Economies of the Eastern Caribbean Currency Union (ECCU) and our Strategic Response

by

DR. THE HONOURABLE RALPH E. GONSALVES

PRIME MINISTER OF ST. VINCENT AND THE GRENADINES

[Expanded version of a presentation made on Thursday July 23, 2009, on the occasion of the sub-regional link-up on radio and television of the leaders of the OECS-ECCU member-countries]

Office of the Prime Minister
St. Vincent and the Grenadines
July 24, 2009

ECONOMIES OF THE EASTERN CARIBBEAN CURRENCY UNION (ECCU) AND OUR STRATEGIC RESPONSE

by

Dr. The Honourable Ralph E. Gonsalves

THE CONTEXT

The profound crisis in the international economy continues with little or no respite. This chronic condition has existed for the past twelve months or so wreaking economic and social havoc the world over, particularly in developing countries but among the poor and disadvantage everywhere. The adverse impact has been felt in the economies of the Caribbean Community (CARICOM) including the especially vulnerable member-countries of the Eastern Caribbean Currency Union (ECCU). The ECCU member-counties are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

The severe down-turn in the global economy is manifested in sharply increased unemployment, falling living standards, rapid declines and instability in the financial markets, the marked slow-down in the trade in goods and services internationally, a deep erosion in business confidence, a most pronounced reluctance of entrepreneurs to assume even reasonable business risks, and a significant drop in wealth creation.

In its bi-annual World Economic Outlook (WEO), published in April 2009, the International Monetary Fund (IMF) projects world output to contract by 1.3 percent in 2009, the deepest global recession since the Great Depression of eighty years ago. Based on these projections, the advanced economies, as a group, will contract by 3.8 percent, and remain flat at 0.0 percent in 2010. The Gross Domestic Product (GDP) of the major trading partners of the ECCU-countries is projected to decline in 2009 as follows: by 2.9 percent in the U.S.A.; by 4.2 percent in the Euro area; by 4.1 percent in the United Kingdom;

and by 2.5 percent in Canada. These are huge declines in output!

Growth in the developing world generally will slow to 1.6 percent but is likely to increase to a more favourable 4.0 percent in 2010. Still, there is likely to be a marked unevenness in the performance of the economies of the developing world. It is unlikely to be "a walk in the park "in the remainder of 2009 and for all of 2010, even though there are tentative signs of a recovery in the developed economies. Uncertainty will prevail and the recession in our major trading partners is yet to run its course fully. Moreover, there is likely to be a more prolonged, and delayed, adverse effect on the economies of the ECCU. This observation accords with our economic history.

OUTLOOK FOR ECCU

Growth in the ECCU fell to 2.2 percent in 2008 from 5.7 percent in 2007.

The impact of the global crisis on the ECCU economy intensified in the first four months of 2009. As the Eastern Caribbean Central Bank (ECCB) puts it:

> "*Conditions in the real sector deteriorated markedly, as evidenced by a 3.9 percent decline in the GDP index for the first quarter of 2009 relative to the first quarter of 2008. The fall in the index was a result of declines in activity in hotels and restaurants construction, mincing and quarrying, manufacturing, and the wholesale and retail trade sectors. In addition, inflows of foreign direct investment and remittances are estimated to have contracted and business confidence fell. The level of unemployment is likely to have increased as a number of hotels and manufacturing companies in particular, continued to shed jobs.*"

In nearby Barbados, real growth of minus 3 percent was recorded for the first half of 2009 and is projected to remain so for the remainder of 2009. In oil-and-natural gas endowed Trinidad and Tobago, there has been slight negative growth for two successive quarters in 2009. Both Barbados and Trinidad and Tobago possess substantial foreign exchange reserves which would assist them in riding out the economic turmoil more assuredly then the ECCU where the reserves are not unsound though less substantial comparatively.

