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A STUDY OF CAPITAL MARKETS AND CARIBBEAN TRADE

by Conrad V. Smikle */

*/ The author is presently Director of AGRO-Socio-Economic Research Ltd., a management consultancy firm in Kingston, Jamaica. He was formerly an Assistant Director in the Planning Institute of Jamaica.

This document has been prepared without formal editing. The views expressed are those of the Consultant and do not necessarily reflect the opinion of the Organizations.

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I. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Major Findings and Conclusions:

The major findings and conclusions of the study are:

1. Generally, capital development in the Caribbean is financed largely from loans with very little or no equity. Even in Jamaica where a Stock Exchange exists only about forty-one of the over 200 companies are listed on the Exchange. Indeed most firms either for fear of disclosure¹⁷ or ignorance with respect to the benefits to be gained from equity financing, or a preference to keep family ownership undisturbed would rather borrow than invite equity participation from outside.
As a consequence, the debt/equity ratios of most businesses (see Appendix I)⁴ are quite high. This is reflected in the price of final products because of high interest payments. On the domestic markets or even in the CARICOM markets, the costs associated with excessive loan financing can easily be passed on to consumers since many companies in the Caribbean operate as monopolies⁴. On the export markets, however, these costs cannot be passed on so easily as prices must remain very competitive.
2. The capital markets of the Caribbean economies constitute a wide range of private and public financial institutions. They include Central banks; Commercial banks; Merchant banks; saving institutions such as Credit Unions and building societies; Insurance and pensions; private development banks; stock market institutions such as stock exchange and brokers and official development institutions such as National Development banks, Agricultural Credit banks and one case of a trade financing bank.
3. Notwithstanding the diversified range of private sector financial institutions they provide almost no equity, few long-term bonds and debentures, small amount of 3 - 5 year loans but a considerable amount of short-term funds based on a percentage of collateral and not on cash-flow earning capacity.
4. Commercial banks are the dominant mobilizers of domestic savings and account for between 70 and 75 percent of the resources of the financial sectors of the region. As a consequence they are also the largest lenders.
5. Foreign trade represent very high percentages of GDP in the Caribbean economies, yet the bulk of trade financing is provided by the Commercial short-end of the capital markets in the region and in spite of the many advantages of intra-

regional trade the CARICOM markets are not being exploited.

6. Merchant Banks and foreign owned Commercial banks mobilize not only domestic savings but foreign capital from commercial, bilateral and multilateral sources of the international capital market.
7. The only institutions specializing in long-term loans and equity are the development banks. Most of these are government related and it is only in the very recent past that a few private development banks have emerged in the region. This group of banks, however, control under 10 percent of the total financial asset of any individual territory.
8. Jamaica represents the most developed of the capital markets of the region with a diversity of financial institutions which include a functioning Stock Exchange, and a relatively high level of specialization, as separate institutions operate at the long and short-ends of the capital market.
9. A number of impediments to the development of efficient capital market in the region exist. They include:-
 - (a) a lack of education on the part of financial managers and corporate decision makers.⁵
 - (b) traditional rigidity in investment pattern conditioned either by law or custom.
 - (c) Government taxation policies which sometimes act as disincentive to equity participation.¹⁷
 - (d) shortage of foreign exchange in some national economies which leads to a bias for foreign capital.
 - (e) lack of reliable information on real rates of return on investment in alternative enterprises.
 - (f) Government controlling action of large pool of funds such as pensions and Housing Trust and National Insurance.¹⁷
10. While in the past the bulk of capital formation came not from the domestic savings but from foreign capital inflows through bilateral and multilateral development institutions, an emerging trend in some territories, particularly Jamaica, is that foreign capital inflow is now being provided in the form of equity through private sector joint venture arrangements with overseas entrepreneurs. This arrangement is being promoted by local investment promotion organizations.

11. The multilateral and bilateral development institutions serving the Caribbean do not participate in equity financing but provide medium and long-term loans at low rates of interest. The funds provided by these institutions represent the bulk of foreign capital inflow into the region.
12. The Caribbean Development Bank - a regional development institution - provides medium and long-term loans to member states. Although the bank, however, has announced an equity financing programme since 1976, there is not much to report on the implementation of this programme.
13. The bilateral institutions notably the USAID, do not directly provide equity financing but they support private development institutions some of which provide not only long-term loans but equity financing as well. Examples of these institutions include the Trafalgar Development Bank, the Jamaica Agricultural Foundation and the Caribbean Financial Services located in Barbados. This last institution does not provide equity financing.
14. Two other development institutions worthy of note are the International Finance Corporation of the World Bank and the Commonwealth Development Corporation. These institutions provide not only medium and long-term loans but equity financing as well through local corporations.
15. The main institutions that are engaged in trade financing are Central banks and Commercial banks. The Central banks administer a number of trade financing programmes such as export credit and guarantee schemes most of which are funded by multilateral development institutions. The Commercial and to a lesser extent Merchant banks provide the bulk of the trade financing needs in the form of overdrafts and short-term credit at the highest level of prevailing interest rates.
16. Although considerable amount of resources are packed in insurance, pensions and savings institutions, these funds are rarely available for trade financing. The main reasons for this are that firstly, a high percentage of these funds must by law be kept liquid and secondly, by custom, trade financing is considered too risky a venture for investing the remaining funds. Consequently, these institutions invest mainly in risk-free ventures such as mortgages, real estate and Government securities.
17. The only financial resources of a developmental nature (low interest rates etc.) for trade financing are those which are mobilized by the Central banks and other Government related agencies such as the Export-Import Bank.

18. One case of an Export-Import bank was found in Jamaica - the only institution found specialising in development financing for trade.
19. Line of Credit has become a popular trade financing facility because of the shortage of foreign exchange in some territories. However, while they provide welcome relief to the foreign exchange problem, they often pose certain difficulties. These include:
 - (a) interest rates are sometimes quite high.
 - (b) domestic exporters are often required to bear the exchange risk.
 - (c) they often tie credit to expensive imports.

Recommendations

The recommendations of this study are:

- (1) Establish in each member state, where no formal market exists, a vibrant stock exchange. This will facilitate both trading and generation of venture capital. Equity finance eliminates the interest component of production cost and, therefore, allows a firm to be more price competitive.
- (2) Designing an ongoing regional education programme through the Caribbean Development Bank for financial managers of savings and other related institutions within the capital market as well as corporate decision makers. The programme should include, inter alia, an analysis of costs and benefits associated with equity financing and the advantages of trading under the CARICOM arrangement.
- (3) Expansion of capital market instrument beyond the range currently available in the most developed markets of the region in order to provide a wider cross section of investment opportunities.
- (4) Policy makers in the region should examine the possibility and desirability of encouraging equity participation of foreign capital with a view to easing the debt burden in the future and hence permit a larger percentage of capital inflows to be directed towards trade and capital creation.
- (5) Member states should review their taxation policies to ensure that these policies do not act as disincentive to the development of the domestic capital markets particularly in the area of equity participation.

- (6) Exporters should seek to pursue a pricing strategy which allows them to recoup fixed cost of production from trading in CARICOM markets so that surplus exports to third country markets can be priced at variable cost only.
- (7) A detailed survey be undertaken to identify and list the products in each country which enjoy comparative advantage within the region. This will open the possibility for a member state to import cheaper goods from the region while exporting the same but more expensive domestic production to third party countries outside the region.
- (8) Interfacing of relevant institutions so that information on trade possibilities and policies in one member country is readily available to other countries in the region.

II. INTRODUCTION

This research on Capital Markets and Caribbean Trade was conducted during the month of November 1986. A comprehensive desk research together with informal interviews constituted the main method of investigation. The major elements of the desk research included:

- (a) a review of past studies on the subject.
- (b) a review of published statistics on the financial sectors by the Central Bank, regional institutions such as the Caribbean Development Bank (CDB), the Caribbean Confederation of Credit Unions (CCCU), and the Caribbean Bankers Association as well as International Institutions such as the International Monetary Fund (IMF).
- (c) a review of published and unpublished information of a large number of individual organizations in the financial and trade sectors.

The desk research was supplemented by a series of interviews with senior executives and research personnel in Central Banks, Development Banks, Merchant Banks, Commercial Banks, Credit Unions, Building Societies, Insurance Companies, Export Corporations, National Planning Organizations and Accounting Firms.

The interviews were structured to gain the views and perception of these executives regarding problems of trade and financing prospects for the domestic capital markets. Much of the personal interviews were however restricted to Jamaica and Barbados as the time and budget for the research did not allow for extensive travels to the other territories. For this reason also, most of the specific examples used will be taken from these territories. Accordingly, some aspects of the report while accurately reflecting the Jamaica and Barbados situation may not be totally representative of the other territories. Bearing in mind, however, that the Caribbean economies have more similarities than differences, it is reasonable to assume that the information obtained from personal interviews in Jamaica and Barbados, on these topics, is not likely to be significantly different from that which would have been obtained from the other territories.

Objective of the Research:

The research was conducted in the context of the regional discussions which are currently taking place on the growth and development of the Services sector in the region. The main objectives are:

- (1) To determine the level of development of Caribbean capital markets and the extent to which these markets facilitate trade.
- (2) To identify impediments to the development of incipient capital markets.
- (3) To provide data and information that will assist in policy formulation in respect of the development of capital markets and Caribbean trade.

Scope and Focus of the Research:

To a large extent the survey covers the territories of the English speaking Caribbean. The financial sectors of these territories were the main area of investigation. More specifically it covers traditional savings institutions such as commercial banks, building societies, insurance companies, pension funds and credit unions. It also covers the area of stocks and shares and the related stock exchange institutions as well as bonds and bond issues in the domestic capital market.

The role of Government related institutions and financial intermediaries such as development banks, export-import banks, and export corporations has also been dealt with. Included in the research also are the activities of merchant banks, private development Banks, trade confirmers and other private domestic financing houses. Finally the research included some general aspects of the international capital markets, with specific reference to export credit agencies, multilateral development institutions and foreign commercial banks in the Caribbean.

