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**COUNTRY REPORT**

**Jamaica**

**Belize**

**Bahamas**

**Bermuda**

**Barbados**

**4th quarter 1996**

The Economist Intelligence Unit  
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United Kingdom

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"n/a" means not available; "-" means not applicable

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October 10, 1996 **Summary**

4th quarter 1996

- The region** Outlook for 1997-98: Friction remains between the Caribbean and the USA on a number of issues. Little substantive progress has been made with respect to regional economic integration. Economic growth prospects are modest, although new international loans may help to boost small-scale enterprise in the region.
- Review: Several regional accords have been reached, including the establishment of a Caribbean Investment Fund and working groups for the negotiation of regional policy on major economic issues. Counter-narcotics agreements have been signed by a number of the region's countries with the USA. Sugar import quotas for the region have risen. Hurricanes have damaged several islands.
- Jamaica** Outlook for 1997-98: The prime minister is expected to call a general election next year. The economy will continue to stagnate under the weight of high interest rates, although a consumer import boom is possible in late 1996-early 1997. The overvalued exchange rate will continue to restrain inflationary pressures, but a change in investor sentiment could cause capital flight and a devaluation of the currency.
- Review: The government has moved to stamp out politically motivated violence. Negotiations on a tripartite social contract continue to drag on. The minimum wage has risen by 60%, while the Jamaican dollar has appreciated by 21% since the start of the year. Government intervention in the case of the failed Century National Bank has provoked fears of a wider crisis in the financial sector. The trade gap has hit a ten-year high as consumer goods imports soar.
- Belize** Outlook for 1997-98: A depressed economy will push the government in the direction of more expansionary policies. Falling export prices and a growth in consumer demand will place pressure on the current account.
- Review: The opposition has halted a process of voter enumeration. Guatemala appears willing to reopen negotiations on the border dispute. Government borrowing has fallen as a result of the new 15% VAT, but the tax is likely to push up inflation and force greater numbers of Belizeans to cross the Mexican border for their purchases. Important new loan finance has been secured.
- Bahamas** Outlook for 1997-98: The government party is likely to be favoured in the run-up to next year's election by strong growth, new investments in the tourist industry and a major crackdown on the high crime rate. The economy will grow by up to 4% following a strong recovery in the tourism sector.
- Review: The country has held its first local elections for the newly created district councils and town committees. The government has announced the divestment of stakes in the electricity and telecommunications sectors. The tourism sector is booming, with tourist expenditure rising by 15.5% in the first half of 1996.

- Bermuda** Outlook for 1997-98: The independence issue is likely to be revived by the opposition in the run-up to the 1998 general election. Growth prospects remain modest, with tourist expenditure remaining constant despite rising numbers of arrivals. As a result, inflation will be kept under control.
- Review: The main opposition leader, Frederick Wade, has died. Retail sales have slowed, causing inflation to fall in June. A surge in the stock exchange has led to proposals for further expansion. Tourism showed signs of recovery in the second quarter.
- Barbados** Outlook for 1997-98: Unemployment is likely to fall as a result of this year's expansionary budget and a boom in the tourism, agricultural and construction sectors. A growing fiscal deficit, however, will force the government to tighten its policies in 1997-98. The rate of GDP growth is forecast to double in 1996, but the higher current-account surplus in the first half is likely to narrow in the next two years.
- Review: A trade dispute broke out with Trinidad and Tobago mid-year. The government deficit has spiralled, but a rise in interest rates has managed to control credit expansion. A package of tax-breaks for returning nationals has been introduced, while a new environmental levy is expected later this year. Strong economic growth in the first half, based upon improvements in the tourism and sugar sectors, has been accompanied by a resurgence of inflationary pressures. International reserves rose in the first quarter.
- Cayman Islands and Turks and Caicos Islands** New legislation has been introduced in the Cayman Islands in an attempt to eliminate money-laundering. The controversial Turks and Caicos Islands governor, Martin Bourke, has been replaced.

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# The region

## Outlook for 1997-98

- External relations will dominate policy—
- The Caribbean Community (Caricom) will continue to seek a firmer position for its exports in an increasingly exposed international market. There is no sign of a resolution of the region's disputes with the USA over the EU's preferential banana regime and the extra-territorial provisions of the Helms-Burton act on commercial relations with Cuba. The impact of an adverse decision by the World Trade Organization in the case of the banana issue would be extremely severe for the Windward Islands and countries such as Belize and Jamaica, which are also comparatively dependent upon banana exports to the EU.
- while hopes for greater regional integration seem ever distant
- Progress on regional economic integration is likely to be slow over the next two years. The results of recent Caricom negotiations indicate that member states are not fully committed to improving trade links. The agreements reached—including the creation of a Caribbean Investment Fund and a series of working groups aimed at harmonising policy with respect to major regional issues—were overshadowed by a petty trade dispute between Trinidad and Tobago and two of its regional partners, Jamaica and Barbados. Such developments, as well as the decision to allow some member countries, notably Trinidad, to negotiate membership of the North American Free Trade Agreement (NAFTA) on an individual basis, bode ill not only for the future of regional integration but also for the creation of closer links with other regional blocs. The private sector, however, will continue to press the region's governments to formulate a united response within the Caricom framework to the increasingly competitive international trade environment.
- Growth prospects are modest
- Prospects for growth in the Caricom area are mixed. The largest economy, Jamaica, continues to stagnate under the pressure of high interest rates and an overvalued currency, while the second largest country, Trinidad and Tobago, is expected to grow by over 3% this year and 4% in 1997 as a result of buoyant exports and new projects in the petrochemicals sector. The prospects for agriculture (especially bananas) in the region are dim, but the tourism sector is expected to show important growth as new hotels and air services come into operation and the lingering effects of hurricanes Luis and Marilyn in 1995 fade. However, remittances from overseas, traditionally important to the balance of payments, may fall next year as a result of the reduction in social benefits recently decided by the US administration. The EIU maintains its forecast of an overall GDP growth rate of 2-3% for 1997.
- Aid patterns will change—
- The general pattern of development aid will continue to change as the USA reduces its contribution, leaving the EU as the single largest bilateral aid provider to the region. The share of development finance from Japan and other Asian countries (in particular Taiwan) is set to rise, however. There are also signs that

—while new loans will boost private investment

the World Bank is shifting its emphasis towards the support of social programmes aimed at counteracting the effects of structural adjustment on the poor.

A number of specific loan projects will aid private-sector development in the region. The countries of the Eastern Caribbean, along with Guyana, have been included among the beneficiaries of an International Finance Corporation (IFC) investment initiative announced in September. This aims to promote the development of small and medium-scale private enterprise in smaller and poorer countries, and is supported by a US\$40m small enterprise fund. In October the European Investment Bank (EIB) announced the signing of a global loan agreement with the Caribbean Development Bank (CDB). The credit is intended to finance medium-scale regional or national investment projects, and is worth Ecu25m (US\$20m). Guyana also stands to benefit from the October decision of the Paris Club of creditors to boost relief on the official debt of highly indebted countries, from 67% to a maximum of 80% of the total.

## Review

Trade and security issues move to the fore—

The Caribbean Community (Caricom) leaders are turning their attention to the future of economic relations between the region and its international partners, as well as the challenge to security represented by drug-trafficking. The group's prime ministerial subcommittee on external affairs, which met in Jamaica on September 17-18, agreed to set up a series of working groups aimed at establishing a common regional position on these issues. The groups are to be supported by a broader consultative body, consisting of both government and non-governmental organisation (NGO) officials, and representatives of regional private-sector organisations, which have for some time been pressing Caribbean governments to pay more attention to the impending changes in trade relationships.