The ECCB is projecting that real GDP for the ECCU as a whole is likely to contract by 2 percent in 2009. Clearly, some countries would decline in output more than others. On a whole, the ECCU declines are projected for 2009 as follows: hotels and restaurants sector, by 14.5 percent; the wholesale and retail trade sector, by 5.1 percent; and construction, by 4.2 percent.

In a summary assessment, the ECCB has this to say recently:

"The pace of the global recovery will depend heavily on the concerted efforts of the major world economies and continued coordination of monetary and fiscal policies to unfreeze credit markets and give impetus to aggregate demand worldwide. Unfortunately, the ECCU-member governments are not in a fiscal position to implement massive stimulus packages of their own. However, member governments can support a domestic recovery effort by developing a medium-term framework for macro-economic management, while making a considerable effort to maintain fiscal discipline. The recent declines in commodity prices, particularly oil, may provide some support to disposal incomes and consumer confidence, and ultimately push the domestic economy out of the downturn more speedily".

It is interesting to note that since the 1990s, the ECCU economy, as a whole, has been experiencing a secular decline in growth in real GDP. It is true that St. Vincent and the Grenadines has bucked this trend, but, by and large, across the sub-region there have been declines in growth rates since the 1990s, even though there have been occasional growth spurts. So, though over the period 1978 to 2008 experienced a real average annual GDP growth of 4.8 percent, the period 1978 to 1990 had GDP growth annually of an average of 6.0 percent whilst the later period of 1991 to 2008 experienced a much lower average annual GDP growth rate of 3.5 percent.

Other challenges accompanied this "secular decline in growth rate" in the ECCU prior to the world economic meltdown of 2008 to the present time. These include: A surge in public sector deficits and debt, in some cases more manageable than others; a substantial commodity price shock especially for petroleum products; significant gaps in the regional non-bank oversight framework; a fragmented and relatively weak indigenous banking sector; sharp declines in the preferential market treatment of exports, particularly bananas and sugar; the reduction in the flow of concessionary financing; incomplete and insufficient/inadequate sub-regional and regional integration efforts; the adverse socio-economic impacts of frequent natural disasters; the on-going deleterious effects of climate change; the rise in violent criminality, drug trafficking, and money-laundering; the double-edged nature of the revolution in information technology and modern globalization; and the ever constant constraint of small size, and limited and undeveloped resources.

That complex of factors and circumstances received a terrible and debilitating jolt from the global financial shock which metamorphosed into a veritable economic tsunami. Or as the Governor of the ECCB, Sir Dwight Venner, puts it with only a slight hyperbole: "The equivalent of a Category 4 – Category 5 Hurricane!"

DOWNSIDE RISKS OF NEAR TERM PROSPECTS FOR ECCU

Having mapped broadly the outlook for the economies of the ECCU, what are the immediate downside risks? The major ones include: (i) A marked reduction in capital inflows and a sharp deterioration in foreign demand for tourism; (ii) Increased funding constraints for ECCU governments; (iii) A fall in public confidence in the indigenous commercial banks and insurance companies; (iv) A renewed surge in international crude oil prices; (v) The possible, though not immediately probable, unraveling of efficacious regulatory regimes of banking and non-banking financial institutions.

Thus, in the current environment, the central policy imperative of the ECCU is three-fold: First, to protect the stability of the financial system and maintain the credibility of the currency to support the economic recovery. Secondly, to provide where feasible and practicable an urgent economic stimulus through the public sector investment programme, fiscal measures, and private sector activity. Thirdly, to strengthen and extend the social safety net so as to protect and uplift the poor and the disadvantaged sectors of the society. The ECCU's Eight-Point Stabilisation and Growth Performance and its accompanying Action Plan are derived from this policy framework.

These central measures are required to be implemented urgently and in a focused manner so as to stem the tide of socio-economic hemorrhaging and to avert a possible worst case scenario.

