regional tourism products, says Bahamas Prime Minister, Perry Christie.

Christie said that as he listened and looked around the region, he is still not convinced that member states understand that Caribbean 'reinvention' must take place urgently.

"While we were debating the merits and demerits of tourism and sorting out the differences between service and servitude, our competitors jumped in 'feet first,' and created not only the world's largest industry, but also the world's most competitive industry," he told more than one thousand delegates and local officials gathered at Our Lucaya Golf and Beach Resort for the opening ceremony of the Caribbean Tourism Organisation's 25th Annual Conference in October.

"From Cuba to China, from New York to

Hong Kong, from Disney to Universal Studios, the competition for visitors has never been tougher."

He said that if the Caribbean believes it can successfully compete with the new tourism giants with the same inattention and benign neglect as it has done in the past, it will find that it will be run over, despite being on the right track.

Emphasising the need for new approaches, beginning with creating 'the Caribbean,' Christie noted that regionally, the Caribbean is only created at conferences, and there is little contact between meetings and little collaboration outside of the conferences, thus there is very little exchange of ideas.

"If the definition of madness is doing the same things over and over again, while expecting a different result, then we are mad in this region," he stated. "Mistakes made in The Bahamas are repeated in Jamaica, in Aruba and throughout the region."

Prime Minister Christie further pointed to the fact that no two countries pay the same price for the same advertising space in magazines, newspapers, television or radio spots.

"We do not collaborate enough in our region on those things that will save our treasuries much cost and make our efforts much more effective and efficient." He made a strong case for regional destinations to work as a single body for the improvement and survival of the tourism sector, and to stop seeing each other as 'mortal competitors.'

"There can be no reinvention of Caribbean Tourism without our daily intent to cooperate," Christie said in reference to the theme of Reinventing Caribbean Tourism. "I am not speaking about giving away national trade secrets, such as there may be in tourism, I am speaking about eliminating waste and wasteful pursuits."

He stressed that not only should all the sectors of the industry be involved in the exercise, but cross-sectoral collaboration was imperative if the reinvention of Caribbean tourism is to be successful.

He made particular reference to the various regional carriers which, he said, failed to harmonise air services to the various countries even as they continued to lose money.

"Where are the coordinated route planning meetings between the carriers of the Caribbean?" the Prime Minister asked. "I promise you, there can be no reinvention of Caribbean tourism without the simultaneous reinvention of Caribbean air transportation."

He called for a reinvention of "our understanding of our product" which he described as everything between the time the visitor con-

tacts the tourist office to the time that visitor returns home.

"Reinvention requires us to stop believing that our tourism job is finished when the visitor arrives in our country," the Prime Minister stated, adding that tourism is the one industry in which all of the people and the government ministries of the country are involved.

He pressed for educational programmes to encourage improved service and national awareness. He said the improved product must be a collaborative effort of the public and private sectors, as no amount of promotions can erase a bad experience reported by a visitor.

He suggested that reinvention of the Caribbean demanded a full embrace of technology and the Internet, noting that websites must be the most reliable sources of information for tourism partners and customers.

He said that more should be done to attract the best minds to the tourism industry or the region will fall behind in the world's largest industry.

"We continue to allow our primary industry to be the industry of last choice to our most skilled citizens," he stated. "Yet we continue to lament the incursion of large numbers of expatriates in top positions of our industry. And, we continue to wonder why so much of our cuisine and culture are never placed in front of our visitors.

"I promise you that the best of our talents can compete with the best of the world, and the best of our talents can deliver visitor experiences that you and I only dream about."

Christie said no region in the world is more dependent on tourism than the Caribbean for wealth and job creation, thus, efforts must be made to bring the best people forward to shoulder the task.

"The tourism that we need to reinvent has to be about satisfying and growing the wealth of our people, satisfying and ensuring the prof-

If the definition of madness is doing the same things over and over again, while expecting a different result, then we are mad in this region.