Among the major questions to be examined by the groups are the following.

- Plans for the Free Trade Area of the Americas (FTAA, which it is hoped will be established by the year 2005) as well as the future of the Caribbean Basin Initiative and the North American Free Trade Agreement (NAFTA).
- The consequences of the expiry of the fourth Lomé Convention in 2000 for economic relations with the EU.
- Relations with other countries in the Western hemisphere and with regional groupings such as Mercosur, the association of Argentina, Brazil, Paraguay and Uruguay.
- The USA's increasing involvement in Caribbean security matters (in particular drug-trafficking), its opposition to the EU's preferential banana regime, and its efforts to impose economic isolation on Cuba.

Sir Harold St John, who was prime minister of Barbados in 1985-86, has been put forward as a candidate for the post of chief negotiator of the working groups. Vishnu Persaud, formerly of the Commonwealth Secretariat and currently

director of the Centre for Environment and Development at the University of the West Indies, has been nominated for chief coordinator.

—as new anti-drug agreements are signed with the USA—

The USA has signed agreements with several Caribbean countries aimed at increasing cooperation in counter-narcotics operations, of which the most recent was an accord signed with Barbados on September 27. Previous agreements with Antigua and Barbuda, Belize, the Dominican Republic, St Kitts-Nevis, the four Windward Islands and Trinidad and Tobago have given US coastguard personnel the right to operate in the signatories' territorial waters. At the end of September Jamaica was reported to be close to signing an agreement which would give the USA right of pursuit in Jamaica's economic exclusion zone, but not within its territorial waters as such a move would be considered a threat to national sovereignty. The agreements came after State Department warnings that drug-traffickers had penetrated the highest levels of society and government in Antigua, Trinidad and Tobago, St Kitts and Nevis, Aruba, Jamaica and the Dominican Republic.

Earlier in the year, a regional conference on efforts to counter drug-trafficking had endorsed an EU initiative promoting cooperation in several areas, including coastguard operations, communications, the combat of money-laundering through improved legislation and prosecution procedures, and liaison with Latin American governments.

—but the banana issue remains unresolved

A dispute panel of the World Trade Organization (WTO) held an initial hearing in September on a complaint brought by the USA and four Latin American countries (Ecuador, Guatemala, Honduras and Mexico) against the EU banana import regime. The hearing on September 10-12 was expected to be followed by a further session in October, with judgment to be delivered in March 1997. Caribbean banana producers were allowed, after an initial refusal, to take part with third-party status.

The complaint challenges the EU's banana quota and licensing system, as well as its 1994 accord with Colombia, Costa Rica, Nicaragua and Venezuela, under which these countries agreed to accept the import quota system. Caribbean producers and governments argue that the outlawing of the EU banana regime—under which a group of African, Caribbean and Pacific (ACP) countries enjoy a preferential duty-free quota for bananas exported to the EU—would destroy the industry in the region and increase the vulnerability of Caribbean countries to drug-traffickers. The EU is at present the only market for Caribbean banana exports, and countries such as St Lucia, St Vincent and Dominica depend on the product for 50-60% of their export earnings.

Caricom agrees a number of integration measures—

The annual Caricom summit meeting, held in Barbados on July 3-6, agreed upon a number of modest steps towards economic integration, including the establishment of a Caricom Investment Fund. The fund's initial capital of US\$50m is to be raised over the next 12 months by the Insurance Company of the West Indies group. A similar agreement in 1991 failed due to financial difficulties. The meeting also agreed on the creation of a Council for Finance and Planning, the abolition of all non-tariff trade barriers by the end of the year, and the transfer of pension benefits from one Caricom country to another.

- including an air services agreement—
- The summit also saw the signing by a number of Caricom governments of a multilateral air services agreement, which provides for the rationalisation of services and the creation of guidelines on competition and fares within an “open skies” framework. Air Jamaica subsequently announced that it would begin scheduled flights to the Eastern Caribbean in December, linking Kingston, Antigua, Barbados and Trinidad. A service between New York, Antigua and Barbados would follow in February, with a St Lucia stop being added in March or April. The Trinidad and Tobago airline, BWIA, announced that it was seeking to renovate its existing L-1011 aircraft, rather than acquire new Airbuses as intended by the previous management. The line incurred losses of US\$2.5m in the second quarter.
- The Air Jamaica chairman, Gordon Steward, told the annual conference of the Caribbean Tourism Organisation (CTO) in late September that he was interested in working together with BWIA and the regional airline, LIAT, in which BWIA has held a 29% share since its privatisation in November 1995. The CTO board has set a six-month deadline for the development of a strategy to resolve deficiencies in the region’s air transport system.
- but substantive progress is thwarted by trade disputes
- Little progress was made, however, on the fundamental question of a single market, which had headed the agenda. Instead, Jamaica and Barbados entered into a dispute with Trinidad over what they alleged were unfair subsidies to some of Trinidad’s export industries. Jamaica has imposed a ban on imports of Trinidadian electrical sockets, while Barbados has limited purchases of Trinidadian pasta, milk products and soft drinks. Trinidad claims that its strong performance is a result of a favourable macroeconomic environment for exporters.
- An EU paper on future relations is imminent
- A green paper on the future relations between the EU and the ACP states was due to be published in October. The paper, prepared by the commissioner for ACP relations, João de Deus Pinheiro, is expected to outline the European Commission’s proposals for a successor agreement to the Lomé Convention, which expires in 2000. A move away from preferential trade arrangements towards a relationship recognising the more competitive international environment is likely.
- A new EU rice duty system is introduced—
- Following the mid-term review of Lomé IV, a new system of import duties for various products, including rice, has been introduced. Variable duties have been replaced with fixed rates which are to be reduced on an annual basis. For the year ending June 30, 1997, the maximum duty on cargo rice has been set at Ecu363.3 (US\$290) per ton, and that on semi-milled and milled rice at Ecu572. Instead of the previous 50:50 payment, exporters will now pay 65% of the duty and importers 35%, in a move to increase revenue for the governments of exporting countries.
- while the USA increases sugar import quotas
- The US Department of Agriculture has announced world sugar import quotas for the fiscal year beginning October 1, 1996, which for the Caribbean show a 53.6% increase on the quotas announced at the beginning of 1995/96. The latter were increased four times during the year, and the 1996/97 quotas will likewise be enlarged in January, March and May 1997.

The region: US sugar import quotas for Caribbean countries  
(tons)

	1995/96 <sup>a</sup>	1995/96 <sup>b</sup>	1996/97
Barbados	7,394	12,311	11,359
Belize	11,619	24,524	17,489
Dominican Republic	185,897	350,939	258,588
Guyana	12,675	26,753	19,472
Haiti	7,258	7,258	7,258
Jamaica	11,619	24,524	17,489
St Kitts-Nevis	7,258	7,258	7,258
Trinidad and Tobago	7,394	15,606	11,359

<sup>a</sup> At October 1, 1995. <sup>b</sup> As increased on June 13, 1996.

Source: US Department of Agriculture.

Hurricanes leave a trail of  
destruction

Two hurricanes and a tropical storm in the third quarter caused a reported 39 deaths and damage estimated at about US\$200m. The most destructive was September's Hurricane Hortense, which in Puerto Rico caused 24 deaths and damage of over US\$175m, including severe flooding, the disruption of power and water supplies, and property and crop losses. Hortense also brought eight deaths, flooding and damage in the Dominican Republic. In July Hurricane Bertha hit St Maarten and several islands to the north-west. Five people died, but damage was comparatively light. In August a tropical storm, Cesar, caused two deaths and damage to buildings in Curaçao, plus some disruption in the Windward Islands.