Let us reiterate a fundamental truth of the ECCU's current economic condition: Developments in the international economy have eroded the economic circumstances in the ECCU, as inflows of travel receipts fell by 10 percent or EC $80.3 million in 2008, in sharp contrast to an 11.1 percent increase in 2007. Foreign direct investment (FDI) decreased by 29.1 percent. By contrast an increase of 14.6 percent in FDI was recorded for 2007. Indeed, FDI inflows accounted for, on average, 27.5 percent and 22.5 percent of GDP respectively between 2005 and 2008. All this has had a deleterious effect on central government's finances and debt. In particular, central governments realised a current account surplus of EC $77.5 million (0.6 percent of GDP) in 2008, substantially below that of EC $303.2 million (2.5 percent of GDP) in 2007; while their total outstanding debt rose by 2.4 percent in 2008.

The global financial crisis is also threatening the resilience of the financial system of the ECCU. This, too, has to be emphasized again. Losses on financial assets and the associated reduction in inflows and tight global credit market conditions have led to a reduction in domestic liquidity. This matrix of facts demands a central policy response appropriately.

I have described hitherto the near turn outlook for the ECCU and the immediate downside risks. The situation is most challenging and conceivably could get worse. Indeed, inaction, wrong policy prescriptions, or tardy implementation of sound policies in the ECCU could invite a worse case scenario. And this would arrive at our doorsteps without any further marked deterioration globally or the incidence of natural disasters, sub-regionally.

Under a worst case scenario, real GDP is projected to contract in the ECCU by 5.9 percent in 2009 and by 1.9 percent in 2010 as the global crisis impacts both domestic and external demand. The projected decline in tourism is 16.2 percent and 5.4 percent in 2009 and 2010 respectively, as all member-territories are expected to record lower levels of stay-over arrivals in both years. Visitor expenditure is projected to decline by 18 percent in 2009 and by a further 4.0 percent in 2010. In the construction sector in the ECCU, value added is expected to decline by 19.8 percent in 2009, as a number of FDI projects have been impacted by the crisis in the United States of America.

Such a large, worst-case-scenario, fall in real GDP for 2009 would result in an approximate 8.0 percent decline in central governments' revenues in the ECCU in 2009. A combination of these adverse fiscal circumstances would generate a second round effect on the Debt-to-GDP ratio in the ECCU. It is expected that the global shock would result in a significant increase in the sub-region's Debt-to GDP ratio between 2008 and 2010.

PUBLIC DEBT PROFILE IN ECCU

Without grant or concessionary financing from external sources, the huge Debt-to-GDP ratio in the ECCU constrains the extent of a counter-cyclical fiscal policy. The preliminary figures for 2008 show a total outstanding public debt of the ECCU of EC $11.36 billion or 88.67 percent of GDP at Market Prices, which stood at EC $12.8 billion. The Debt-to-GDP ratios for the member-countries of the ECCU are as follows: Anguilla, 21.79 percent; Antigua-Barbuda, 89.72 percent; Dominica, 90.7

percent; Grenada, 100.16 percent; Montserrat, 8.15 percent; St. Kitts-Nevis, 163.89 percent; St. Lucia, 70.67 percent; and St. Vincent and the Grenadines, 70.15 percent.

The data regarding interest payments as a percentage of current revenue are as follows: For the ECCU as a whole, 12.48 percent; Anguilla, 3.93 percent; Antigua-Barbuda, 14.05 percent; Dominica, 10.03 percent; Grenada, 7.51 percent; Montserrat, 0.24 percent; St. Kitts-Nevis, 24.5 percent; St. Lucia, 10.8 percent; St. Vincent and the Grenadines 10.07 percent.

These figures speak for themselves! The policy implications touch and concern debt management and the mobilisation of concessionary funding for development projects and social safety net expenditure.

THE CLICO-BRITISH AMERICAN INSURANCE ISSUE

Connected to, but separate from, the global financial meltdown has been the collapse of CL Financial Holdings, the regional financial giant, and its subversive ripple effects, and more, on CLICO and the British American Insurance Company (BAICO) in January 2009. These matters represent enormous challenges to the financial system as well as to policy holders, depositors, and investors.