...Bahamas Prime Minister, Hon. Perry Christie

itability of those who invest in our industry, and most of all, satisfying and ensuring that our visitors recommend us to their friends and relatives."

After boasting of what the Caribbean already has, including the best music, cuisine, art, beaches, flora and fauna, he noted that all the region needs is the world's best access, best vacation experiences and best departure from the destination.

"Caribbean countries must find ways to efficiently and effectively invite visitors, with a common Caribbean voice, in addition to the individual national promotions that will and should continue.

"I promise you that if we get the experiences right, the return on our promotional expenditures will increase exponentially and we will move from a region with discounting every day, to a region that is turning people away," he added.

The Caribbean Tourism Organisation's (CTO's) deputy secretary general, Karen Ford-Warner, said tourism professionals need to understand how the region fits into the new global environment in order to find innovative ways to deal with the transformation of the sector.

"We cannot continue to do business as we have in the past and expect to reap the same successes, or maintain and improve our position because we are not operating in the same environment," she said.

"The use of technology is a critical business

tool globally and the tourism industry is well poised to take advantage of opportunities presented by new technology. We have to understand how to use it to position and promote ourselves better," she said.

Traditionally, the Caribbean has been a sun, sea and sand destination, but Ford-Warner said the changes that were taking place in the global environment required that Caribbean tourism officials concentrate on expanding and enhancing the tourism product offerings to include our natural environment, our heritage and the involvement of our communities. "Product development is another area in which we must reinvent ourselves by creating a clear vision for Caribbean tourism going forward and ensuring that every action that is taken towards benefiting the region is consistent with this vision.

"When faced with these kinds of challenges, such as in a situation of unprecedented change, it is crucial that you know how to use that change to your advantage. Along with the challenge of reinventing Caribbean tourism comes the challenge of reinventing ourselves, and we have to approach this new situation by clarifying how we see this industry and how we are going to carry it forward," she said.

CTO chairman and Bahamas Minister of Tourism, Obie Wilchcombe also called for a strong partnership among countries and various sectors of the industry to secure the future of CTO.

"Public and private sectors, governments of every size and level of development, hotels and cruise lines, airlines and travel agencies of every kind, must find a way of working together at national and regional levels in an environment of mutual respect," said Wilchcombe.

The Chairman spoke of "the dramatic and negative impact" that the events of September 11, 2001 and related global events had on the Caribbean and world travel and tourism.

"A combination of poor global economic performance and a continuing sense of international insecurity have conspired to create an environment completely inimical to travel and tourism and a high price has been paid in loss of profits, loss of jobs, loss of revenue and loss of service by every business and sub-sector of the industry," he added.

He said, however, that with "extraordinary and creative effort" on everyone's part, the industry would be rewarded with "a significant measure of success." ■



Bahamas Prime Minister, Perry Christie (left) cheers CTO Secretary General, Jean Holder for urging greater co-operation from tourism stakeholders. At right is Bahamas Tourism Minister, Obie Wilchcombe.

Jamaica plans for second growth year

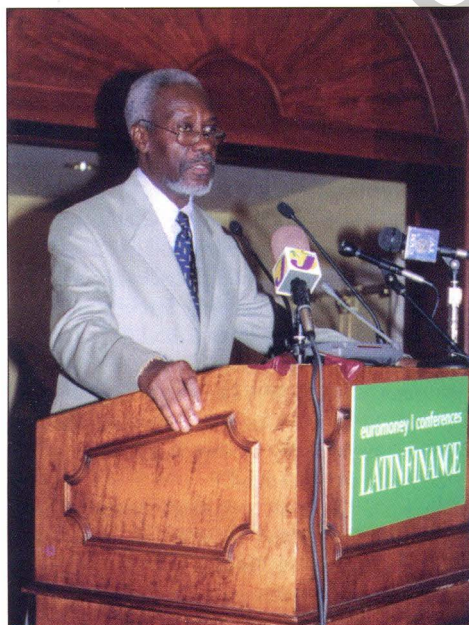


Prime Minister, P.J. Patterson (right) and Jampro President, Patricia Francis speak with a tourism sector investor at Euromoney Forum in Montego Bay earlier this year.