New sectoral loans for the  
region

In October the Multilateral Investment Fund, an agency of the Inter-American Development Bank (IDB), approved grants of US\$1.2m to aid the members of the Organisation of Eastern Caribbean States (OECS), along with Anguilla, to establish an electronic stock exchange network. Local counterpart funds will provide US\$7.7m. The IDB has also promised US\$3.2m for the expansion of credit unions in Guyana, Surinam, Jamaica and Trinidad.

The mealy bug is reported  
to have spread

The pink mealy bug infestation experienced in Grenada, Trinidad and Tobago, and St Kitts is reported to have spread to Jamaica and St Vincent. In Grenada the pest has caused EC\$25m (US\$9.3m) in damage to cocoa plantations, and imports of agricultural produce from St Vincent were banned by Barbados in October. The UN Food and Agriculture Organisation (FAO) has launched a regional programme to eradicate the bug, while St Kitts has reported positive results from the introduction of predatory wasps and ladybirds.

# Jamaica

## Political structure

Official name	Jamaica	
Form of state	Representative democracy	
Head of state	Queen Elizabeth II, represented by the governor-general, who is appointed on the recommendation of the Jamaican prime minister	
The executive	Prime minister, chosen from the majority party in the House of Representatives, heads a cabinet of not less than 11 members. Cabinet last reshuffled in January 1995	
National legislature	Bicameral; lower house, 60-member House of Representatives directly elected for five-year terms; upper house, 21-member Senate, appointed by governor-general, 13 on advice of prime minister, eight on advice of the leader of the opposition	
Legal system	UK-style system of courts leading to the Supreme Court at apex; Judicial Committee of the Privy Council in the UK is the final court of appeal	
National elections	March 1993; next election due by March 1998	
National government	The PNP holds 52 seats in the House of Representatives and the JLP holds eight	
Main political organisations	Government—People's National Party (PNP) Opposition—Jamaica Labour Party (JLP); National Democratic Movement (NDP)	
Main members of cabinet	Prime minister	P J Patterson
	Deputy prime minister & minister of foreign affairs & foreign trade	Seymour Mullings
Ministers	Agriculture & mining	Horace Clarke
	Education, youth & culture	Burchell Whiteman
	Environment & housing	Easton Douglas
	Finance & planning	Omar Davies
	Health	Peter Phillips
	Industry, investments & commerce	Paul Robertson
	Justice & national security	K D Knight
	Labour, social security & sports	Portia Simpson
	Legal affairs & attorney-general	Arnold Nicholson
	Local government & works	Roger Clarke
	Minister without portfolio	Maxine Wilson
	Public utilities & transport	Bobby Pickersgill
	Tourism	John Junor
Central bank governor	Derek Latibeaudière	

## Economic structure

### Latest available figures

Economic indicators	1991	1992	1993	1994	1995
GDP at market prices J\$ m	44,128	72,539	95,785	129,845 <sup>a</sup>	156,306 <sup>a</sup>
Real GDP growth %	0.5	1.9	0.7	0.8	0.5
Consumer price inflation (av) %	51.1	77.2	22.1	34.5	19.8
Population m	2.37	2.39	2.41	2.50	2.53
Exports fob US\$ m	1,196.7	1,116.5	1,105.4	1,247.7	1,380
Imports fob US\$ m	1,588.3	1,541.1	1,920.5	1,892.1	2,437 <sup>a</sup>
Current account US\$ m	-240.1	28.5	-184.0	48.4	-255.0
Reserves excl gold US\$ m	106.1	324.1	417.0	735.9	681.3
Total external debt US\$ m	4,409	4,263	4,113	4,319	4,324 <sup>a</sup>
Debt-service ratio %	32.0	31.0	22.1	22.2	22.9 <sup>a</sup>
Exchange rate (av) J\$:US\$	12.12	22.96	24.95	33.09	35.14

October 4, 1996 J\$34:US\$1

Origins of gross domestic product 1995	% of total	Components of gross domestic product 1993	% of total
Agriculture & fishing	8.1	Private consumption	60.5
Mining & quarrying	8.6	Government consumption	13.1
Manufacturing	18.2	Gross fixed investment	34.3
Construction	9.4	Change in stocks	0.5
Electricity & water	4.7	Exports of goods & services	59.6
Distributive trades	22.4	Imports of goods & services	-68.0
Transport & communications	12.5	GDP at market prices	100.0
Financial institutions	15.1		
GDP at factor cost incl others	100.0		

Principal exports 1995	US\$ m	Principal imports cif 1995	US\$ m
Alumina	632	Machinery & transport equipment	726
Sugar	96	Manufactured goods	459
Bauxite	72	Fuel	351
Bananas	48	Food	337
		Chemicals	274

Main destinations of exports 1995	% of total	Main origins of imports 1995	% of total
USA	45.4	USA	58.0
UK	12.0	Japan	5.1
Canada	7.7	UK	4.6
Norway	7.5	Venezuela	3.0
France	3.7	Netherlands Antilles	2.8

<sup>a</sup> EIU estimate.

## Outlook for 1997-98

An early election is still on the cards

Politicians from all parties are likely to be preoccupied by preparations for forthcoming elections. Under the constitution elections need not be held until March 1998, but the present economic and political context makes it likely that they will be held sometime in 1997. Both the opposition parties—the Jamaica Labour Party (JLP) and the National Democratic Movement (NDM)—saw their popular support slip in the first half of 1996 as the ruling People's National Party (PNP) launched a high-profile campaign aimed at boosting grass-roots support. In addition, the exchange rate revaluation of late June has cheapened imports and curbed price rises, and is likely to lead to a mini-boom in consumption in late 1996 and early 1997. Keen to take advantage of the feel-good factor produced by this consumption surge, the prime minister, P J Patterson, is expected to call a general election in 1997.

Popular disillusionment with the traditional parties (the PNP and the JLP) and the emergence of the NDM as a credible political force suggest that Parliament could be more fragmented after the election. Opinion polls suggest that support for the JLP and PNP will be roughly equal, with neither party likely to gain an overall majority—meaning that the NDM may hold the balance of power after the next elections. Though the NDM's policies are similar to those of the JLP, the latter is still bitter about the internal wrangling which eventually led to the formation of the NDM and may refuse a parliamentary alliance with its former associate. An inconclusive general election could therefore produce a coalition government between the PNP and the NDM in late 1997.

Until economic policy breaks out of its vicious circle—

The government's need to finance a large domestic debt is putting upwards pressure on interest rates. This is attracting speculative capital inflows and causing the exchange rate to strengthen. As a result, the economy is stagnating, the trade deficit is widening and the financial sector is experiencing difficulties. Current policies are not sustainable. Concern about the widening trade deficit, fragility in the financial sector or the government's ability to service its debt could cause a change in investor sentiment. Capital outflows and a precipitous devaluation of the currency would be the likely result. This would put the banking system under further strain and raise the risk of default on both internal and external obligations.

The government needs to refinance some of its internal debt externally. This would lower the cost of servicing the debt, enabling the government to cut interest rates, narrow the fiscal deficit, and guide the Jamaica dollar lower. Output growth would be stimulated without fuelling inflation. The government's recent success in raising US\$70m on the international capital markets was a positive sign. But there is a danger that the funds raised from the bond issue will be absorbed by the cost of rescuing troubled banks, rather than used to retire domestic debt. The EIU believe that the government was premature in terminating its formal borrowing relationship with the IMF last year. It will need the support of the IMF if it is to raise the amounts of external financing necessary to clear its domestic debt and restore balance to the economy.