In a summary disaggregation of these matters as they affect the ECCU, the position briefly is as follows: (i) Insofar as CLICO (Trinidad) is concerned the Government of Trinidad and Tobago has set aside TT$1.3 billion or EC $0.7 million approximately, to pay the liabilities of the policy-holders not ordinarily resident in Trinidad and Tobago. So, the dimension of this challenge is satisfactorily addressed; (ii) Although CLICO (Barbados) has liquidity problems, its liabilities are being met even though tardily and sometimes with creative alternatives.

In any event the Government of Barbados has offered, privately and publicly, assurances that all the liabilities would be met to the policy-holders, investors, depositors in Barbados and the ECCU. Thus, the challenges here are being accommodated satisfactorily, at least at the present time; (iii) the BAICO matter is a huge challenge of a different order which is yet to be satisfactorily resolved.

The liabilities of BAICO in the ECCU amount to EC $1.6 billion or approximately US $590 million. The assets in the respective statutory funds in the member-countries of the ECCU are wholly insufficient to meet these liabilities probably about one-half thereof. Indeed, it does appear now that since 1997, BAICO was functioning as in insolvent entity with coverage from the balance sheet of CL Financial Holdings which, after December 2008, turned out to be an edifice akin to the proverbial "pack of cards". BAICO was juridicially headquartered in the Bahamas but was operationally-driven out of Trinidad. Each BAICO branch was registered in each jurisdiction of the ECCU.

For different reasons the Bahamas and Trinidad disclaim responsibility though each, especially the latter, is keen on being a participant in a regional solution to this awesome challenge. So, the ECCU member-countries are left to fashion a solution substantially on their own shoulders. This is a work in progress with a real prospect of a satisfactory solution, but not yet.

The ECCU has elaborated a way forward on BAICO based on four principles or propositions: (i) That the solution to this regional challenge be regional in nature; (ii) That BAICO be not allowed to blossom from a risk to an imminent danger to the financial system; (iii) That the policy holders, depositors, investors be protected; and (iv) That BAICO continue as a going concern if even as a new entity. Important practical work has been done on this issue to work towards a satisfactory solution.

THE IMPACT OF THE STANFORD DEBACLE

The collapse of the Stanford Financial Empire, based in Antigua and Barbuda in early 2009 has given rise to a multiplicity of challenges to the economy and financial system of the ECCU.

To put this matter in context we must recall the following facts: (i) Antigua and Barbuda's economy amounts to 25.7 percent of that of the ECCU (Antigua-Barbuda's GDP is EC $3.299 billion out of an aggregate GDP of the ECCU of EC $12.812 billion). Thus, whatever economic crisis occurs in Antigua and Barbuda, it affects directly and intimately the economies of each ECCU country and the ECCU itself largely because we all share a common currency and Antigua and Barbuda has such a large presence in it. The respective sizes of the other economies as a percentage of ECCU are as follows: Anguilla, 6.12 percent; Dominica, 7.89 percent; Grenada, 14.29 percent; Montserrat, 1.05 percent; St. Kitts and Nevis, 11.8 percent; St. Lucia, 20.8 percent; St. Vincent and the Grenadines, 12.25 percent.

(ii) The Stanford Group of Companies employed at least 800 persons directly and hundreds more, indirectly. This is a large number out of a small labour force, nationally; (iii) The offshore Stanford Investment Bank, based in Antigua was at a core of an alleged "Ponzi Scheme" of US $7 billion. This allegation and the consequential collapse bring myriad attendant difficulties, real and optical, including bothersome lawsuits, for Antigua-Barbuda and the ECCU; and (iv) Part of the Stanford Group was an on-shore commercial bank, the Bank of Antigua, regulated by the ECCB. Within days of the onset of the Stanford debacle, the ECCB had to intervene with supports of EC $89 million so as to prevent the bank's collapse and to avert the risk of contagion in the indigenous banking system in the ECCU. Five indigenous commercial banks in the sub-region have formed the Eastern Caribbean Amalgamated Bank to manage and own the Bank of Antigua.

