

SPEECH
46TH ANNUAL MEETING OF THE BOARD OF GOVERNORS
CARIBBEAN DEVELOPMENT BANK
Mr Earl Jarrett
General Manager, Jamaica National Building Society
Hyatt Ziva Hotel
Tuesday May 17, 2016 at 1:00 pm

ACKNOWLEDGMENTS

- **Dr Warren Smith**, President of the Caribbean Development Bank
- Members of the Board of Governors of the CDB
- Other Delegates
- Members of the Jamaica National Group

Ladies and Gentlemen:

Good afternoon.

Thank you for joining us for lunch as we acknowledge and congratulate the **Caribbean Development Bank** on its 46 years of work in the region; and reflect on its main objective which is to **promote harmonious social and economic growth and development among member countries in the Caribbean.**

Although its primary duty and service is to the Caribbean, we also recognise the CDB's embrace of others in the region, such as **Colombia, Mexico, Brazil, and Venezuela**; as well as those outside the region, through the expansion of membership rights to the **United Kingdom, Germany, Italy, Canada and China**.

Similar to my own organisation, the **Jamaica National Building Society**, which is **the largest member-owned financial organisation in the Caribbean**, with linkages overseas, the **CDB is a mutual organisation with the single objective of providing services to its member states**.

Mutuality, Ladies and Gentlemen, is indeed a very powerful concept. And as we reflect on the meaning of mutuality, I am reminded of one of the last sermons of Dr Martin Luther King, Jnr entitled, ***Remaining Awake through a Great Revolution***, which he delivered at the National Cathedral in Washington, D.C. on March 31, 1968.

He declared that:

*"We are tied together in the single garment of destiny, **caught in an inescapable network of mutuality.**"*

And whatever affects one directly affects all indirectly. For some strange reason, I can never be what I ought to be until you are what you ought to be. And you can never be what you ought to be, until I am what I ought to be. This is the way God's universe is made; this is the way it is structured."

We commend the framers of the CDB for embracing the concept of mutuality and for continuing to extoll its importance in the development of the peoples of this region.

A quick review of the operations of the CDB shows that the organisation has grown remarkably under this concept of mutuality over the past four decades. It began in 1969 with a **capital outlay of \$50 Million**; and, today, has assets in excess of **\$900 Million US Dollars**.

However, in contrast, the economies of many of the CDB's regional member states have languished; with, for example, **Jamaica averaging approximately two per cent growth since its independence** from Britain in 1962¹.

¹ The Jamaican economy and prospects for the future, Professor Alvin Wint. <http://jamaicacsi.org/the-jamaican-economy-and-prospects-for-the-future>

Therefore, even as the CDB considers its mandate and growth at this annual meeting, it must also deeply reflect on the economic progress of its member states. It must determine if there is need to adjust its sails in this world of uncertain winds, to ensure its member states that benefit from its primary services, are growing, ***at least***, at relatively the same rate as the organisation. If not, then the very member states may one day ask: Why?

It is interesting that in your embrace of mutuality, you have acknowledged **the Caribbean as one space with a collective history and a common cause**. It was almost as if you anticipated the perspective of the multilaterals today, whether at the level of regional trade or regional security, that the Caribbean is one space. And, therefore, this recognition demands that **our response to their requirements is a single response**.

Hence, our negotiations are not shaped around the needs of a single country, but now around the needs of the region.

And while the world makes the demands, the citizens of this region called the Caribbean are yet to achieve or experience the idea or dream of a single "*Caribbean state*".

Although the full employment of one state is supported by the export of goods to another state with high unemployment; to date, we have not begun to consider how we can address this paradox which threatens to undermine the spirit of the Caribbean, and which will ultimately undermine the objectives of the CDB.

Therefore, we challenge the CDB to give consideration to this matter as you meet over the course of the next two days to reflect on the past, and to give an indication to members of the plans for the next year and beyond.

We commend the CDB and the work it has done.

The organisation remains **an institution of choice for driving and administering finance for development**, within the region, as signalled by the UK's selection of the organisation to administer its special grant of £300 Million Pounds for infrastructure and other development work in the region.

The CDB is considered **the premiere economic research institution in the Caribbean**, with many outstanding studies such as your *Public Sector Debt in the Caribbean*, and the reasons for that debt.

This includes, but is not limited to the impact of:

- **Climate change** and its effect on the development of small island developing states; or
- **Non-state actors in driving debt**, often through contingent liabilities in the private sector which are assumed by governments, as evidenced in the case of Jamaica during the banking sector crisis and the financial sector crisis in Trinidad.

Yet, although the study was done and published, **it is interesting to note that minimal reference is made to the study** in discussions about the debt issue in the region. In fact, it seems the rest of the world would prefer to blame the debt problem on the malfeasance and incompetence on the part of Caribbean leaders and politicians. This is not so.

Today, **the Caribbean's single most important goal is to achieve sustained economic growth**, outside of remittances. However, before we can achieve that growth we must begin to understand what "*Project Caribbean*" is.

We must begin to understand **what the Caribbean will offer to a growing global, interconnected world** so that it can educate its population with that understanding in mind.

We must **provide the necessary healthcare for our people, and security from the ever increasing threats** -- ranging from terrorism and human trafficking, to the abuse of our financial institutions, corrupt sports financing, and funds associated with nuclear proliferation.