—the economy will stagnate—  
 Meanwhile, high interest rates continue to stifle growth and raise business costs, leading to closures and bankruptcies, while the financial sector—Jamaica's most dynamic in recent years—struggles to cope with growing numbers of defaults in its loan portfolio. Data for the first five months of the year indicate that most productive sectors stagnated, although mining and agriculture performed well. Alumina production was up 11% and bauxite 4.4%, while a good harvest pushed up sugar production by 9.9% and banana output by 4.3%.

Towards the end of 1996 cheaper import prices and a recent 60% increase in the minimum wage are expected to stimulate growth in private consumption. A period of high domestic interest rates combined with falling inflation will also enhance positive real returns for domestic investors and further contribute to a consumer import boom in late 1996-early 1997. It is clear that the external sector will not be the main source of growth in 1996 as previously expected. Export volumes, particularly of mining products and garments, have slumped in the first half of this year and the strong Jamaican dollar is likely to depress export sales and tourism inflows in the second half. The overvalued exchange rate will also mean that the surge in consumption during the second half of 1996 will suck in imports and displace local production. As a result, real GDP growth is not expected to exceed 0.5% and 1.1% in 1996 and 1997 respectively.

—but inflation will fall—  
 With the Jamaican consumer price index composed largely of imported items, the exchange rate revaluation at the end of June resulted in an immediate and significant fall in the monthly rate of inflation. July's 60% increase in the minimum wage, however, is likely to have eroded some of these gains. Assuming there is no currency depreciation during the rest of the year, the inflation rate is expected to fall from over 30% in May to around 17.2% at the end of 1996. The high rates recorded in the first half of the year will raise the average rate to 26.9%, compared with 19.8% in 1995. In 1997 the maintenance of an overvalued exchange rate will ensure that inflationary pressures are contained until the end of the fiscal year. Thereafter, election uncertainty and a mild loosening of fiscal policy may weaken the exchange rate and cause inflation to tick up. Assuming that the exchange rate does not suffer a correction in 1997, the average annual rate is predicted to fall to 14.1%, with the year-end figure rising to 17%.

—as the exchange rate remains firm  
 In the short term the maintenance of high real interest rates will sustain the strength of the Jamaican currency, which is expected to continue at around J\$35:US\$1 for the rest of the year. But the exchange rate is heavily overvalued and is sustained by short-term capital inflows which leave it vulnerable to a large depreciation should the flows be reversed. Given this danger, the government is expected to allow no more than a gentle reduction in interest rates over 1997, maintaining a large differential between Jamaican dollar interest rates and those on foreign currencies. The reasonably high level of international reserves will allow the government to intervene should the exchange rate come under pressure, but will not be sufficient to defend the currency against a sustained speculative attack. In 1997 the exchange rate will depreciate gradually in response to election uncertainty and lower short-term capital inflows, falling to J\$42.8:US\$1 by the end of the year. However, this will represent a further appreciation in real terms.

The current account deteriorates

The current-account deficit looks set to widen from US\$466m in 1996 to US\$567m in 1997. There is some indication that the growing trade deficit has been covered until now by a substantial increase in remittances, but concern about banking practices in the wake of the collapse of Century National Bank (CNB) is likely to curb this source of finance, while imports are expected to expand rapidly during the latter half of 1996 and into 1997. Foreign exchange earnings from merchandise exports and tourism, on the other hand, will be dampened by the maintenance of an overvalued exchange rate.

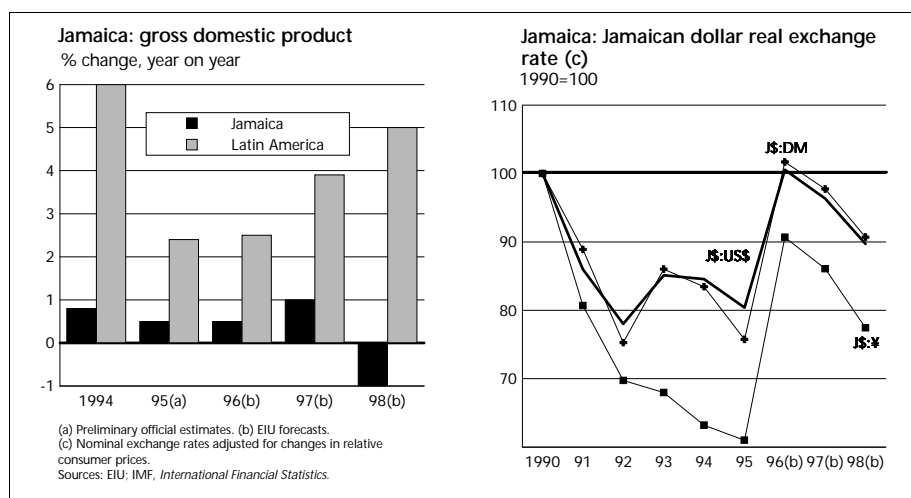
Devaluation is likely in 1998

In 1998 we expect a newly elected government to take steps to break the vicious circle of high interest rates and economic stagnation. Interest rates will come down, provoking a major devaluation of the exchange rate and a rise in the rate of inflation. The reversal of short-term capital flows will hit the capital account, while the devaluation will force a contraction in imports. A recession in economic activity is expected, of the order of 1% of GDP.

Jamaica: forecast summary  
(US\$ m unless otherwise indicated)

	1995 <sup>a</sup>	1996 <sup>b</sup>	1997 <sup>b</sup>	1998 <sup>b</sup>
Real GDP growth (%)	0.5	0.5	1.1	-1.0
Consumer price inflation (year-end; %)	25.5	17.2	17.0	30.0
Merchandise exports fob	1,380	1,366	1,421	1,800
Merchandise imports fob	2,437 <sup>c</sup>	2,803	2,999	2,750
Current-account balance	-225	-466	-567	-200
Exchange rate (year-end; J\$:US\$)	39.6	36.1	42.8	58.0

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimate.



## Review

### The political scene

The political scene has been comparatively quiet, with most attention focused on the problems in the financial sector—in particular on the closure of the Century National Bank (CNB) which will almost certainly result in losses for depositors (see The economy). Criticism of the government by the two opposition parties has centred upon the government's monetary policies and its decision to take over the management of CNB. Controversy ensued when it was discovered that the leader of the opposition, Jamaica Labour Party (JLP), Edward Seaga, had failed to repay substantial sums which he owed to the CNB. His criticisms of the government's role in the current problems facing the financial sector, and its clumsiness in handling the CNB affair, are now expected to be toned down.

The prime minister, P J Patterson, continues to play down speculation about an early general election. There appears to have been no further progress on electoral reform, as an overhaul of the voters' registration roll, demanded by the JLP as a prerequisite for its participation in future elections, has been slowed by technical difficulties in installing a computerised voting system and bickering between political parties over the composition of the Electoral Advisory Committee. Unless the revised electoral register is collated within the next six months it is unlikely that both local and general elections can be held before March 1998, when they are due. Local elections may have to be suspended.

The government moves to combat mounting crime levels—

The intolerably high levels of crime and violence in Jamaica have become the focus of increasing attention. The governing People's National Party (PNP) is worried about the impact of the problem upon its chances of electoral success, and is placing particular emphasis on stamping out the politically motivated violence which has marred elections since the early 1980s. Although most violence is now perpetuated by gangs with few political connections—reflecting disputes over drugs turf, stolen weapons and tit-for-tat killings—some gang action remains politically motivated. Clashes between rival political gangs in Kingston and Spanish Town in July killed six people, including one policeman.