THE ECCU'S STRATEGIC RESPONSE

The global financial storm stuck with devastating effect in the second half of 2008. By January 2009, the intensity of this financial meltdown was being felt with even greater immediacy in the ECCU than hitherto. Accordingly, on January 15th and 16th, 2009, a joint high-level meeting of the Authority of the Organisation of Eastern Caribbean States (OECS) and the Monetary Council of the ECCB took place to fashion mechanisms and elaborate policies to respond strategically to this global economic crisis and its consequences for the ECCU. Creatively, the governments made use of the Treaty of Basseterre, which established the OECS, and the ECCB Agreement, to put the appropriate mechanisms/institutions and policies in place. Since then, there has been a frequent meeting of minds at the political and technical/managerial levels, mostly utilising modern communications technology such as video conferences and tele-conferences.

At this joint OECS-ECCB Summit, a most important decision was taken to set up a Special Task Force chaired by the Prime Minister of St. Vincent and the Grenadines and comprising the Chairman of the OECS Authority, the Chairman of the Monetary Council, the Director-General of the OECS, and the Governor of the ECCB. The central mandate of this Task Force is to respond to the economic crisis and to put matters on a developmental path forward. Subsequently, it was decided to merge the former Task Force on the OECS Economic Union with this Special Task Force under my Chairmanship.

Other institutions/mechanisms were created in or through the process of our work. A Ministerial Sub-Committee was established to address the CLICO, BAICO and general insurance issues under my Chairmanship. On this Sub-Committee, too, are the Prime Minister of Dominica, and the Ministers of Finance of Grenada and St. Kitts-Nevis.

Two other Sub-Committees were set up. These are under the aegis of the Monetary Council to address the questions of Offshore Finance and Credit Unions. The Offshore Finance Sub-Committee comprises: Antigua and Barbuda (Chair), Anguilla, Grenada, and St Kitts-Nevis. The Credit Union Sub-Committee comprises: Dominica (Chair), Grenada, St. Lucia and St. Kitts-Nevis.

All three Sub-Committees and the Special Task Force itself have technical committees and support staff to assist them in their work.

These mechanisms/institutions which have emerged to focus their endeavors on three principal objectives: (i) The Establishment of an OECS Economic Union; (ii) The further refinement and implementation of the Eight-Point Stabilisation and Growth Programme; and (iii) the further elaboration and implementation of a Comprehensive Action Plan.

(i) **OECS Economic Union**

A draft OECS Economic Union Treaty has been in circulation over the past several months. Public consultations have commenced in Dominica, Grenada, St. Lucia, Montserrat, and St. Vincent and the Grenadines. The discussions are shortly to be formally launched in Antigua-Barbuda and St. Kitts-Nevis. It is anticipated that the OECS Economic Union Treaty would be signed by December 31, 2009. By June 2010, it ought to be put into the domestic law of each participating country to replace the Treaty of Basseterre. Anguilla and the British Virgin Islands would retain an "associate" status with the OECS, though not being part of the Economic Union.

Meanwhile, concurrently, preliminary discussions are underway on the Vaughn Lewis – Cuthbert Joseph Report on a proposed OECS-Trinidad and Tobago

Economic Union which is scheduled for consummation by 2012. But we are putting our OECS house in order first given all the practical circumstances and the exigencies of our condition. We look forward eagerly, though, to a deepened nexus with Trinidad and Tobago and, hopefully, Barbados. We await Guyana's response.