Organization of the Report

The report is organized in six sections. A summary of the major findings, conclusions and recommendations is given in section I. Section II gives an introduction to the study to include survey methodology and scope and focus of the report. Sections III and IV provide an overview of the macro-economic setting and the importance of trade in the region while Sections V and VI deal extensively with categories and activities of the capital markets particularly in the Caribbean and their role in the financing of Trade.

III. MACRO-ECONOMIC OVERVIEW

The economic recession experienced in the early 1980s had an adverse impact on the economies of most Caribbean countries. Declining growth rates, high

unemployment levels and unprecedented increases in inflation were recorded by most countries. Falling demand in metropolitan countries had a negative impact on the export goods and services from these economies. The obvious consequence was the inability of most Caribbean economies to generate the required levels of foreign exchange to satisfy import needs for consumption and investment. The emerging disequilibrium in the balance of payments resulted in most countries being unable to stimulate or sustain reasonable growth rates.

Confronted with deteriorating economic conditions most countries were forced to introduce stringent fiscal and monetary policies in order to effect an improvement in the balance of payments. The attendant structural problems resulting from these policies led to a dramatic decline in intra-regional trade.

The falling levels of production and a corresponding decline in foreign exchange earnings reflect the openness and dependency of Caribbean economies. A number of inherent structural features emanated from this characterization. Firstly, export performance in each territory is profoundly influenced by the level of economic activity in one or two sectors. For example, Bauxite/alumina and tourism in Jamaica, Petroleum in Trinidad and Tobago, Tourism and Sugar in Barbados and Banana in Dominica. Consequently the capacity to earn foreign exchange is conditioned by the contraction or expansion of activities in these sectors.

The second feature of an open dependent economy is its level of external dependence which is measured crudely by the size of the gap between imports and exports. Before investigating this feature we need to examine the interrelationship between imports/exports and GDP. Table 1.1 exhibits the export/GDP ratios of eight countries for the 1980-1983 period.

TABLE 1.1

EXPORTS AS A PERCENTAGE OF GDP

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	71	60	61	70
Dominica	21	19	31	n.a.
Grenada	44	40	36	n.a.
Guyana	69	66	56	51
Jamaica	51	47	38	40
St. Lucia	77	64	62	66
St. Vincent	66	66	63	68
Trinidad and Tobago	49	45	36	n.a.

Four of the eight countries viz. Barbados, Guyana, St. Lucia and St. Vincent have annual ratios in excess of 50%. This would tend to suggest the production bases of these countries are oriented towards export production.

Table 1.2 contains the import/GDP ratios for the same period.

TABLE 1.2

IMPORTS AS A PERCENTAGE OF GDP

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	80	72	63	71
Dominica	94	75	68	n.a.
Grenada	72	73	77	n.a.
Guyana	81	86	72	67
Jamaica	53	58	51	53
St. Lucia	116	109	95	84
St. Vincent	108	90	90	90
Trinidad and Tobago	38	36	46	n.a.

Worthy of note is the disproportionately large import/GDP ratios for all countries except Trinidad and Tobago. Attention needs to be drawn also to the situation which emerged for St. Lucia and St. Vincent during 1980-81 and 1981 respectively. These figures tend to suggest that imports in these years were in excess of GDP, a phenomenon not observed for the other territories.

The size of the ratios in table 1.2 does imply a profound dependence of these economies on imported goods and services to satisfy consumers' demand and domestic production needs. The annual Current account deficits for the 1980-83 period are displayed in table 1.3.

TABLE 1.3

CURRENT ACCOUNT DEFICIT US\$M

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	- 25.7	-118.6	- 35.6	- 42.0
Dominica	- 14.3	12.8	- 4.24	- 2.3
Grenada	1.4	- 8.3	17.0	16.0
Guyana	-128.5	-185.5	-141.3	-157.5
Jamaica	-166.0	-336.8	-355.0	-309.0
St. Lucia	- 33.1	- 39.5	- 28.5	n.a
S. Vincent	- 9.3	8.0	- 6.1	- 30.0
Trinidad and Tobago	397.0	283.0	-909.1	n.a.

Source: IMF International Financial Statistics: Yearbook 1985

It is important to note that the surplus generated by Trinidad and Tobago 1980 and 1981 was converted to a sizeable deficit of approximately US\$900 M in 1982. This dramatic change resulted from steep declines experienced in crude oil prices. Overall Jamaica's aggregate deficit amounted to some US\$1,166.8 M. This was followed by Guyana and Barbados with US\$612.8 M and US\$221.9 M respectively.

Among the smaller islands, St. Lucia registered the largest current account deficit amounting to US\$101.1 M. Grenada, however, showed a surplus over the same period. As a crude measure, the size of the gap between imports and exports as

shown in table 1.3 suggests that among the larger economies, Jamaica and Guyana exhibit a higher degree of external dependence. A similar situation exists for St. Lucia among the smaller territories.

The capacity of these economies to adjust to current account deficits is constrained by excessive dependence on imports and their inability to achieve significant expansion and diversification of the production base. Consequently, there exists the perennial need for foreign capital inflows to eliminate current account deficits. Table 1.4 identifies the level of foreign capital inflows during the period under review.

TABLE 1.4

FOREIGN CAPITAL INFLOWS US\$M

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	52.6(6.8)	82.5(12.2)	29.1(2.6)	74.8(12.4)
Dominica	29.8(3.9)	19.6(2.9)	21.1(1.8)	15.5(2.6)
Grenada	25.9(3.4)	32.0(4.7)	36.7(3.2)	35.8(6.0)
Guyana	84.3(10.9)	176.2(26.0)	89.7(7.9)	95.6(16.0)
Jamaica	347.7(45.1)	191.0(28.2)	485.5(42.6)	349.0(58.6)
St. Lucia	47.3(6.1)	43.1(6.4)	44.2(3.9)	N.A. -
St. Vincent	21.6(2.8)	20.6(3.0)	20.5(1.8)	25.0(4.2)
Trinidad and Tobago	<u>161.3(20.9)</u>	<u>112.3(16.9)</u>	<u>412.1(36.2)</u>	<u>N.A. -</u>
	770.5	677.3	1138.9	595.7

SOURCE: IMF YEARBOOK 1985

NOTE: Figures in brackets are percentages. On account of rounding percentage may not add up to 100.

The two major recipients were Jamaica and Trinidad and Tobago. Their shares of total inflows ranged from 28.2% in 1981 to 58.6% in 1983 and 16.9% in 1981 to 36.2% in 1982, respectively. Among the smaller territories, St. Lucia and Grenada stand out as the major recipients. Their respective shares range from 3.9% to 6.1% in 1983.

Obviously these inflows were not utilized exclusively for balance of payment support. A significant portion was used for domestic capital formation. In this context the impact of foreign capital inflow was also examined. Data on the inflow of foreign capital over the period 1980-1983 is shown in table 1.5.

TABLE 1.5
NET FOREIGN CAPITAL INFLOW AS A PERCENTAGE OF
GROSS FIXED CAPITAL FORMATION

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	16.3	24.6	2.6	25.7
Dominica	15.9	18.5	25.5	n.a
Grenada	9.7	23.6	43.5	n.a
Guyana	53.5	99.2	76.8	72.9
Jamaica	68.2	24.6	2.6	25.7
St. Lucia	50.0	54.5	46.6	n.a
St. Vincent	3.7	24.4	16.6	n.a
Trinidad and Tobago	9.9	13.9	19.8	n.a

Source: IMF International Financial Statistics: Yearbook 1985

N.B. Net foreign capital inflows exclude private and official unrequited transfer.

A cursory examination of this table reveals that the net foreign capital inflows to gross capital formation ratios tend to fluctuate from year to year and between countries. The emerging variability does suggest varying degree of dependence on foreign savings as a source of capital formation. The magnitude of the ratios also indicates an excessive level of dependence by Guyana while the figures for St. Lucia and Jamaica imply a comparatively lower level of reliance. In summary it can be said that the Caribbean economies are characterised by openness and heavy external dependency on imports and foreign capital.

IV. CARIBBEAN TRADE

As already mentioned in section III of this report, Caribbean economies rely heavily on imported raw materials not only for domestic consumption but also for the manufacture of goods for both regional and third country markets. It is largely for this reason also that these territories have consistently suffered balance of trade deficits. The relationship of GDP to foreign trade in the region is reflected in tables 1.1 and 1.2 which show the percentage of exports and imports respectively to GDP. For most territories these ratios remain relatively constant over the period 1980 to 1983 for both imports and exports. However, the magnitude of the import ratios - exceeding 50 percent except in the case of Trinidad and Tobago, as well as the relatively high export ratios for most territories, do underline the importance of foreign trade to the region as a whole.

The absolute values of imports and exports over the same period 1980 to 1983 are shown in tables 2.1 and 2.2 respectively.

TABLE 2.1

VALUE OF IMPORTS (CIF)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados (BD\$M)	1243	1381	1255	1503
Dominica (EC\$M)	146.9	136.9	132.3	17.9
Grenada (EC\$M)	167.7	189.8	222.2	n.a
Guyana (G\$M)	1215	1375	1037	973
Jamaica (JA\$M)	2534.8	3057.6	2959.7	3585.1
St. Lucia (EC\$M)	351.5	369.1	344.5	316.4
St. Vincent (EC\$M)	170.9	178.7	200.6	224.6
Trinidad and Tobago (TT\$M)	5831	6012	8131	n.a

Source: IMF International Financial Statistics: Yearbook 1985

TABLE 2.2

VALUE OF EXPORTS (FOB)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados (BD\$M)	1185.0	1157.0	1217.0	1486
Dominica (EC\$M)	32.4	34.0	60.2	77.2
Grenada (EC\$M)	101.8	103.7	103.4	n.a
Guyana (GUY\$M)	1042.0	1050	792	738
Jamaica (JA\$M)	2425.8	2510.3	2211.9	2717.6
St. Lucia (EC\$M)	233.6	216.3	224.1	248.4
St. Vincent (EC\$M)	104.8	131.5	141.5	168.5
Trinidad and Tobago (TT\$M)	7532.0	7553.0	6350.0	n.a.

Source: IMF International Financial Statistics: Yearbook 1985

Table 2.3 gives an indication of the pattern of regional trade with respect to Trinidad and Tobago and the rest of the Caribbean over the two-year period 1982 and 1983.