In response to rising public concern, the prime minister has announced improvements to the operating methods of the security forces. The number of police officers assigned to the Mobile Reserve Division of the Jamaica Constabulary Force (JCF) is to be increased, while changes are to be made in the area of intelligence-gathering, and the training and managerial capabilities of the security forces are to be upgraded. However, the government is holding firm to its offer of a 12.5% pay rise for JCF members in the first year, followed by a 10% rise in the second. This compares with an initial JCF demand of 110% over two years, a figure which was subsequently revised down to 75%. Such differences suggest that compromise is unlikely in the near future, and in September both parties left the table without agreement as to when the wage talks will continue. The government claims that its offer is fair given falling inflation and the general need for wage restraint.

—as the Chamber of Commerce takes a stand against political violence

Such is the concern about the negative impact of political violence on foreign trade and investment that Jamaica's Chamber of Commerce has also taken concrete steps to combat the problem. In late July the chamber, which represents most of the island's major businesses, stated that candidates who support violence will not receive campaign contributions from its members. Business contributions are the major source of funding for the political parties.

The health sector is struggling

The Junior Doctors Association has recently issued a statement claiming that deficiencies in the health sector have now reached crisis proportions. The association pointed out that chronic shortages of basic medical equipment and drugs were seriously affecting patient service, and said that Kingston Public and Victoria Jubilee hospitals were under particular strain. It called on the government to raise the present low level of funding.

## Economic policy

The social contract is still under discussion

Falling inflation should help the government somewhat in its attempts to secure a tripartite social contract with unions and the business sector aimed at containing wage and price increases. The demand that inflation first be contained has largely been met, with the government's tight monetary policy reducing the monthly rate in June to a seven-year low of 0.4%. There are also indications that businesses are reducing their prices in response to lower import costs.

However, the recent rise in local telephone rates could yet jeopardise an agreement. A deal between the three sides was reportedly almost complete when the government approved a series of tariff rises on local telephone services offered by Telecommunications of Jamaica (TOJ), a subsidiary of Cable & Wireless. Unions were quick to point out that the government's approval of the increases was incompatible with its campaign for a social contract. The vice president of the University and Allied Workers Union, Lambert Brown, said that workers could not be expected to show wage restraint when profitable monopolies such as the TOJ were granted generous rate increases. The move aggravated doubts about the government's willingness and ability to control prices through a social contract, and it now seems likely that negotiations will drag on for some time.

The minimum wage is raised

The national minimum wage was increased by 60% on July 1, from J\$500 (US\$14) per week to J\$800. The move came following recommendations from the Minimum Wage Advisory Commission and was announced on June 5 by the labour minister, Portia Simpson. Miss Simpson also announced that in line with contribution increases, benefits paid out under the National Insurance Scheme would rise to J\$1.2bn (US\$34.3m) over this financial year. In particular, old age, invalidity and widows' pensions have been raised from J\$84 to J\$300 per week. Employment injury benefit will also be increased from J\$217 per week to J\$365, and will rise further to J\$390 in 1997.

Fiscal policy feels the strain

No new data on public finances have become available, but high interest rates are expected to have a severe impact on the budget. The government is currently paying interest rates of over 35% for domestic Treasury bills, and the

stock of outstanding Treasury bills is rising, reaching J\$11.9bn at the end of May, compared with J\$10.5bn at the end of 1995. As a result, debt payments are expected to consume even more than the 47.6% of total expenditure originally budgeted for 1996/97. Government loans to the Century National Bank (CNB) totalling US\$123m over the year may have to be written off, and compensation to depositors could make the final cost considerably higher. The government has taken the positive step of turning to cheaper external finance to recycle part of the domestic debt. In August the Bank of Jamaica (the central bank) successfully placed a three-year US\$70m bond in Caribbean and Latin American markets, as well as in Jamaica. The bond carries a tax-free fixed rate of 12% per year. The proceeds are intended to be channelled directly towards the reduction of the domestic debt burden. However, there is a risk that they will be absorbed by the cost of the CNB failure.

## The economy

Inflation begins to fall—

Although the annual inflation rate remained above 30% in the second quarter, the monthly rate of inflation has fallen steeply, from 1.3% in April to 0.4% in June. Indeed, June's figure of 0.4% was the lowest monthly rise in seven years. The drop in inflation is attributed to the government's tight monetary policy and the strong exchange rate. According to the minister of finance there was zero growth in money supply in the first five months of this year. The 60% increase in the minimum wage will have been a factor in the rebound of the monthly inflation rate to 0.7% in July.

Jamaica: consumer prices  
(% change)

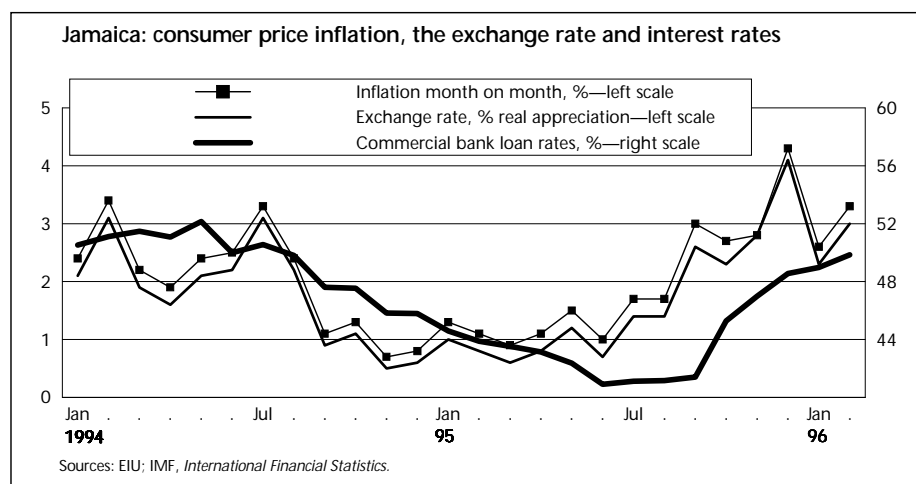
	1994		1995		1996	
	Month on month	Year on year	Month on month	Year on year	Month on month	Year on year
Jan	2.4	32.1	1.3	25.4	2.6	27.2
Feb	3.4	35.9	1.1	22.6	3.3	30.0
Mar	2.2	37.1	0.9	21.2	1.6	31.0
Apr	1.9	38.1	1.1	20.3	1.3	31.4
May	2.4	39.1	1.5	19.2	1.2	31.0
Jun	2.5	40.6	1.0	17.8	0.4	30.3
Jul	3.3	39.6	1.7	17.6	0.7	29.1
Aug	2.4	38.3	1.7	15.0		
Sep	1.1	34.1	2.9	17.2		
Oct	1.3	32.6	2.7	18.7		
Nov	0.7	29.4	2.8	21.2		
Dec	0.8	26.9	4.3	25.5		

Source: Bank of Jamaica.

—but interest rates remain high—

Interest rates have begun to drift down from over 40% in the second quarter, although they still remain very high. After an early September Treasury-bill offer, they fell by nearly 2 percentage points to under 35.4%. As long as inflation continues its downwards trend, interest rates are likely to fall further over the rest of the year. However, the government will want to avoid any steep fall in the rate which might cause external capital inflows to stall or even reverse,

with adverse consequences for the exchange rate. The central bank governor, Derek Latibeaudière, has said that the fall in interest rates will be “very measured and calculated”.