The vicious cycle of weak economic performance **limits our ability to defend ourselves** and perpetuates the perception that our economies are corruption-riddled and risky'; which, today, **manifests itself in the de-risking of our financial institutions by our international banking partners.**

This leads us back to the point that **the path to success for the Caribbean region is a persistent, unwavering drive for economic growth.** Before we can begin on our path to growth, we must first acknowledge and embrace ourselves and our abilities as a Caribbean people.

The Bible tells us that we are made in the image and likeness of the Creator and that we must love ourselves. In the book of **Luke Chapter 10 verse 27**, it states:

"Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy strength, and with all thy mind; and thy neighbour as thyself."

However, before we can love ourselves we must understand who we are as a people. We must understand our history.

This space that we call the Caribbean was initially the habitat of the Taino and Caribs -- people who journeyed from Asia and Africa, down the Yucatan Peninsula to this region. Their advent was followed by the occupation of the Spanish and the English in the 15th century; and also the French and the Dutch on a less prominent scale, which extended to a period of 300 years of European ownership and control of many Caribbean territories.

During that period, **the Caribbean was in essence an extension of Europe**, in the sense that Caribbean goods had non-prohibitive access to European markets and there was free movement within the Caribbean.

There was financial integration and free movement of capital -- both long-term capital and working capital -- with many estates being financed through trade credit from merchants and banks in the United Kingdom and France.

In fact, **there was no need for financial institutions in the Caribbean**, as all financial transactions took place in Britain until the years leading up to 1838 when local financial institutions, such as the Planter Bank and Colonial Bank in Jamaica, emerged to support the needs of the estates in the region. And, in later years, the Bank of Nova Scotia emerged to support the increasing trade with Canada, particularly the exports of goods from Canada to Jamaica and the Caribbean.

However, while the rules have changed, **the rules of the society and the response of the private sector were shaped around this common economic space** between Europe and the Caribbean.

Many of the laws of the Caribbean states, which today seemed to be restrictive to trade and people, are the remnants of laws that were drafted around the relationship between Europe and the Caribbean, to the exclusion of other states.

Britain traded with the English-speaking Caribbean. France dealt with the French-speaking Caribbean and the Dutch with the Dutch-speaking Caribbean.

Post-independence, many of these laws have continued to shape trade between Europe and the Caribbean today, and have become **obstacles in a global environment that requires greater levels of access and freedom.**

Our independence truly became effective with the **removal of trade preferences to European markets** and **the imposition of rigid visa requirements**; and the **demand for greater levels of investment in security** in the Caribbean.

Today, we are experiencing the de-risking of financial institutions. And, I suggest to you that **this is the final step to complete independence of the Caribbean from Europe and the rest of the world.**

It is now up to us to begin to craft a new response to this *"independence."*

It is now up to us to reflect on and to accept the original intent of the CDB and CARICOM, so that the region can begin to understand that **we need to recognise that now that Europe has finally ended the special relationship we enjoyed, we must now look to each other** and embrace those words of Martin Luther King I reminded you of earlier.

Our future will require us to embrace fully this spirit of mutuality.

And so, in a mutual space, there are specific things that we must do urgently:

1. **One...** we currently negotiate as a single trading bloc, but we must **create the space where the businesspeople of the region can meet and exchange ideas and programmes to drive the region's progress.**
2. **Two...** we need to **reflect on the benefits of having a single university within the space and make greater commitments to support that university.**

3. **Three...** we must **commit to regional transportation and regional telecommunication** from the point of views of shipping and air links between the region.

4. **Four...** we must work at **identifying a medium by which goods can be traded in the region;** and by this I mean some semblance of economic integration or the development of a regional payments system. There are people in the region who have already given thought to this, including young **Gabriel Abed from Barbados** who has been experimenting with **bitcoin** technology to identify ways in which people can move goods in the region.

5. **Five...** we must begin to **accept the truth that our countries will never again become successful as major agricultural players** in the world.

6. **Six...** we have to **create the legal framework for the easy access to the region by people.** And by this I mean a common, secure regional immigration system to facilitate easy movement between countries, similar to the free movement of Europeans across Europe. In effect, we need our Caribbean **"Schengen"** visa.

7. And, finally... we need to **consider the ideas germinating from ECLAC for the establishment of a regional financial institution in the major trading markets of the world** to support our people in the trade of their goods and services.

In the meantime, our region remains at risk.

My own organisation has suffered from the dangers of de-risking.

In Cayman, our money services business had been forced to resort to the physical transportation of money between islands due to the closure of our bank accounts. We face the possibility that **challenges to our business in the UK**, as Barclays has decided to significantly reduce and sever its relationship with banks in the region. We continue to work hard and to engage in negotiations at various levels on this issue, and I must commend the **Caribbean Association of Banks** for its support with this challenge.

I urge the **Caribbean Development Bank and its Governors** to adopt this issue as a central issue. As you are aware, **the actions of international banks are heavily influenced by the policy framework in North America and Europe.** It is a known fact, as elucidated in the book *Fragile by Design*, by Charles Calomiris and Stephen Haber that **banks react to the sanctions or incentives of the Government** and what we see happening today is simply that.

At the regional level:

We must work hard to remove the fear and perceptions of fear in the developed world.

We must repudiate the idea that we can do business in the old-fashion way.

We must commit to implementing Anti-Money Laundering and Counter-Terrorism Financing strategies within the legal framework in the region.

We must begin the process of trading information with our banking and trading partners.

And, **we must create a free flow of information** so that in the final analysis, we don't create a wall that will separate the developed world from the developing world.

Thank you; and I wish for you a very productive two days of meetings.

*Earl Jarrett
General Manager
Jamaica National Building Society
May 17, 2016*