(Table 2.3 overleaf)

TABLE 2.3

TRINIDAD AND TOBAGO

COMPARISON OF TRADE WITH CARICOM COUNTRIES WITH CORRESPONDING PERIOD - 1982

\$000 T.T.

COUNTRY	IMPORTS (C.I.F.)		
	JANUARY	JANUARY	DIFFERENCE
	TO DECEMBER, 1982	TO DECEMBER, 1983	
GUYANA	78,124.8	62,535.7	- 15,589.1
DOMINICA	415.5	5,491.6	+ 5,076.1
GRENADA AND GRENADINES	9,536.0	12,610.4	+ 3,074.4
ST. VINCENT	15,107.4	38,577.1	+ 23,469.7
ST. LUCIA	9,705.2	13,432.8	+ 3,727.6
MONTserrat	237.2	1,061.7	+ 824.5
ANTIGUA/BARBUDA	20,992.0	15,785.2	- 5,206.8
ST. KITTS, NEVIS	7,349.2	6,713.9	- 635.3
BARBADOS	107,141.9	113,851.5	+ 6,709.6
JAMAICA	140,172.2	136,747.3	- 3,424.9
BELIZE	20,917.2	20,651.3	- 265.9
TOTAL	409,698.6	427,458.5	+ 17,759.9
	DOMESTIC EXPORTS (F.O.B.)		
GUYANA	261,583.5	155,089.2	- 106,494.3
DOMINICA	6,113.3	4,303.4	- 1,809.9
GRENADA AND GRENADINES	27,173.6	19,676.8	- 7,496.8
ST. VINCENT	17,816.2	14,203.3	- 3,612.9
ST. LUCIA	28,974.6	21,232.2	- 7,742.4
MONTserrat	5,502.7	3,128.0	- 2,374.7
ANTIGUA/BARBUDA	45,048.3	46,016.1	+ 967.8
ST. KITTS, NEVIS	10,040.8	7,102.5	- 2,938.3
BARBADOS	138,749.4	144,871.7	+ 6,122.3
JAMAICA	112,923.3	76,678.7	- 36,244.6
BELIZE	528.1	1,003.8	+ 475.7
TOTAL	654,453.8	493,305.7	- 161,148.1

Further details on the pattern of Caribbean trade are provided in appendices II, III and IV which show the value of imports and exports for Barbados and Jamaica, respectively. A close examination of appendix IV (the direction of trade for Jamaica) reveals that imports to CARICOM countries was only 4.6% of total imports in 1983. This implies that there is tremendous potential for increases in regional trade notwithstanding the fact that Jamaica has the largest market among the CARICOM member states.

Main Advantages of Regional Trade:¹⁹

The population of the Caribbean Territories ranges from 11,000 for the Cayman Islands to just over 2 million for Jamaica. The small size of these territories imposed a permanent constraint on the size and expansion of national markets. The combined population of the region, however, amounts to approximately 5.2 million and provides the opportunity for a significant expansion in markets for individual producers in each territory. The size of the market therefore is perhaps the most important advantage of regional trade. The lack of skills and financial resources, on the part of Caribbean producers for penetrating international export markets has been one major bottleneck to the development of export trade in the region. However, trade among Caribbean Territories is less exacting on these requirements and consequently the majority of Caribbean producers are able to learn on familiar grounds and to develop financial strength for venturing into the international markets.

Regional Trade therefore provides a training ground in the export business for the individual national producers. Another important advantage of the Regional trade is the relative protection provided for exporters. Indeed the CARICOM agreement through the devices of Common External Tariff and Rule of Origin Criteria, protect the Caribbean exporter from outside competition. Common External Tariffs subject non-regional imports to equivalent barriers anywhere in the region making it more difficult for the exporters of footwear and garment from third countries such as United States or Taiwan to sell their goods at prices competitive with exporters from Caribbean Territories;

The ease of settlement of regional trade accounts is another important advantage of intra-regional trade. The use of a common currency in the form of CARICOM travellers cheques as well as the CARICOM Multilateral Clearing Facility makes for convenient and speedy settlement and remove the need for the use of scarce foreign exchange in the settlement of trade accounts. But perhaps the most

significant advantage of regional trade, and one which is no doubt overlooked, is that Caribbean producers by selling in CARICOM markets will be at least able to cover overhead costs. This being so they can afford to sell surplus products at more competitive prices in third country markets since they now need to recover variable cost and make a profit.

Brief overview of Regional and Extra-regional trade agreements:

The countries of the Caribbean are among a number of developing countries which enjoy preferential treatment in the markets of most industrialized countries.

The special arrangements in this respect include:

1. The Caribbean Basin Economic Recovery Act (CBI) in respect of goods entering the United States of America.

Under this arrangement products originating in the Caribbean region with few exceptions can enter the United States market on a duty free basis.

Important exceptions include:

- (a) Textiles and apparel articles which are subject to textile agreements;
- (b) Footwear, handbags, luggage, work gloves and leather apparel which are not covered under the Generalised System of Preferences.
- (c) Petroleum or products derived from petroleum.

2. LOME II Convention:

Under this agreement member countries of the European Economic Community (EEC) accord zero duty or a reduced rate of duty to goods originating in the African, Caribbean and Pacific countries (ACP). The agreement provides for a wide range of goods including agricultural products subject to rules of origin for access to the EEC from ACP countries.

3. Generalised System of Preferences (GSP)

Under the GSP a number of developed countries extend zero or reduced rates of duties to a wide range of goods entering from beneficiary developing countries and territories including most if not all of the territories of the Caribbean. This arrangement gives the beneficiary countries a distinct advantage over other countries exporting to the markets of the participating developed countries. It is estimated that the greater percent of Caribbean traditional exports have traded under the GSP arrangement.

4. The Caribbean Common Market (CARICOM)

The CARICOM agreement among some 12 Caribbean territories; Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Montserrat; St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago allows for free trade among these territories. Under this arrangement goods are traded on a duty free basis provided such goods originate in member states. The arrangement provides an expanded and sheltered market for the participating territories and is without doubt a significant factor in the development of export trade in the region.

The four trade agreements listed above have combined to create tremendous marketing opportunities regionally and extra-regionally for the territories of the region. Much of the resources that would otherwise go into market development in more competitive markets, therefore, can be channeled into other uses.

Problems of CARICOM:

Differences between member states quite often negatively affect the CARICOM trading arrangements. Differences arose firstly from the perception of the smaller Eastern Caribbean territories (LDCs) that they are at a disadvantage under the CARICOM trading arrangements since their economies are largely agricultural and therefore have little exports to their CARICOM partners. Problems also arise among the larger territories (MDCs), Jamaica, Trinidad and Tobago, Barbados and Guyana. During the last 10 years payment deficits of some territories, notably Jamaica and Guyana, have accumulated and have resulted in increased indebtedness of these countries to the CARICOM multi-lateral clearing facility. This led some territories to perceive of themselves as subsidizing the imports of other states.

The case of Jamaica in the early 1980s in respect of the other territories was a cause for concern and resentment among some of the other territories. The action of Jamaica in 1981 to place CARICOM goods on the parallel exchange rate market created much difficulty for its CARICOM partners as the competitiveness of CARICOM goods were significantly reduced on the local market.

The Jamaican action was followed by a number of measures by Trinidad and Tobago and Barbados which led to potential losses on the part of Jamaican exporters in 1982 estimated at US\$100 million. These measures included the floating of the Barbados dollar against the Jamaican dollar and the imposition of licencing requirements on

Jamaica and other imports into Trinidad. The result was a trade war between the MDCs. The breakdown of the CARICOM Multilateral Clearing Facility followed closely the trade crisis of the early 1980s. The US\$100 million limit of extended indebtedness to individual territories had been reached and little or no effort was made to expand the facility. As a consequence by 1983 transactions between MDCs were settled on a country to country basis and between individual importers and exporters and their respective banks. The net result was a reverse in balance of trade in respect of the situation before the trade crisis and the development of a climate of mistrust and individualism among exporters and importers in the region.

V. THE DEVELOPMENT AND ROLE OF CAPITAL MARKETS IN THE REGION

The survey found that capital markets in member territories of the Caribbean are at varying stages of development. In spite of this existing divergence it is possible to subsume these markets into three distinct growth phases based on the level of institutional development and specialization in financial activities. By far, the most advanced is the Jamaican capital market. A schematic representation of its institutional framework is shown in figure 1, page 20A.

Basically, it consists of the Bank of Jamaica which in many respects acts as an umbrella organization to some 15 other organizations making up the entire spectrum of the capital market. These other institutions include:

- (a) Commercial banks,
- (b) Saving institutions such as Building Societies, Credit Unions and Trust Companies,
- (c) Insurance and Pensions institutions such as Insurance Companies, Mortgage and Finance Companies, Investment Trust Companies and National Insurance Schemes,
- (d) Stock market institutions such as Stock Exchange and Stock Brokers,
- (e) Merchant banks,
- (f) Private and public development banks.