Since the rise in interest rates in April, the Jamaican dollar has appreciated in both real and nominal terms. The exchange rate rose by 8.8% in late June, from J\$37:US\$1 to J\$34:US\$1. It slipped back by 1.4% in early August, but subsequently recovered and in mid-September was again trading at J\$34:US\$1. Underlying this pattern is the large differential between Jamaican dollar interest rates and those on foreign currencies. This has caused a surge in both short-term capital inflows and in remittances from Jamaicans abroad, putting upwards pressure on the exchange rate. Total foreign exchange purchases between January and August have been estimated at US\$1.18bn.

The current exchange rate represents a real appreciation of around 21% against the US dollar since the start of the year, a factor which will have serious consequences for export competitiveness. Although the strong exchange rate policy is not sustainable indefinitely because of its negative impact on the real economy, a change seems unlikely in the short term. Drops in interest rates over the last two months have not yet had a significant impact on the exchange rate and the country is now heading towards its winter tourism season which will further boost foreign exchange inflows. Net international reserves are also high, standing at just over US\$650m at the end of August. This will give the government some leeway to shore up the exchange rate should continued drops in interest rates prompt an outflow of short-term capital. However, the central bank would not be able to withstand a sustained speculative run against the Jamaican dollar without raising interest rates. This would perpetuate the vicious circle in which economic policy is caught.

—and contribute to the collapse of another bank—

For the second time in 18 months the government has been forced to take over management of one of the island's banks. After last year's attempts to shore up Century National Bank (CNB) failed (1st quarter 1996, page 14; 3rd quarter 1995, pages 15-17), the finance minister, Omar Davies, closed the bank on July 10. A J\$170m (US\$4.86m) run on the bank in the first week of July was the final factor which pushed Mr Davies into taking control of the institution,

which had already become a costly burden to the government. The Bank of Jamaica had pumped in more than J\$3.5bn in the first six months of the year, a figure which had increased to J\$4.32bn by July 10. The CNB had paid no interest on the funds lent by the government since January.

CNB is Jamaica's third largest bank in terms of assets, and it owns one of the country's largest hotels. Its eight branches across the island have been closed as government auditors move in to examine the books. Initial figures suggest that the bank and its merchant bank and building society subsidiaries are insolvent, holding just J\$4.6bn in realisable assets compared with J\$10.8bn in liabilities. Mismanagement and imprudent lending policies encouraged by the differential between local and international interest rates are understood to be the principal cause of the collapse. Under Jamaican law Mr Davies has 60 days to complete an investigation, after which he can restore CNB to its owners, liquidate the group or restructure it. He has said, however, that he hopes to restructure the bank and put in place an interim scheme to assist depositors. Liquidation, he maintained, would undermine the country's financial sector and cause difficulties for other institutions currently attempting to dispose of problem assets, particularly real estate, in an already distressed market. Most of the real estate belonging to the Blaise Group, for example, (which was taken over by the finance minister in December 1994) is still up for sale more than seven months after tenders were first invited. Despite Mr Davies's statements, the generally adverse context indicates that CNB depositors do stand to lose, and this will further dent confidence in the banking and financial system. At present the government is unable to say whether the bank will continue to operate once its finances are sorted out.

—and increased company  
losses—

If further confirmation was needed of the difficulties facing many of Jamaica's financial institutions it was provided by the National Commercial Bank Group (NCB). In early August record losses of J\$857.6m for the nine months to June 30 were announced, provoking an immediate 15% drop in the group's share price and a temporary suspension in trading of NCB shares. At the root of NCB's problems has been the increase in its interest costs—a result of the central bank's high interest rate regime—which have overtaken income from loans, real estate and hotel holdings. The group has responded with the announcement that it intends to sell the majority of its hotel, real estate and agricultural businesses as part of a bid to refocus the company around financial services. This restructuring is expected to take around three years to complete. With other companies also trying to dispose of their assets (particularly real estate) the earnings from such sales are expected to be depressed. But in contrast to the problems at CNB and Blaise, NCB's banking services remain profitable and should be strengthened by an impending merger with the Mutual Security Bank in October.

—raising fears of a more  
general crisis in the  
financial sector

In the wake of the closure of CNB, politicians and the press have expressed alarm at the prospect of a crash in the island's financial system. The leader of the Jamaica Labour Party (JLP), Edward Seaga, warned that the collapse at CNB was just the first tremor of an impending financial earthquake, while the leader of the National Democratic Movement (NDM), Bruce Golding, claimed that Jamaica faced a crisis in the financial sector of monumental proportions, worse

than anything experienced in recent history. Despite pronouncements to the contrary from the government and the Bank of Jamaica, there is some truth in the arguments. Cracks in the financial sector began to appear last year with the collapse of the Blaise Group, and the situation has deteriorated since. This has led to fears that weakening confidence resulting from further declarations of insolvency could provoke a general run on Jamaica's banks. The government, the central bank and the Bankers' Association are all engaged in strong efforts to maintain confidence. Nonetheless, most financial institutions continue to experience difficulties and some further government intervention is likely. This may necessitate recourse to external sources of finance, perhaps even a new agreement with the IMF.

## Manufacturing

Companies continue to struggle

The garment sector has been hard-hit by competition in export markets—particularly the USA—from Mexico, which benefits from membership of the North American Free Trade Agreement (NAFTA). Trade figures showed an 11% drop in garment export volumes in the first half of the year (see Foreign trade and payments). Some 7,200 jobs and US\$40m in annual earnings in the Montego free zone are also under threat following news that members of the Western Data and Manufacturing Association (WDMA), which represents a total of 28 companies, are reconsidering their business position in Jamaica. The firms blame an estimated 15% increase in US dollar costs on the appreciation of the Jamaican currency, which has led to operating losses for many. The WDMA says that should this situation continue, its members will seriously consider moving to a country with more favourable conditions for exports.

## Agriculture and tourism

Unrest in the banana sector

Eastern Banana Estates, one of Jamaica's largest exporters of bananas, has been hurt by labour disputes which have delayed harvesting of the crop. Cutters initially went out on strike in support of higher pay demands, and negotiations between management, workers and representatives of the University and Allied Workers Union and the Bustamante Industrial Trade Union managed to secure agreement for a 15% rise, bringing pay to J\$8 for each stem of banana cut. However, in a separate dispute over wages more than 80 supervisory workers who had also taken strike action were dismissed after they failed to respond to the company's directive to return to work. Labour relations have since worsened, with field workers mounting sympathy demonstrations to protest against the dismissals. Continued tensions between the company and its workers are likely to have adverse consequences for banana exports.

An aviation department upgrade is expected soon

The US Federal Aviation Administration (FAA) is expected to restore Jamaica's Civil Aviation Authority (CAA) to a category I rating within the next month. The CAA had been demoted back in April to a category II, but FAA inspectors are due in Kingston in October and it is widely believed that improvements within the CAA will ensure that the rating is restored. The upgrade will be welcome news to Air Jamaica, whose new fleet of Airbus A310s has been



effectively grounded since the April decision. Profitability has been hit and the airline is reported to have made losses of US\$75m over the past 21 months. The government is deemed to be partly to blame for the CAA's failure to meet required safety standards, however, and it is likely to increase its equity stake in Air Jamaica to compensate. The company chairman, Gordon Stewart, stated recently that he expected the government to inject another US\$20m-25m in return for preference shares. Air Jamaica is due to begin flying new routes early next year between North America and Antigua, Barbados, St Lucia and Trinidad, using the new Airbus fleet. The new routes are important if Air Jamaica is to achieve the 24% yearly growth in passenger numbers it needs in order to return to profitability.

