

FEATURED Q&A

How Will the Caribbean Weather the Stormy Economy?

Q Countries in the Caribbean faced fiscal challenges even during relatively good times for Latin America over the past few years, and the current external crisis adds a downturn in tourism receipts and remittances. Which countries in the Caribbean are better prepared and why? Which nations face the toughest outlook and how bad might it get?

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A **Guest Comment: Ronald Sanders:** "Barbados and Trinidad and Tobago are the two Caribbean countries that would best weather the storm, notwithstanding the collapse in Trinidad of the CLICO group of companies that contributes 25 percent of the country's GDP. The collapse is entirely due to company failures at the domestic level and an inadequate legislative framework for regulation. However, Trinidad and Tobago's foreign reserves, built up over the last few years and a guaranteed market in the United States for its natural gas, oil and petrochemicals, even at a lower price than last year, will help it to weather the storm. In the case of Barbados, it has a tourist industry that caters to the high-end of the market and this will continue even if the middle and lower end declines. It also has the best regulated financial services sector in the region and will probably avoid contagion from toxic investments in the US. The smaller countries of the Organization of Eastern Caribbean States are likely to suffer the worst because of their limited capacity to maneuver. The Leeward Islands have already taken a bashing from the loss of their preferential market for bananas in Europe, and the tourism-dependent Windward Islands have nothing to fall back on except small financial services sectors that are under threat both from the new Obama administration in the US and the OECD which has become resurgent on so-called tax havens. But, at the bottom line, all Caribbean economies will suffer. Unemployment will increase and economic growth will decline. They will need astute government and a unified approach to the

international financial institutions in order to alter conditions and give them access to grants and soft loans."