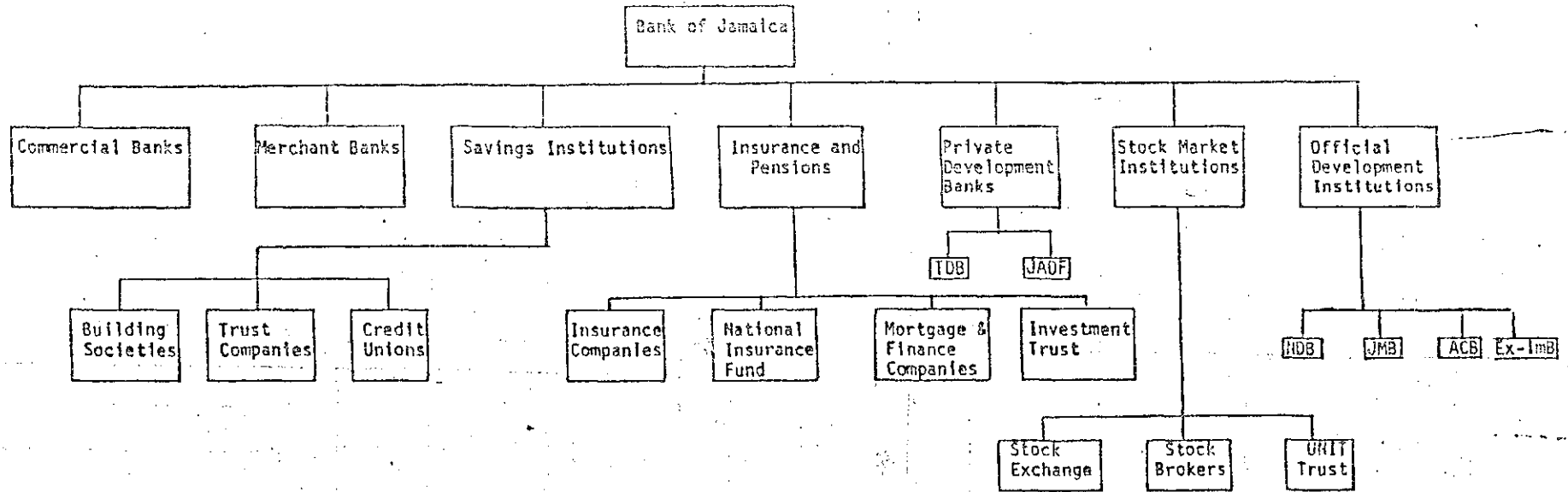
The emergence and growth of these institutions over the last decade bring to the Jamaica capital markets some degree of specialization to deal with various forms of savings and investment instruments, a level of development not attained in the other territories.

On the other hand, the capital markets in those territories which make-up the Windward and Leeward Islands are characterised by a much less developed institutional frame work resulting in existing institutions performing a multiplicity of financial functions. The capital markets of Trinidad and Tobago, Guyana and Barbados appear to fall somewhere between that of Jamaica and the Windward and Leeward Territories.

For Barbados, Trinidad and Tobago, Guyana and the Windward and Leeward Islands as a group, however, the capital markets are represented by at least four institutions most of which have had very long histories in the region. These institutions are the Commercial Banks, the Insurance Companies, the Credit Unions

FIGURE I

A SCHEMATIC REPRESENTATION OF THE CAPITAL MARKET IN JAMAICA



- Key**
- NDB - National Development Bank
 - ACB - Agricultural Credit Bank
 - JMB - Jamaica Mortgage Bank
 - TDB - Trafalgar Development Bank
 - JADF - Jamaica Agricultural Development Foundation
 - Ex-Im B - Import- Export Bank of Jamaica

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and the Building Societies. Other institutions such as Trust Companies, Private and Public Development Banks, Unit Trusts, Merchant Banks and Stock Exchange now found in Jamaica and to a lesser extent in Barbados and Trinidad and Tobago are recent newcomers to the capital markets in the region.

The Stock Market

As mentioned before, the highest level of development of the capital markets in the region is found in Jamaica where a Stock Exchange and Unit Trust Services exist. These two institutions represent the deep end of the capital market - a depth not yet reached by the other Caribbean territories. The Jamaica Stock Exchange was established in 1968 under the Companies Act of Jamaica. It conducts two forty-five minutes open market trading each week and is supported by four brokerage firms. Just over 40 institutions and a similar number of individuals trade weekly in listed issues. Hence the Exchange serves as a brief market place for shares. Government bonds are not listed on the Jamaica Stock Exchange but are traded in the Bank of Jamaica, in a regulated market, principally by Broker - members. Subject to certain exceptions for commercial banks, only Broker - members of the Jamaica Stock Exchange are allowed to deal in Government bonds with the Bank of Jamaica. The types of shares quoted on the exchange are:

- (a) Ordinary/Common Stock.
- (b) Preference Stock.
- (c) Debentures/Loan Stocks.

Some details of the transactions on the Jamaica Stock Exchange over the eight-year period 1977 - 1984 are shown in Table 5.1.

TABLE 5.1

THE JAMAICA STOCK EXCHANGE TRANSACTION DETAILS - 1977/85

	No. of Transaction	Volume (000's)	Value (J\$000's)	Closing ** Index	Change over previous year
1977	458	2,185.0	1,293.3	38.87	- 10.40
1978	546	13,818.1	10,092.6	41.59	+ 2.72
1979	390	4,833.0	2,216.6	53.71	+ 12.12
1980	476	7,390.5	5,100.9	66.58	+ 12.87
1981	803	4,198.4	3,332.3	152.23	+ 85.65
1982	1375	5,541.9	10,155.8	211.16	+ 58.93
1983	1566	5,185.3	9,829.4	240.38	+ 29.22
1984	2117	9,744.3	26,017.3	461.10	+ 220.72
1985 (June)	1115	8,334.0	24,849.8	484.55	

** Base (June 1969) = 100

ALL TIME HIGH 516.99 (Mar. 21, 85)

ALL TIME LOW 35.84 (Feb. 10, 78)

The role of the Caribbean Capital markets as mobilizers of domestic savings and as supplier of funds for development of the economies in the region can be gleaned from an analysis of the major capital market institutions in the Caribbean. The level of capital formation in member territories reflects to a large extent, the performance of the financial sectors of these territories over the last several years. Table 5.2 provides data on gross capital formation in the region over the period 1980 - 1983.

TABLE 5.2
GROSS CAPITAL FORMATION US\$M

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Barbados	189.4	261.0	224.2	209.3
Dominica	28.9	22.7	20.3	n.a
Grenada	17.6	30.4	41.0	n.a
Guyana	134.7	166.7	126.7	131.7
Jamaica	387.9	535.4	658.3	431.5
St. Lucia	67.1	73.6	53.6	43.1
St. Vincent	23.2	24.3	25.9	29.4
Trinidad and Tobago	1440.4	2288.3	2173.3	2784.2

Source: IMF Statistical Yearbook

N.B. Conversion to US\$ was done by Authors.

Ownership

The trend emerging in the Caribbean is one of gradual reduction of the role played by foreign international banks. This transformation has already manifested itself at two levels. Firstly, there has been a perceptible contraction in the range of services offered by some institutions, and secondly, a partial and in some instances a total transfer of ownership has taken place. Undoubtedly, this trend is expected to continue in the foreseeable future.

Unfortunately the changing pattern in ownership structure, so far, has failed to induce any significant digression from the traditional institutional features. Banks, whether locally or foreign owned still operate on the old standard of "credit worthiness", thus inhibiting the growth of credit to sectors of the economy producing for the domestic market. More recently, however, there has been a resurgence of interest in the Jamaican stock market as a source of equity capital. This renewed interest came about because more and more firms had experienced difficulties in obtaining capital for expansion from traditional lending sources. Continued deterioration in the economic situation may eventually force firms

in the region to recognize the potential of the stock market as a mobilizer of equity capital. This form of capital mobilization will definitely encourage a wider spread of ownership.

Among the non-banking financial intermediaries, the ownership structure is more locally based. In the case of insurance companies the ownership pattern parallels that of the banking sector. Ownership and the exercise of power are concentrated in the hands of a small group of individuals.

As mobilizers of surpluses, insurance companies in recent years have embarked on a programme of diversification in their investment portfolios. The main areas of investment are in housing, building, government stocks and shares. In contrast, the ownership structure in institutions such as building societies, credit unions, co-operatives unit trusts etc. is more broadly based comprising predominantly of small savers. These institutions function in order to enhance the ability of the wider membership to acquire homes and also make provision for hire purchase loans.

ASSETS AND POLICIES OF FINANCIAL INSTITUTIONS IN
MAJOR TERRITORIES OF THE CARIBBEAN

Assets

Table: 5.3, 5.4, 5.5 and 5.6 list the total asset holdings over the period 1985 - 83 for several financial institutions in the four larger territories, Guyana, Barbados, Trinidad and Tobago, and Jamaica, respectively. In two of the four countries, Guyana and Jamaica, asset holdings showed an upward trend moving from 79.7% in 1975 to 91.5% in 1983 and 57.2% in 1975 to 80.8% in 1983, respectively. In contrast the asset levels for banks in Barbados and Trinidad and Tobago exhibited a general downward trend over the same period declining from 86% in 1975 to 74.2% in 1983 and 91% in 1975 to 84.4% in 1983, respectively.

Undoubtedly Commercial banks holding is by far the largest concentration of assets for any given institution within the capital market. Cross comparison among countries revealed that the relative shares tended to fluctuate between a low of 57.2% and a high of 91.5%.

Next to Commercial banks, insurance companies emerged with the highest level of asset concentration. However, while the value of assets revealed growth, the relative share, for each country, exhibited a downward trend.

As a mobilizer of domestic assets the relative position of building societies tended to vary between countries. In two of the four territories, Guyana and Jamaica building societies emerged as the third largest mobilizer of domestic assets while in Trinidad and Tobago it is ranked behind finance houses.

Finally, it is difficult to draw any conclusion on the impact of building societies on the capital market in Barbados since the data coverage is incomplete. However, the available information would seem to suggest that its role in the capital market is limited.

TABLE 5.3

GUYANA

ASSETS (\$G M) OF

	<u>COMMERCIAL BANKS</u>	<u>BUILDING SOCIETIES</u>	<u>TRUST COMPANIES</u>	<u>LIFE INSURANCE COMPANIES</u>	<u>TOTAL</u>
1975	432.3(79.7)	30.0(5.8)	6.6(1.2)	73.6(13.6)	542.5
1976	440.3(77.3)	39.4(6.9)	8.1(1.4)	82.1(14.4)	569.9
1977	526.0(77.6)	50.9(7.5)	10.4(1.5)	90.8(13.4)	678.1
1978	664.9(79.0)	60.6(7.2)	13.8(1.6)	102.8(12.2)	842.1
1979	797.6(79.9)	67.8(6.8)	18.6(1.9)	115.7(11.6)	997.7
1980	924.2(80.8)	76.6(6.6)	23.1(2.0)	130.6(11.3)	1154.5
1981	1191.4(81.6)	87.6(6.0)	37.1(2.5)	143.7(9.8)	1459.8
1982	1480.2(82.0)	95.6(5.3)	51.1(2.8)	177.2(9.8)	1804.1
1983	1925.6(91.5)	112.7(5.4)	66.3(3.2)	n.a	2104.6

Source: Annual Report. Bank of Guyana

Figures in bracket are percentages of total.