## Foreign trade and payments

- The trade gap widens Figures from the Statistical Institute of Jamaica show that the trade gap hit a ten-year high of US\$653.3m in the first six months of 1996. Exports, at US\$718.1m, were down by 4% compared with the corresponding period of 1995, while imports were up by 6.7%, at US\$1.37bn. Of particular concern to the authorities will be the reported drop in garment exports, where volumes fell by 11% and earnings by 2%. This poor performance is a result not only of the appreciation of the exchange rate, but also of competition from Mexico, which has preferential access to the US market under the North American Free Trade Agreement (NAFTA). A weakening in bauxite and alumina prices meant that earnings from the mining sector were down as well, by 6% in the first six months, at US\$322.4m. Manufactured exports, however, saw a 12% rise. On the import side, purchases of consumer goods registered the largest increase, rising by 17.6% to US\$348.5m. Again, this reflects the appreciation of the exchange rate which has made imports cheaper in Jamaican dollar terms.
- New loans are secured Jamaica has secured a number of fresh external loans over the last quarter, with Japan particularly active in providing funds. The Japanese Overseas Economic Cooperation Fund has provided US\$65m to finance expansion of the Kingston Metropolitan Area water supply system, while the country's Export-Import Bank has extended US\$15m for the rehabilitation of the Norman Manley International Airport in a co-financing agreement with the Inter-American Development Bank (IDB). Jamaica and the World Bank have also just completed negotiations for a US\$20m loan to establish and operate the Jamaica Social Investment Fund, which is aimed at delivering infrastructure and social services to low-income communities. The loan will be supplemented by government counterpart funds (provided by the EU in the first year of the project), a loan from the IDB, and grants from the Netherlands and the UK. Finally, a bilateral debt reduction accord with the USA has provided US\$4.1m in funding for environmental projects.

# Belize

## Political structure

Official name	Belize	
Form of state	Representative democracy	
Head of state	Queen Elizabeth II, represented by a governor-general	
The executive	Prime minister, chosen from the majority party in the legislature, heads a cabinet of ministers responsible to the legislature	
National legislature	Bicameral National Assembly; upper house, eight-member Senate, of whom five are appointed on the advice of the prime minister, two on the advice of the leader of the opposition and one by the governor-general; lower house, the House of Representatives, has 29 directly elected members with a five-year term	
Legal system	UK-style judicial system; the final court of appeal is the Judicial Committee of the Privy Council in the UK	
National elections	June 30, 1993; next election due by June 1998	
National government	A coalition of the UDP and NABR currently holds 16 of the 29 seats in the House of Representatives	
Main political organisations	Government—United Democratic Party (UDP); National Alliance for Belizean Rights (NABR) Opposition—People's United Party (PUP)	
Main members of cabinet	Prime minister & minister of finance & economic development	Manuel Esquivel
	Deputy prime minister & minister of foreign affairs & national security	Dean Barrow
Ministers	Agriculture	Russell Garcia
	Education & public service	Elodio Aragon
	Health & sport	Ruben Campos
	Home affairs, labour & local government	Elito Urbina
	Housing, urban development & cooperatives	Hubert Elrington
	Natural resources	Eduardo Juan
	Public works	Melvin Hulse Jr
	Science, technology & transport	Joseph Cayetano
	Tourism & environment	Henry Young
	Trade & industry	Salvador Fernández
	Youth development, human resources & women's affairs	Philip Goldson
Central Bank governor	Keith Arnold	

## Economic structure

### Latest available figures

Economic indicators	1991	1992	1993	1994	1995
GDP at current prices Bz\$ m	863.0	961.1	1,050.8	1,087.3	1,155.7
Real GDP growth %	3.0	7.7	4.2	2.2	3.7
Consumer price inflation %	2.3	2.3	1.4	2.6	2.8
Population '000	194	198	202	206	210
Exports fob US\$ m	121.7	140.5	136.5	151.0	161.7
Imports fob US\$ m	233.02	249.1	255.4	236.3	235.0
Current account US\$ m	-25.8	-28.6	-48.5	-27.5	-30.0 <sup>a</sup>
Reserves excl gold US\$ m	53.0	52.9	38.8	34.5	37.6
Total external debt US\$ m	168.9	172.3	184.5	176.9	183.9 <sup>b</sup>
Debt-service ratio %	7.3	6.4	7.0	n/a	n/a
Exchange rate (av) Bz\$:US\$	2	2	2	2	2

October 4, 1996 Bz\$2:US\$1

Origins of gross domestic product 1995	% of total	Components of gross domestic product 1995	% of total
Agriculture, fisheries & forestry	20.9	Private consumption	66.0
Commerce	17.3	Government consumption	16.1
Manufacturing & mining	14.4	Gross domestic investment	23.4
Transport & communications	10.2	Change in stocks	-1.1
Construction	6.6	Exports of goods & services	51.4
GDP at factor cost incl others	100.0	Imports of goods & services	-55.8
		GDP at market prices	100.0

Principal exports 1995	US\$ m	Principal imports cif 1994	US\$ m
Sugar	47.7	Machinery	66.7
Citrus concentrate	29.2	Food	45.9
Bananas	22.1	Fuels	29.3
Marine products	15.6	Chemicals	27.9
Garments	14.6	Other manufactured goods	86.1

Main destinations of exports 1995	% of total	Main origins of imports 1994	% of total
UK	42.0	USA	54.1
USA	36.4	Mexico	11.2
EU excl UK	8.6	UK	6.2
Canada	4.3	Caricom	5.0
Caricom	3.1	EU excl UK	4.6

<sup>a</sup> EIU estimate. <sup>b</sup> Public-sector debt only; preliminary estimate from the Caribbean Development Bank.

## Outlook for 1997-98

Domestic demand remains sluggish—

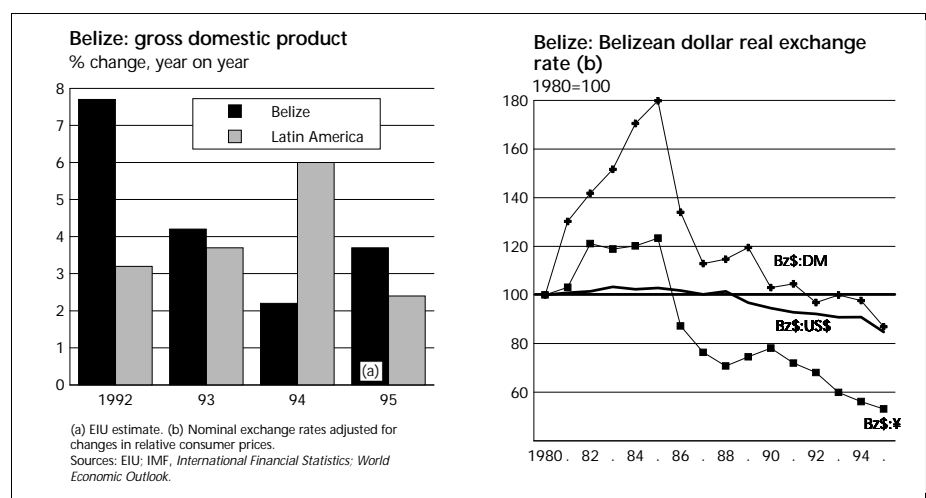
There is no sign of an upturn in the domestic economy, which is still feeling the impact of a government austerity programme aimed at curbing the fiscal deficit. The construction industry is benefiting to some extent from government schemes, including airport improvements and a new building to house the Central Bank of Belize, but manufacturing and retail commerce remain depressed and the beef industry is under serious strain owing to a fall-off in export orders. Increasing numbers of Belizean consumers have been crossing to Mexico for shopping, where devaluation has produced competitive prices. In Belize, where the currency is pegged to the US dollar, the introduction of a 15% value-added tax (VAT; not 16% as given in 3rd quarter 1996, page 20) has raised prices.