In St. Vincent and the Grenadines, the Regional Integration and Diaspora Unit (RIDU) in the Office of the Prime Minister is driving the consultative process on the OECS Economic Union and the Union with Trinidad and Tobago. Both the Government and the Parliamentary Opposition in St. Vincent and the Grenadines have declared their support for the draft OECS Economic Union Treaty.

The OECS Economic Union is designed to deepen and broaden our sub-regional integration processes and to strengthen meaningfully sub-regional governance. The details are spelt out in the draft Treaty. This is a matter of the most vital strategic significance for the future of our sub-region.

The OECS Economic Union represents a judicious and carefully-calibrated admixture of supranationalism, inter-governmentalism, and effective national governance. The Economic Union is intended to form a special economic and financial space to the benefit of our citizens in the OECS.

(ii) **<u>Eight-Point Stabilisation and Growth Programme</u>**

The strategic response of member-countries of the ECCU is aimed at <u>stabilising</u> and <u>transforming</u> the economies with three principal objectives: Stabilisation, Stimulus, and Structural Reform. Accompanying these innovative steps is a Comprehensive Action Plan for economic development and poverty reduction. The state, the Cooperative Sector, and the Private Sector have critical roles to play in this process of stabilisation, transformation, and development.

The Stabilisation Package is aimed at stabilising the economies by internal adjustments which are intended to do three basic things: Fill the domestic financial gap; put public finances back on a sustainable path; and place public debt on a trajectory to achieve the goal of a sustainable debt profile.

The Stabilisation Package contains three discrete, though interconnected, elements, namely:

(i) Financial Programmes, including curtailing deficits and providing financing under concessionary terms and grants.

(ii) Fiscal Reform Programmes so as to develop and consolidate efficient revenue and expenditure systems.

(iii) Debt Management Programmes so as to contain an exploding and debilitating debt profile.

The Stabilisation Package is likely to generate traditional donor confidence especially in the European Union, World Bank, International Monetary Fund, and Caribbean Development Bank. It will encourage, too, other possible donor participants, including: Republic of China, People's Republic of China, Canada, Venezuela, ALBA, Cuba, Mexico, Brazil, Turkey, India, Russia, Japan, Libya and Iran.

An effective Stabilisation Package lays the basis for the implementation concurrently of the Stimulus Package which contains three components, numbered (iv) to (vi) of "The Eight Points", namely:

(iv) Public Sector Investment Programmes which are central cores of a fiscal stimulus designed to provide jobs and stimulate economic activity through critical public sector projects.

(v) Social Safety Net Programmes to protect pre-existing gains, to consolidate them, and to deepen/extend targeted strategic, social safety net interventions for the poor, the marginalised, and disadvantaged.

(vi) Financial Safety Net Programmes to ensure the provision of immediate liquidity support. This is vital for the restructuring and recapitalisation of the indigenous banks and insurance companies, and for the strengthening of the regulatory/supervisory regimes.

Both the Stabilisation and Stimulus Packages must operate in tandem. They are organically conjoined. The "Stabilisation" lays the base; the "Stimulus" ensures the stimulation/development of the economies and the protection of the vulnerable populations.

The third package to accompany those of "Stabilisation" and "Stimulus" is the <u>Structural Package</u>. This final package incorporates the programme to amalgamate and strengthen as many indigenous banks as possible and elaborates the programme, too, for rationalization, development, and regulation of the insurance sector. Thus, we number those elements (vii) and (viii) of the Strategic Response as follows:-

(vii) Amalgamation and Strengthening of Indigenous Banks.

Inefficiencies and weaknesses in some indigenous banks summon a programme for amalgamation, reforms, modernisation, and strengthening. The ECCU would be stronger and better when this happens.

(viii) Rationalisation, Development and Regulation of the Insurance Sector. The earlier discourse reveals the fragility of the insurance sector which now poses a potential threat to the financial system. Rationalisation, development, and regulation must be our watchwords. It should be noted that over 160 registered insurance entities exist in the ECCU serving a population of less than 600,000. Taking account of appropriate comparisons elsewhere, there probably ought not to be more than four life insurance companies and six to ten general insurance companies. The theme here should be: Better, fewer, but better!