These may not add up to one hundred because of rounding.

TABLE 5.4

BARBADOS

ASSETS \$BD M OF

	<u>COMMERCIAL BANKS</u>	<u>TRUST COMPANIES</u>	<u>INSURANCE COMPANIES</u>	<u>BUILDING SOCIETIES</u>	<u>TOTAL</u>
1975	450.9 (86.0)	22.5 (4.3)	50.7 (9.7)	n.a	524.1
1976	486.6 (84.7)	26.8 (4.7)	61.2 (10.7)	n.a	574.6
1977	538.2 (83.7)	30.8 (4.8)	73.7 (11.5)	n.a	642.7
1978	646.4 (81.2)	46.3 (5.8)	103.6 (13.0)	n.a	796.3
1979	733.7 (79.9)	67.9 (7.4)	116.6 (12.7)	n.a	918.2
1980	847.2 (79.5)	78.2 (7.3)	140.1 (13.1)	n.a	1065.5
1981	962.5 (76.5)	110.9 (8.8)	178.6 (14.2)	6.7 (0.5)	1258.7
1982	1065.0 (75.0)	139.9 (9.9)	207.6 (14.6)	6.7 (0.4)	1419.2
1983	1162.2 (74.2)	144.3 (9.2)	246.5 (15.7)	12.7 (0.8)	1565.7

Source: Economic Review Bank of Barbados

N.B. Percentage may not add up to 100 on accounting rounding.

TABLE 5.5

TRINIDAD AND TOBAGO

ASSETS (\$TT M) OF

	<u>COMMERCIAL BANKS</u>	<u>DEVELOPMENT FINANCE COMPANIES</u>	<u>BUILDING SOCIETIES</u>	<u>FINANCE HOUSES</u>	<u>TOTAL</u>
1975	1570.4 (91.0)	23.6 (1.4)	52.7 (3.1)	79.6 (4.6)	1726.3
1976	2085.0 (90.6)	25.7 (1.1)	59.2 (2.6)	130.9 (5.7)	2300.8
1977	2665.4 (89.7)	37.8 (1.3)	80.9 (2.7)	187.6 (6.3)	2971.7
1978	3475.1 (87.6)	58.9 (1.5)	121.9 (3.1)	309.3 (7.8)	3965.2
1979	4359.1 (87.9)	93.2 (1.9)	169.1 (3.4)	351.6 (7.1)	4973.0
1980	5256.3 (87.3)	120.0 (2.0)	157.6 (2.6)	485.3 (8.1)	6019.2
1981	6472.3 (85.0)	189.5 (2.5)	211.7 (2.8)	742.8 (9.8)	7617.2
1982	8553.0 (85.2)	240.0 (2.4)	170.3 (1.7)	1076.2 (10.7)	10039.5
1983	9607.6 (84.4)	267 (2.3)	199.5 (1.8)	1303.8 (11.5)	11377.9

SOURCE: Annual Statistical digest

N.B. Data on the assets of Insurance were not available

TABLE 5.6

JAMAICAASSETS (\$JA M) OF

	<u>COMMERCIAL BANKS</u>	<u>TRUST COMPANIES</u>	<u>MERCHANT BANKS</u>	<u>BUILDING SOCIETIES</u>	<u>INSURANCE COMPANIES</u>	<u>TOTAL</u>
1975	821.6(57.2)	98.3(6.8)	144.3(10.0)	137.9(9.6)	235.0(16.4)	1437.1
1976	859.8(57.6)	102.9(6.9)	127.2(8.5)	156.9(10.5)	244.7(1.6)	1491.5
1977	1183.9(63.4)	103.0(5.5)	110.4(5.9)	189.8(10.2)	281.5(15.1)	1868.6
1978	1538.6(65.8)	125.8(5.4)	131.1(5.6)	222.4(9.5)	319.6(13.7)	2337.5
1979	1643.8(65.6)	130.1(5.2)	123.6(4.9)	253.3(10.1)	356.8(14.2)	2507.6
1980	2100.0(79.9)	132.5(5.0)	84.2(3.2)	310.4(11.8)	403.2(15.3)	2627.1
1981	2634.2(80.4)	162.6(5.0)	92.7(2.8)	387.4(11.8)	n.a	3276.9
1982	3150.4(78.6)	251.0(6.3)	109.8(2.7)	497.1(12.4)	n.a	4008.3
1983	4319.7(80.8)	373.6(7.0)	125.2(2.3)	524.9(9.8)	n.a	5343.4

Source: Statistical digest Bank of Jamaica

Policies

The limits of Commercial banks lending are prescribed by three factors:

- (1) Credit worthiness of potential borrowers.
- (2) Cost of Capital (interest rate), and,
- (3) Volume of liquid funds available.

Consistent with their profit maximising goal commercial banks appear to be willing to grant loans to credit worthy borrowers only. An assessment of credit worthiness is based on collateral and capacity to repay sums borrowed. Repayment capacity is based on the ability of investment projects to generate adequate cash flows over the repayment period.

The primacy of the so-called credit worthiness criteria in lending policies of banks is never in doubt. However, with the economic crisis experienced in the late 70s and the continued deterioration of economic conditions in most Caribbean economies during the 80s, the cost of borrowed funds and the volume of liquid funds are placing severe constraint on the lending ability of banks.

In an effort to halt the economic malaise most governments in the region had to institute at different periods stringent fiscal and monetary policies.

Measures such as credit restrictions, increase in liquidity assets, higher cash reserves ratio and upward adjustment in interest rates resulted in restrictions on bank lending.

Finally, it must be noted that most banks show a preference for loans that are short-term in nature. There have not been much long-term lending except in housing and tourism construction. Hence the main weakness of the banking system is the inadequate levels of lending towards venture capital.

Insurance companies compete directly with commercial banks for individual savings. Next to commercial banks it mobilizes the largest pool of savings. The primary goal which is to derive maximum benefits and reduce losses to a minimum is similar to that of commercial banks. However, lending (on policies) by insurance companies to savers is an insignificant part of their total operation.

The basic policy objective is to arrive at some determined "optimum asset portfolio" to ensure that gains are maximized. This desired objective is constrained by the need to invest in relatively safe assets and to ensure a high degree of liquidity to meet legitimate claims, the timing of which is unpredictable. This is particularly so for non-life insurance companies.

The level of investment is determined by the difference between income and expenditures. Most institutions prefer to invest in mortgages and long-term securities. Over the years very little interest on financing venture capital was shown. However, during the last year or two, especially in Jamaica a number of larger companies have shown sustained interest in the stock market as a means of acquiring equities.

Building societies and credit unions are basically saving institutions. Their functions are to accept deposits from and provide loans and/or mortgages to members. The size of acquired assets and limitations placed on their functions restrict their ability to compete with other thrift institutions. Their role is best seen as one of fostering capital formation in housing.

Loans and Advances of Commercial Banks

Tables 5.7, 5.8, 5.9 and 5.10 display the size (dollar value) and relative shares of loan and advances made by commercial banks to the various sectors in

the four larger economies of the region. For three of the four territories - Trinidad and Tobago, Barbados and Jamaica - the reference period is 1982 while for Guyana the year under review is 1981.

The data reveal several interesting features about the distribution pattern of loans and advances within these economies:

- (1) In two islands - Trinidad and Tobago and Barbados - of the four countries the "personal and professional" sector received the largest allocation, 37.7 percent and 27.2 percent, respectively. Interestingly enough this sector received the second largest allocation, 20.1% and 18.6% in Jamaica and Guyana, respectively.
- (2) For Jamaica, manufacturing with 20.2% received the largest share while in Guyana the so-called "business enterprises" sector accounted for exactly 50% of total loans and advances.
- (3) Three of the key sectors - Agriculture, Mining refining and manufacturing - in Trinidad and Tobago together totaled only 17.1% of total loans and advances.
- (4) For Barbados, the sectors - Agriculture, manufacturing, and mining and quarrying - together accounted for 21.5% of all loans and advances.
- (5) In the case of Jamaica the three dominant sectors - manufacturing, agriculture and mining and quarrying - received an aggregate of 32.6%.
- (6) For Guyana the sectors - agriculture, mining and manufacturing - had a total share of only 18.9 percent.
- (7) The "tourism and entertainment" sector in Barbados received 13.9% and 5.8%, respectively.
- (8) Two service sectors - "personal, professional" and distribution - in Trinidad and Tobago accounted for slightly over 50% of all loans and advances.
- (9) For Barbados three sectors - distribution, tourism and entertainment and Personal/Professional - received an allocation of approximately 55% .
- (10) The share of government loans and advances were 2.2, 1.1 and 1.6 percent in Trinidad and Tobago, Barbados and Jamaica, respectively.

In summary, a number of general observations are noted. Firstly, the share of loans and advances received by the "personal and professional" sector seems excessively high. Secondly, except for Jamaica, the percentage allocation to agriculture is on the low side, and finally, the so-called service sectors received a disproportionately large percentage of total bank lending.

TABLE 5.7

TRINIDAD and TOBAGO

Loans Advances by Commercial Banks by Sectors

<u>Sectors</u>	<u>1982</u>	
	<u>\$TT M</u>	<u>%</u>
Agriculture	80.2	1.9
Mining and Refining	116.4	2.7
Manufacturing	540.7	12.5
Distribution	547.6	12.6
Tourism and Entertainment	52.8	1.3
Transport	185.0	4.3
Majority owned Government Enterprises	266.5	6.2
Construction	499.0	11.5
Government	98.6	2.2
Personal and Professional	1633.5	37.7
Financial Institutions	88.9	2.1
Others	219.0	5.1
	<u>4329.4</u>	<u>100.1</u>

Source: CSO - Quarterly Economic Report

N.B. Percentages did not add up to 100 because of rounding.