This year will be the second consecutive year of growth for the Jamaican economy since the government started its recovery plan, says Prime Minister, P. J. Patterson.

He said although the delay in buying into the government's economic programme had resulted in some local players missing opportunities, there are still many other options for investing in the island.

Speaking to participants at the annual Caribbean Investment Forum prior to the general elections, Patterson said globalisation and the upcoming trade negotiations pose some challenges for future development, but the process will continue as the country was already benefiting from the effort.



"More still remains to be done. The reform and restructuring plan is still a work in progress. We must complete the task if we are to fully integrate our economy into the global economy and compete successfully.

"The new world will be one based on vigorous competition - without the preferences our producers have enjoyed over the years. Jamaica is also committed to a regional approach to dealing with trade and investment."

He said the region must strengthen its government institutions and broaden its economic base in order to attract more foreign investment. In this context, Caricom is taking steps to create a Single Market and Economy and build a number of strategic alliances as part of its thrust towards the proposed Free Trade Area of the Americas (FTAA.)

"The coming of the Caricom Single Market and the FTAA will present new opportunities and challenges. Both Jamaica and the other countries in the region must prepare for a number of far-reaching trade negotiations that will shape our destiny for the next generation and beyond - but these negotiations will mean nothing if our firms cannot compete."

Patterson said the region must reform its education and training systems in order to deliver graduates that can compete with graduates anywhere in the world.

"We also have to upgrade infrastructure, public administration and our justice system to meet global standards, while reducing production costs and crime.

"We are very excited about the prospects. Even before globalisation became a buzz word, Jamaica produced creative people and products that had global reach, including

Reggae music, Bob Marley, Appleton, Superclubs, Red Stripe Beer, Tia Maria and Blue Mountain Coffee, just to name a few.

"None of these firms, individuals or industries could have become as big and successful as they did, without access to the global market - so I see the process as irreversible," he said.

Apart from opening the economy to global competition, Patterson said his administration has privatised state enterprises; deregulated electricity, telecommunications and the media sector; upgraded infrastructure; liberalised the financial system and modernised the tax system with a view to reducing tax rates.

He said since the restructuring programme was initiated, the local economy has started to awaken.

"Growth has returned to the Jamaican economy. The end of the 2001-2002 national fiscal year will mark the second consecutive year of growth for the economy. Although there was a setback in the latter half of the year, due to some shocks, such as floods and the September 11 terrorists attack in the United States - we will still record positive growth."

He said the growth has been possible because government has been working on stabilising the macro-economy. The flow of foreign investment into the country has also been growing over the past few years.

"During the period 1999 to 2001, we attracted hundreds of millions in foreign direct investment (FDI.) This is the most rapid flow in the history of Jamaica," he added. "Foreign investors have shown that they have great confidence in the management of the country."

"We have recorded five years of single digit inflation, the longest such run since independence in Jamaica. If high inflation is an index of economic ill-health, then low inflation is an indicator of something going right."

The government had US\$1.8 billion in reserves. This, together with US\$1.1 billion in the private sector, means that the country has accumulated its highest levels of reserves in its history.

He said over the past three years, we have seen encouraging new investments, which will also serve to fuel job creation. These include the purchase of Caribbean Cement Company by Trinidad Cement, the Jamaica Public Service Company by Mirant Corporation, Union Bank by RBTT, and Life of Jamaica by Life of Barbados.

New international investments include the Ritz Carlton, Hotel RIU, FDR Pebbles, the entertainment complex in Ocho Rios and Highway 2000.

Highway 2000 will be the first toll highway in the English-speaking Caribbean and will be undertaken by the French company, Bougyues. The project is expected to cost US\$390 million, with Bougyues investing US\$293 million and the remaining funded by a government loan. ■



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