Part and parcel of the overall venture of Stabilisation Stimulus, and Structural Reform is a Comprehensive Action Plan. This was sketched at our first Joint OECS-ECCB Meeting in January 2009. In broad outline, the focal elements are as follows:

(i) Leadership, Management, Institution-Building;
(ii) Air and Sea Transformation;
(iii) Telecommunications;
(iv) Energy;
(v) Education, Skills Training, Research, and Innovation;
(vi) Health and the Environment;
(vii) Three real transformational sectors:

(a) Tourism;

(b) Construction;

(c) Fishing;

CAPITAL REQUIREMENTS

The capital/cash injections required to implement the Eight-Point Stabilisation and Growth Programme and the Comprehensive Action Plan, in summation, is as follows:-

(1) To capitalise/rescue the indigenous banks in terms of a "financial safety net": EC $700 million or US $260 million approximately.

(2) To fix the BAICO problem immediately and to capitalise a successor entity as a "going concern": EC $650 million or US $240. This is in addition to some creative

"roll over" of existing policies/deposits/investments or parts thereof.

(3) To address the public debt challenge of the ECCU member-governments which at the end of 2008 amounted to EC $11.36 billion or US $4.2 billion or approximately 90 percent of the ECCU's GDP would require over the medium-term to 2020 some EC $3.8 billion or US $1.4 billion, along with other "stabilisation" policies, to bring the Debt-to-GDP ratio to an acceptable 60 percent. This sum may involve debt relief in addition to more favourable re-financing and grants.

(4) To facilitate development through a stimulus package of public sector investment may require at least EC $1 billion or US $370 million over a three-year period for the ECCU. This is additional to existing and immediately prospective resources.

(5) To engender private sector activity, foreign direct investment (FDI) of some 30 percent of GDP is required. This amounts to EC $3.8 billion or US $1.42 billion. This is achievable. Special facilities are required for favourable credit to be made to domestic investors/entrepreneurs.

The extent of resource mobilisation is thus huge and urgent!

CONCLUSION

Together these and other productive efforts constitute the fulcrum around which our stabilisation and development thrust revolve. They are the central features of socio-economic underpinnings of our quest to build a Modern, Competitive, Many-Sided Post-Colonial Economy which is at once local, national, regional, and global. To these socio-economic elements must be added the "Good Governance" Package, including the deepening of participatory democracy, the maintenance of order, and the rule of law.

As I have indicated before, the elaboration and implementation demand the highest quality work from the State (including the sub-regional institutions), the Cooperative Sector, the Private Sector, and the Working People as a whole.

Each of these categories has to rethink its role, purposes and nature in this most challenging period and beyond. Renewal, change, hard and smart work, enhanced productivity and production, fairness, reasonableness, and a worthy patriotism of our Caribbean Civilisation are required.

This existing venture in which we are now engaged for the good of our sub-region and of those to whom we must bequeath it, demands high quality political leadership, direction, coordination, and accountability. This must be buttressed by high quality technical, administrative and managerial personnel in every area of public and private sector activity.

The private sector, that vital engine of economic activity and growth, must be committed, creative, and competitive regionally and internationally. They must partner with their governments wholesomely. The same is expected of the noble cooperative sector. The working people, too, must be committed and productive to the highest level possible. They will be rewarded accordingly.

In these particularly difficult times we must build a consensus on the way forward. We must avoid self-inflicted wounds. I have provided a further basis here for a national and sub-regional conversation towards a meaningful consensus.

A crisis is a terrible thing to waste. Let us not waste this one. Our Caribbean civilisation demands that it be not wasted. This is our moment, the moment for change and renewal, for sensible re-affirmation and a mature continuity, for upliftment and joyous endeavour, and for humility amidst the blessings of Almighty God.