TABLE 5.8

BARBADOS

Loans and Advances by Commercial Banks by Sector - 1982

<u>SECTORS</u>	<u>\$BD M</u>	<u>%</u>
Agriculture	105.3	4.3
Mining & Quarrying	8.0	0.3
Manufacturing	410.6	16.9
Distribution	347.8	14.3
Tourism & Entertainment	336.2	13.9
Transportation	53.5	2.2
Utilities	130.6	5.4
Construction	138.9	5.7
Government	27.4	1.1
Personal & Professional	659.6	27.2
Financial Institutions	69.2	2.9
Others	<u>139.8</u>	<u>5.8</u>
	2426.9	100

Source: Economic Review - Bank of Barbados

TABLE 5.9

JAMAICA

Loans and Advances by Commercial Banks by Sectors - 1982

<u>Sector</u>	<u>\$JA M</u>	<u>%</u>
Agriculture	230.8	11.8
Mining & Quarrying	12.0	0.6
Manufacturing	396.7	20.2
Construction	326.5	16.6
Tourism & Entertainment	113.6	5.8
Personal & Professional	394.7	20.1
Transportation	232.5	11.8
Distribution	126.5	6.4
Utilities	59.9	3.1
Financial Institutions	38.9	2.0
Government	<u>30.8</u>	<u>1.6</u>
	1962.9	100.3

Source: Bank of Jamaica - Statistical Digest

N.B. Percentages do not add up to 100 because of rounding.

TABLE 5.10

GUYANA

Loans and Advances by Commercial Banks by Sectors - 1981

<u>Sectors</u>	<u>\$G M</u>	<u>%</u>
Agricultural	18.9	3.8
Mining and Manufacturing	75.3	15.1
Distribution	34.0	6.8
Tourism and Entertainment	7.4	1.5
Construction	1.5	0.3
Business Enterprises	249.4	50.0
Personal and Professional Services	94.1	18.6
Financial Institutions	0.3	0.06
Other Services	18.2	3.6
	<hr/> 499.1	<hr/> 99.76

Source: Bank of Guyana Annual Report 1983.

N.B. Percentages did not add up to 100 because of rounding.

The International Capital Markets

Recent developments in the international capital markets have resulted in a decline in the flow of foreign capital to developing countries on the one hand but an improvement in the efficiency of these markets on the other.¹²

The decline in flow of funds to developing countries stems mainly from the world debt crisis in the 1980s which plunged many developing countries into serious balance of payments deficits.

Trade financing by the international capital market had its full share of difficulties as tighter stances¹⁴ were taken by export credit agencies towards developing countries. Data¹⁸ on the terms on which insurance coverage was available in 1986 from Export Credit agencies in two major developed market-economy countries to a sample of developing countries including the Caribbean show that coverage for medium-term credit was extremely difficult to obtain.

Another factor which has affected the flow of funds from international capital markets to developing economies like the Caribbean is the competition which these economies faced in the 1980s from the developed economies which also faced serious economic difficulties over the period.

The world depression and the attendant problems of developed and developing countries in the 1980s acted to put severe pressures on the international capital markets and the international monetary system. The response of the international capital market to these pressures has been innovative adjustments much of which tend to make these institutions more efficient. These adjustments include the development of new market instruments and liberalization measures. Liberalization⁵ and domestic deregulation have encouraged the lowering of barriers between financial intermediaries. Restriction on banks' participation on the stock exchange have in some instances been lifted. The net result is that the international capital markets have become more efficient in the mobilization and allocation of savings.

A small but growing international capital market exists in the Caribbean.

Existing centres include the Cayman Islands, the Bahamas, the Netherlands Antilles and Panama. It is expected that Caribbean economies will benefit from the development of these international sources of capital.

VI. CAPITAL MARKET AND TRADE FINANCING

In discussing the capital market as it relates to the financing of trade, a look is first taken at the existing trade financing facilities in the region. Secondly, the institutions which are involved and the sources of funds provided by these institutions for trade financing purposes are identified and discussed.

Trade Financing Facilities in the Region:

The survey found a diversity of trade financing facilities in the region. They include:

1. Lines of Credit

In the region today, lines of credit have become a very important instrument in the financing of trade. The importance of lines of credit to the Caribbean economies was underlined in the early to mid 1970s when the phenomenal and unprecedented increases in oil prices left most territories in a foreign exchange crisis. With the exception of Trinidad and Tobago the countries in the region experienced great difficulties in finding foreign exchange to finance the importation of even basic necessities such as food and drugs leave alone the importation of raw materials and capital goods.

It is against this background that lines of credit have become more popular as a facility in the purchasing of raw materials, capital goods and technology from foreign sources. Generally, the objective of lines of credit is to maintain and expand the productive capacity in the non-traditional manufacturing sector and to expand regional and extra-regional export. The terms and conditions for the operation of lines of credit vary from country to country but generally the facility extends credit to the importing country for 180 days at relatively low rates of interest. The terms and conditions also vary from line to line and reflect the kind of goods and services to be purchased, the country of origin and terms of payment.

The number of lines and the size of credit are not available for the other territories, however, data on Jamaica show that as at September 1986 there were some 15 lines with credit balances amounting to US\$84.47 million. Further details on these lines are shown in Appendix V.

2. Special Funds and Schemes:

Another important trade financing facility found in the region was that of special Funds provided largely by the multilateral development institutions.

Examples of these funds include:

(A) Inter-American Development Bank (IDB) Re-discounting Facility:

This facility was established by an agreement between the IDB and the Bank of Jamaica in 1976. It provides for the financing of intra-regional export of capital goods and services, manufactured, semi-manufactured and other non-traditional exports. The funds were made available at 8 percent rate of interest to the Bank of Jamaica and would finance 85 percent of export credit. The facility is a revolving fund and is currently in operation.

(B) The Rehabilitation Fund (RF I and II)

The rehabilitation Fund started in Jamaica in 1982 and consisted of US\$50 million of which US\$30 million was provided by the IDB. The remaining US\$20 million was provided by the Government of Jamaica (GOJ) US\$15 million and Venezuelan Trust Fund (VTF) US\$5 million. Phase two of the programme which started in 1984 consisted of an additional US\$50 million fund by the IDB-US\$40 million and GOJ-US\$10 million. The main objective of the fund is to prevent a decline in manufacturing activities by providing foreign exchange for the procurement of imported inputs for the manufacturing sector. The funds are made available through short, medium and long-term credit for the purchase of raw materials, packaging materials, semi-processed goods equipment and spares.

(C) Export Development Fund (EDF)

The EDF is a revolving fund in foreign exchange established in Jamaica since 1979. To date the fund has received over US\$70 million in loans from the World Bank and the IDB. These funds are re-lent to the following individuals and groups:

- (i) exporters of non-traditional manufactured goods and/or direct exports of agricultural products excluding sugar and bananas
- (ii) linkage firms engaged in the manufacture of products used as inputs for exporters.

The main objectives of the fund are:

1. To support a sustained export drive and long-term development of Jamaica's non-traditional exports to CARICOM and third country markets.
2. To play a complementary role in the Foreign Exchange Auction Market (FEAM) in respect of:

(i) assuring continued availability of foreign exchange to meet the import requirements of non-traditional exporters.

(ii) encouraging foreign suppliers, overseas confirming houses and foreign commercial banks to re-establish short-term credit lines to Jamaican importers.

(iii) helping to provide foreign exchange to exporters on a timely basis in order to expedite the manufacturing of Jamaica's export products.

(iv) strengthening the institution infrastructure for the support of exporters.

The fund is available for the purchase of raw materials, intermediate goods, machinery, light capital equipment and spare parts. Repayment of loans must be made over a period not exceeding one year and in foreign exchange currency earned from export proceeds. The borrower is also required to bear the exchange risk.

(D) Export Credit Insurance Scheme:

This facility serves to insure exports against political and commercial risk and allows the exporter to offer more competitive credit terms to overseas buyers. It also allows the exporter to obtain more generous financing terms from his local commercial bank than he would have obtained without insurance. This facility is now operating in Jamaica. Its main limitation is that its coverage is only 80 percent of the loss amount with the exporter having the responsibility for the remaining 20 percent.

(E) Export Finance Guarantee Scheme

This scheme, currently operating in Barbados, enables exporters to obtain liberal financing from their bankers at better rates of interest for production of goods for export. Under this scheme exporters can approach bankers for pre-shipment finance against the Export Guarantee from the Central Bank. The scheme is extended to all commercial banks and financial institutions to protect them against any loss due to failure of the exporters to repay the loan. Export Finance Guarantees are issued for a period of one year and all advances extended by the commercial bank or other financial institution will stand covered. However, the scheme requires that participating financial institutions bear the risk to the extent of 25 percent. The Barbados Central Bank covers the remaining 75 percent of the loss.

(F) Pre-shipment Financing Facility

This facility is offered by the Ex-Im Bank of Jamaica. Under this facility funds are advanced to exporters for the following purposes:

- (a) purchase of indigenous raw materials for the conversion into export products;
- (b) the domestic purchase of finished goods by trading companies;
- (c) cash collateral for lines of credit transactions.

The facility also allows banks to make advances to exporters in amounts over and above the exporters' existing credit lines. The credit is for a maximum of 360 days. The facility is operating through the local commercial banks.

(G) Bankers Export Guarantee Facility:

This facility which is extended to exporters by the Jamaica Ex-Im Bank allows an exporter to obtain financing equivalent to 80 percent of the CIF value of shipment already made. The purpose of the facility is to assist the exporter of manufactured goods by ensuring the availability of working capital at a preferred rate of interest.

The credit is for a period of 180 days from the date of shipment. This facility is also operated through commercial banks and the EX-IM bank issues a guarantee to the commercial bank in relation to the credit limit. The Ex-Im bank uses a discounting mechanism to provide the funds through the commercial banks.

(H) Export Credit Facility:

This facility allows an exporter to obtain financing up to 65 percent of the F.O.B. value of an export order the equivalent of 80 percent of the CIF value of a shipment already made. The purpose of this facility is to assist exporters of manufactured goods through the continued availability of Working Capital at a preferred rate of interest. The facility is extended by the Jamaica Ex-Im bank which uses a discounting mechanism to provide the funds through commercial banks.

(I) Commercial Trade Financing Facilities:

These facilities consist of over-drafts and short-term credit provided by Commercial Banks, Merchant banks, trade confirmers and private financing houses. Although these facilities provide financing at the top of existing interest rates, it is estimated that they provide, by far, the greater position of trade financing requirements in the region.

Trade Financing Institutions and Sources of Funds:

The survey found that for the region as a whole, the Central Banks and the Commercial Banks were the dominant institutions providing trade financing facilities. However, Merchant Banks, Export Corporations and Trade Confirmer Companies also play an important role.

The Import-Export Bank

The National Import-Export (Ex-Im) Bank in Jamaica was found to be the only fully autonomous institution with a development orientation specializing in the business of Trade financing. Most of the export credit, credit insurance, pre-shipment and export guarantee facilities discussed above are managed by the Export-Import Bank.

This Bank is a limited liability Company and is owned by the Government of Jamaica. It commenced operations in 1986 and has absorbed a number of trade financing programmes previously administered by the Jamaica Export Credit Insurance Corporation (JECIC) a subsidiary of the Bank of Jamaica. The resources of the Ex-Im Bank come from multinational development institutions such as the IDB and the World Bank as well as from the Government of Jamaica. The foreign resources are in the form of revolving loans for re-lending to exporters. These loans are provided to exporters through the intermediation of the Commercial Banks.

The main objectives of the Ex-Im Bank are:

- (i) To aid in the development of the export sector to enhance the export earnings of the country.
- (ii) To establish a meaningful relationship between entities with marketing skills and those with production skills.
- (iii) To provide expert guidance to enterprise in areas of production, packaging, Marketing and finance.
- (iv) To participate in any economic trust established by the Government and/or the Bank of Jamaica for the development of any particular sector.
- (v) Ensuring a sound and profitable loan portfolio.
- (vi) To provide financing for productive enterprises in the area of import substitution.
- (vii) To encourage the use of credit for financing imported raw materials, intermediate and capital goods.

An important feature of the Ex-Im Bank is that it has a developmental orientation and loans are provided to exporters on terms which are less burdensome than those from the traditional commercial sources. The terms and conditions of lending reflect the terms and conditions under which the funds are made available to the Bank from the multilateral development institutions.

Central Banks

The involvement of Central Banks in trade financing in the region relates firstly to the trade financing programmes which they individually administer either directly or indirectly through their subsidiaries. Examples of such programmes

include the Export Finance Guarantee scheme administered by the Central Bank of Barbados and the Export Development Fund administered by the Bank of Jamaica prior to the establishment of the Ex-Im Bank in 1986.

Secondly, the Central Banks play an intermediary role in the settlement of Trade transactions between CARICOM member states. The now defunct Multilateral Clearing Facility is a good example of the role of the regional central banks in the area of trade financing. In terms of resources availability, Central Banks obtain much of their resources on the capital markets through the sale of Government Securities. It is not known, however, the extent to which the resources which are mobilized on the capital market are made available for the trade financing programmes administered or supported by the Central Banks in the region.

Commercial Banks

Commercial Banks have traditionally been the leading financial institutions in the financing of trade in the Caribbean territories. In terms of physical infrastructure these banks have outstripped any other financial institution by leaps and bounds. The large number of commercial bank branches found in each territory attest to this fact. In Jamaica alone there are six commercial banks with approximately 200 branches throughout the island. These six commercial banks together with their trust company subsidiaries hold approximately 70 percent of the financial assets of the financial sector.

Because of the visibility and long history of Commercial Banks in the region they mobilize most of the domestic savings and are also the largest lenders (see Table VI.1).

TABLE VI.1

Financial Sector Assets

(Assets in J\$ M at end of December 1984)

	<u>Cash and Deposits</u>	<u>Loans and Advances</u>	<u>Government Securities</u>	<u>Other Assets</u>	<u>Total</u>
Commercial Banks	1015.2	2745.8	761.8	932.9	5426.0
Trust Companies	98.0	336.9	8.5	70.7	544.3
Merchant Banks	80.3	51.4	0	89.2	221.1
Capital Dev. Fund	1.2	153.9	58.7	259.5	473.5
Building Societies	-	-	-	-	730.6
Insurance Co. (Life and General)	41.2	337.8	551.1	138.3	1068.4
Development Banks (1982 data)	0	252.1	6.1	79.1	337.3
					<u>8801.2</u>

Source: Bank of Jamaica

They, however, lack a development perspective as their lending policies are embedded in short-term and risk free ventures. The concentration of financial resources in the commercial banks together with the efficient and widespread distribution of their services result in the greater burden of trade financing in the region falling to these institutions.

For the import/distribution sub-sector this financing arrangement works well and borrowers and lenders make thriving business. In fact, it is in this respect that the heavy reliance of Caribbean economies on imports has contributed to the rapid growth and expansion of commercial banks and in the accumulation of wealth by importers and distributive barons in the Caribbean territories. On the productive/export sub-sectors, however, the financial needs are largely different.

For, while there is a need for short-term financing in the form of overdrafts and short-term credit, the greater need is for medium to long-term capital at lower rates of interest and easy repayment terms. This is so because the markets for

exports are far more competitive than the national markets for imports and hence, export prices must be kept as low as possible. It can be seen therefore that the productive export sub-sectors face a dilemma in the sense that the institutions in which the financial resources of the region are concentrated are not in the business of development financing. Furthermore, when there is an over-all shortage of funds in the economy, the export sector is at a disadvantage in the competition with the import sector for these funds. This is because the rate of turnover of imports is greater than that of exports. In these circumstances Commercial banks will logically give preference to importers.

Merchant Banks

The other institutions found to be engaged in Trade Financing are Merchant Banks, Trade Confirming houses and Export Promotion Corporations. Both Merchant Banks and Trade Confirming Companies mobilize domestic savings by taking deposits from the public. In addition to mobilizing domestic saving through the taking of deposits and the issue of medium-term bonds, Merchant Banks are also involved in the mobilization of foreign capital from private factoring and finance houses as well as from multilateral development institutions. Examples of these institutions include Rosenthal and Rosenthal Inc. in the United States and the International Finance Corporation (IFC) of the World Bank respectively. In one specific case, funds amounting to US\$20 million per annum have been arranged from Rosenthal and Rosenthal for purposes of trade financing.

Trade confirmers provide short-term credit for the importation of raw materials for the manufacture of export goods. However, they operate somewhat like Commercial Banks in respect of their terms and conditions of lending. Merchant Banks on the other hand, while providing some amount of trade credit, allocate most of their resources to other short-term financing activities such as equipment leasing, and insurance premiums. They also provide funds for medium and to a lesser extent long-term investment projects. The total resources of the Merchant Banking sub-sector is estimated to amount to not more than three percent of the total resources of the financial sector in the region. The actual figure for Jamaica in 1984 was 2.5 percent (see table VI.1).

Trade financing is considered too risky for the funds of Insurance and pensions as well as for the saving institutions - such as building societies, credit unions and trust companies. In the first instance a high percentage of their funds must be kept liquid to meet the day to day needs of the small savers. The remaining portions are invested in risk free ventures such as mortgages, real estate or government securities.

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APPENDIX I
A Sample of Caribbean Industries
Debt/Equity Ratios 1981-1985

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Media	0.6	3.4	-	-	-
Advertising Agencies	14.3	3.5	1.9	2.6	-
Confectionery Manufacturing	1.9	2.0	1.5	1.3	1.5
Bakeries	1.3	3.0	2.4	0.4	-
Restaurants	8.5	4.9	4.0	3.5	2.4
Food Processors	2.4	5.2	2.3	0.3	3.1
Clothing	8.6	2.9	5.1	3.6	-
Bottling	0.9	0.9	1.0	0.7	0.8
Supermarket	-	-	1.3	1.03	3.1
Pharmaceutical	1.2	0.5	0.6	0.4	0.4
Industrial Chemical	2.6	-	-	2.9	-
Baggage Industry	1.1	0.4	2.3	6.0	-
Furniture	1.5	n.a	3.1	3.6	-
Tyre Manufacture	0.81	0.67	-	-	-
Construction Sector	-	-	14.2	26.0	19.0
Coffee Industry	0.9	4.1	1.9	3.6	3.0
Shipping	6.0	7.9	11.9	7.6	9.1
Printery	4.2	1.5	6.9	8.7	19.9
Cosmetic & Pharmaceutical	3.6	0.3	0.6	4.0	5.1
Roofing Manufacturer	-	10.6	16.8	-	11.1

Source: Caribbean Bankers Association

APPENDIX II

DIRECTION OF TRADE WITH CARICOM COUNTRIES

**IMPORTS
(BLS \$000)**

Period	Jamaica	Guyana	Trinidad & Tobago	Dominica	Grenada	St. Vincent	St. Lucia	Montserrat	Antigua	St. Kitts	Belize	Total
1978	14,991	9,305	56,632	1,714	288	2,362	4,947	30	1,199	464	333	92,265
1979	25,415	8,602	89,845	970	592	3,216	3,656	21	1,641	679	2,123	136,760
1980												
(i)	5,250	1,956	39,297	228	100	583	1,172	16	277	212	-	49,091
(ii)	6,185	1,648	29,196	344	123	531	775	27	468	171	1,489	40,957
(iii)	4,754	2,499	47,951	615	145	754	805	-	535	51	5	58,114
(iv)	4,996	2,698	30,072	256	258	742	1,146	43	927	172	100	41,410
1981												
(i)	5,365	1,410	42,302	389	145	690	1,390	121	283	215	-	52,310
(ii)	5,222	2,274	23,938	303	294	997	1,035	117	484	127	-	34,791
(iii)	9,441	2,195	38,159	198	316	780	1,189	104	433	68	383	53,266
(iv)	8,145	2,617	28,296	328	318	1,019	1,506	49	480	12	72	42,842
1982												
(i)	4,612	1,525	13,638	41	77	987	1,301	52	281	-	106	22,620
(ii)	5,684	814	25,099	135	192	742	789	-	260	26	176	33,917
(iii)	5,913	1,931	28,701	269	339	790	977	43	274	13	158	39,408
(iv)	6,814	1,464	36,911	345	224	625	1,180	82	363	78	55	48,141
1983												
(i)	4,616	452	30,748	160	98	579	1,049	147	282	26	10	38,167
(ii)	5,575	1,519	19,882	235	130	551	1,035	33	459	9	71	29,599
(iii)	5,897	1,732	29,128	412	148	524	1,048	43	509	68	79	39,588
(iv)	6,359	936	31,977	560	120	636	1,313	-	991	23	81	42,996
1984												
(i)	4,636	1,274	34,977	333	159	503	954	42	469	37	67	43,451
(ii)	6,140	2,217	27,201	432	133	742	1,178	13	206	90	39	38,391
(iii)	5,392	1,680	25,665	294	129	502	1,106	-	546	65	-	35,379
(iv)	7,339	1,237	25,600	570	133	338	1,288	4	790	303	-	37,602
1985												
Jan.	1,744	149	8,584	170	17	219	281	64	193	1	-	11,422
Feb.	3,351	727	11,350	219	2	70	270	1	319	153	-	16,462
Mar.	2,188	532	5,701	146	53	119	401	-	57	11	-	9,216
Apr.	2,531	574	14,089	358	34	54	290	-	235	1	-	18,166
May	2,770	348	5,564	85	26	53	568	2	210	115	-	9,741
Jun.	2,025	381	4,923	153	47	100	272	12	135	52	5	10,105
Jul.	2,795	633	17,576	99	19	59	563	9	100	31	-	21,884
Aug.	2,190	255	14,576	284	61	152	358	-	44	53	-	17,742
Sept.	2,385	445	10,407	110	18	132	236	-	44	27	-	13,804
Oct.	2,464	396	11,558	182	79	132	380	15	141	28	-	15,375

Source: Barbados Statistical Service

APPENDIX III

DIRECTION OF TRADE WITH CARIBBEAN COUNTRIES

DOMESTIC EXPORTS

(US \$000)

Period	Jamaica	Guyana	Trinidad & Tobago	Dominica	Grenada	St. Vincent	St. Lucia	Montserrat	Antigua	St. Kitts	Belize	Total
1978	6,830	2,354	25,997	1,616	2,756	2,387	3,659	474	1,612	1,746	28	49,459
1979	4,342	1,792	33,402	1,784	3,169	4,014	5,496	494	1,985	1,659	79	58,216
1980												
(I)	1,140	254	8,952	879	1,127	1,748	1,456	183	791	506	13	17,049
(II)	2,452	225	11,638	792	1,731	1,726	2,187	62	749	668	9	21,239
(III)	3,031	339	11,453	868	970	944	2,117	325	707	610	12	21,376
(IV)	5,083	348	14,444	832	1,006	1,114	2,021	103	692	535	4	26,182
1981												
(I)	4,032	598	11,230	715	878	1,344	2,550	95	809	610	16	22,881
(II)	5,474	436	10,758	490	502	1,231	1,568	152	622	503	4	22,140
(III)	3,819	406	13,348	654	800	506	1,944	127	590	414	4	23,012
(IV)	5,997	301	16,527	412	999	1,032	1,727	212	812	711	5	28,735
1982												
(I)	3,038	80	13,084	563	783	836	993	113	869	521	1	20,881
(II)	4,376	148	18,194	493	757	1,000	2,011	105	693	494	4	28,275
(III)	4,484	111	21,759	402	879	821	1,635	131	536	531	15	31,304
(IV)	4,155	306	26,593	464	1,115	1,003	1,916	140	957	711	-	37,360
1983												
(I)	2,705	565	21,576	522	859	977	1,473	190	643	488	6	30,004
(II)	4,808	259	16,371	537	806	989	1,394	98	654	1,062	3	26,981
(III)	7,241	142	21,304	573	873	1,030	1,355	129	512	643	-	33,802
(IV)	3,616	309	20,163	457	1,056	1,163	1,532	105	759	465	56	29,681
1984												
(I)	2,361	318	16,485	366	800	902	1,235	166	714	553	13	23,913
(II)	1,894	407	16,066	394	675	1,172	1,631	99	679	510	-	23,531
(III)	2,460	577	15,598	561	1,129	1,106	1,541	146	731	585	1	24,435
(IV)	1,788	787	18,254	476	1,017	1,192	1,578	147	736	828	3	26,806
1985												
Jan.	1,165	101	1,710	129	320	306	868	166	257	155	2	5,179
Feb.	846	192	1,678	102	366	347	535	86	217	345	-	4,712
Mar.	461	183	2,912	238	241	310	674	83	271	276	2	5,651
Apr.	652	143	2,505	143	336	177	632	28	187	128	10	5,481
May	593	236	2,867	115	591	513	619	149	230	302	-	6,215
Jun.	884	227	2,427	202	415	553	393	132	315	289	-	5,837
Jul.	481	111	2,965	218	481	310	701	14	148	126	-	5,555
Aug.	529	77	3,113	168	407	264	461	118	240	530	3	5,870
Sept.	402	119	2,621	148	564	388	576	102	223	402	-	5,545
Oct.	424	10,415	4,202	148	472	394	447	26	355	148	-	17,031

Source: Barbados Statistical Service

APPENDIX IV

DIRECTION OF TRADE BY TRADING AREAS AND COUNTRIES
WITHIN AREAS - JANUARY TO DECEMBER 1981 (J\$)

TRADING AREAS AND COUNTRIES	IMPORTS	DOMESTIC EXPORTS	RE EXPORTS
ALL COUNTRIES	2,840,890,870	1,383,070,875	28,379,119
CARIBBEAN COMMON MARKET	130,925,283	185,140,507	2,440,606
BARBAODS	21,697,616	27,551,001	176,24
GUYANA	6,222,559	9,870,335	4,820
BELIZE	7,062,524	3,084,688	27,594
ANTIGUA	1,170,765	5,607,146	1,199,022
MONTserrat	0	440,457	225,763
ST. KITTS-NEVIS-ANGUILLA	1,650,983	1,649,098	87,851
TRINIDAD AND TOBAGO	63,720,788	127,003,075	200,933
DOMINICA	16,642,266	1,812,535	62,962
GRENADA	284,143	1,605,375	5,479
ST. LUCIA	10,967,360	4,004,300	122,125
ST. VINCENT	1,501,266	2,434,600	327,813
CARIBBEAN AREA - OTHER COMMONWEALTH COUNTRIES	548,619	9,680,028	284,700
BAHAMAS	519,554	3,478,212	14,132
BERMUDA	227,065	2,684,899	627
B.W.I. UNSPECIFIED	1,007	0	0
CAYMAN ISLANDS	200,993	3,273,333	260,110
BR. VIRGIN ISLANDS	0	27,656	0
TURKS AND CAICOS ISLANDS	0	215,929	9,831
CARIBBEAN AREA - NON COMMONWEALTH COUNTRIES	318,807,184	21,049,537	106,605
CUBA	78,128	169,905	2,018
DOMINICA REPUBLIC	5,606,399	5,460,725	0
PUERTO RICO	5,066,721	854,197	9,035
U.S. VIRGIN ISLANDS	0	784,053	66,782
HAYTI	155,130	1,908,217	12,701
SURINAM	600	4,576,950	0
NETHERLANDS ANTILLES	327,024,143	3,400,499	15,693
FRENCH GUIANA	0	1,359,232	0
GUADELOUPE	52,008	1,588,127	376
MARTINIQUE	10,977	997,632	0
SERRANA CAYS	2,500	0	0
NORTH AMERICA	1,232,642,138	821,563,613	24,105,333
CANADA	121,267,946	166,475,383	6,928,845
UNITED STATES OF AMERICA	1,111,374,192	455,118,230	17,176,488
CENTRAL AMERICAN COMMON MARKET	8,283,881	10,540,980	30,487
COSTA RICA	2,491,292	432,334	30,487
GUATEMALA	4,738,231	6,348,554	0
HONDURAS	1,054,358	326,083	0
EL SALVADOR	0	3,434,009	0
LATIN AMERICAN COMMON MARKET	434,409,467	98,000,000	135,291
COLOMBIA	2,752,895	0	70,500
MEXICO	139,958,822	50	60,034
VENEZUELA	343,758,895	11,187,872	4,717
ARGENTINA	1,900,369	0	0
BRAZIL	25,666,397	20,757,774	0
CHILE	299,263	0	0
PARAGUAY	0	7,453,023	0
PERU	62,878	113	0
OTHER AMERICAN COUNTRIES	7,934,283	773,988	280
PANAMA	7,934,283	773,988	280
EUROPEAN COMMON MARKET	320,452,267	287,705,516	1,244,942
UNITED KINGDOM	190,443,756	272,603,115	1,194,643
REPUBLIC OF IRELAND EIRE	1,866,351	967	8,891
BELGIUM LUXEMBOURG	21,821,207	1,449,182	5
DENMARK	4,831,659	69,594	0
FRANCE	21,269,240	290,749	5,358
W. GERMANY (INCL. BAVARIA SAAR)	47,973,747	7,194,597	36,008
NETHERLANDS (HOLLAND)	18,323,971	15,813,606	44

Source: External Trade Statistics Jamaica

APPENDIX V

LINES OF CREDIT FACILITIES (As At September 30, 1986)

LINES OF CREDIT	Available		Commit- ment fee	Other
	Balance (US\$) M	Rate of Interest		
Austin Blades	13.00	11/2% above LIBOR	5%	-
Columbian	4.34	10%	-	-
German	5.99	-	3% (Local Cur.)	-
Israeli	1.56	10.5%	-	15% down payment
May & Baker	2.30	1% above LIBOR (Built in your proforma invoice)	-	-
Mexican	10.00	6%-180 days 7%-1-2 years 8%-2 years & over	-	15% down payment
Thomas Bell	3.72	15% p.a.	-	-
Venezuelan	0.56	5.5%	-	-
W.I. Commodity Oil	9.00	2% above New York Prime	-	-
Westam-US	1.00	2% above Westam's	-	-
Westam Worldwide	1.00	borrowing rate (12.50%)	-	-
Indian	4.00	11%	-	10% down payment
Irving Trust	1.00	1% above Irving Trust Prime	-	-
Hungarian	22.00	7.75% Consumer Goods 8.5% Capital Goods	1%	-
BCCI (being negotiated)	<u>5.00</u>	New York Prime	1%	-
GRAND TOTAL	<u>84.47</u>			
SOURCE: Ex-Im Bank - Jamaica				