—prompting an easing in the austerity programme—

The depressed state of the economy appears to be pushing the government in the direction of more expansive policies. The governor-general's recent throne speech, in which government policy for the next twelve months was outlined, included plans for a relaxation of foreign exchange restrictions and the lifting of salary restraints for public officers. Both these measures, in conjunction with an expansion of infrastructural projects, should help to boost economic activity somewhat. The availability of additional foreign exchange (which stems from new external loan financing) will release pent-up demand for imports of basic investment goods, and will also help to abate rumours that the exchange rate has come under pressure in the wake of the Mexican devaluation, the failure of the Economic Citizenship Programme and the departure of the UK military garrison.

—which could lead to a widening of the trade deficit

Although export earnings in the first quarter were 7.8% up compared with the corresponding period of 1995, revenue for the year is unlikely to match the 1995 result. The average international sugar price is expected to fall, reducing Belizean earnings from this year's crop to about Bz\$90m, compared with Bz\$95m (US\$47.5m) last year. Banana prices slumped, and the garment export industry is facing severe competition from Mexico. Only citrus concentrate and marine products appear likely to increase their earnings—the latter by 20%, according to government estimates.



Although imports fell in the first quarter, an expansion in economic activity would inevitably lead to an increase in imports in the rest of the year. The EIU, therefore, expects some widening of the trade deficit and the persistence of a current-account deficit.

## Review

### The political scene

#### The opposition stops voter enumeration

The Supreme Court recently ordered a halt to the voter enumeration process taking place in the Cayo West electoral division. Although the enumeration had been taking place in 11 of the country's 29 electoral divisions, Cayo West was chosen by the opposition People's United Party (PUP) for a test case. The PUP claims that the process contravenes the Representation of the People Act, which states that enumeration can only take place in the two years following a general election, in order that an updated list be available to all parties well in advance. The PUP's broader argument, however, was that the enumeration of less than half the country's electoral divisions would create errors and inconsistencies in the register. The ruling United Democratic Party (UDP) responded with the accusation that the PUP had filled the electoral register with double entries and bogus voters. The chief elections officer stated that he intended to continue enumeration in the remaining ten divisions.

#### Guatemala may suggest a resumption of negotiations

The Guatemalan foreign relations minister, Eduardo Stein, said in September that he intended to contact the government of Belize with a view to opening negotiations on the unresolved territorial dispute. Guatemala recognised Belizean independence in September 1991 but did not drop its territorial claim, and there have been few formal contacts between the two governments since the 1993 election in Belize. Mr Stein indicated, however, that any negotiations would have to wait until after the conclusion of a peace agreement between the Guatemalan government and the country's Unidad Revolucionaria Nacional Guatemalteca (URNG) guerrilla movement. It is hoped that this will be achieved by the end of the year.

#### The government protests to the USA over diplomat's remarks

The Belizean government sent a protest note to the US State Department in July following remarks made in a magazine interview by the deputy chief of mission at the US embassy, Gerard Gallucci, who was ending his tour of duty in Belize. Mr Gallucci, who was succeeded in August by Frank Parker, criticised Belize for an international banking law which he said facilitated money-laundering, and for certain judicial practices which suggested that drug interdiction was not a government priority. He described Belize as "uncontrolled territory" through which large amounts of cocaine passed, and also expressed concern about illegal immigration to the USA via Belize, and the trade in stolen US vehicles. The protest note said that Mr Gallucci's claims were without any shred of proof.

## The economy

GDP growth in 1995 is revised downwards—

According to the March 1996 quarterly report from the Central Bank of Belize, real GDP growth in 1995 was 3.8% rather than the 4.2% reported by the prime minister, Manuel Esquivel, in his budget speech on March 25 (2nd quarter 1996, page 23). The 1994 figure was also adjusted downwards, from 1.7% to 1.5%, and the real increase in GDP per head was estimated at 0.2% in 1995, compared with a decline of 0.4% in 1994. The upturn in the economy in 1995 was attributed to the strong growth in agricultural exports, particularly of citrus and marine products.

—while government borrowing begins to fall

The heavy government borrowing requirement reported for 1995 (3rd quarter 1996, page 22) continued to rise sharply in the first quarter, reaching Bz\$112.5m (US\$56m) at the end of March, an increase of 10% on end-1995. Credit needs receded somewhat in the second quarter, with the level of borrowing falling by 3.3%. This reflects the additional fiscal income yielded by the new 15% value-added tax (VAT) imposed in April, which, the government hopes, will allow it to eliminate recurrent deficits. The tax is likely to have an adverse impact on inflation, however, which had already risen from 3.9% to 4.3% in the first quarter of 1996. It will also further depress domestic demand, already suffering due to the government's programme of fiscal austerity and the devaluation of the Mexican peso, which has led growing numbers of Belizeans to cross the border for their shopping. In response to the latter problem, the government is reported in the last month to have reduced the number of permits being issued for day trips over the border.

The sugar industry reports a good 1996 season—

Belize Sugar Industries Limited has reported record sugar production of 108,784 long tons in the 1996 season, up from 107,030 long tons in 1995. Molasses production was also a record, at 39,949 long tons, up 13.4% from 35,216 long tons in 1995. The company had anticipated exports totalling about 92,000 long tons, including 50,209 to the EU and 23,178 to the USA; the EU and US exports were expected to earn Bz\$82m.

—and the USA increases its import quota

The US Department of Agriculture has announced a 1996/97 sugar import quota for Belize of 17,849 metric tons; additional tonnage may be added in January, March and May 1997 if US sugar stocks are less than 15.5% of domestic demand. The initial allocation represents an increase of 53.6% on the 1995/96 quota of 11,619 tons initially announced last year; four additional allocations, the most recent of which was in June, took the total to 24,524 tons. The quota year runs from October 1-September 30.

Overproduction in the banana sector

Heavy investments over the last two years by banana growers—helped by an EU grant of US\$2.8m (2nd quarter 1996, page 24)—have resulted in substantial improvements in production. Export quotas, however, have remained static, leading Belize to produce for the first time a surplus for which it has no market. Some 27,000 boxes at a quota value of US\$270,000 were recently left at port, and there are three more months of harvesting to go. The domestic market can absorb no more than a small part of the surplus, and the Banana Growers' Association has

begun to lobby European officials for an increase in the Belize quota. Should these negotiations fail, the banana sector will face severe difficulties.

Important new loan financing is secured

A loan agreement was signed on June 21 with the Export-Import Bank of Taiwan. Starting in January 2000, the loan will provide US\$26.1m in budgetary support and trade finance over a period of 17 years, at a rate of 5%.

On July 31 an agreement was signed with the Kuwait Fund for Arab Economic Development for a loan of KD1.6m (US\$5.3m) to finance improvements at the Philip Goldson International Airport and the San Pedro domestic airport. The loan is at 3.5% over 20 years, with a four-year grace period.

Also in July, the Caribbean Development Bank approved financing of up to US\$9.1m for the Belizean Development Finance Corporation (DFC). The funds will help the DFC to continue lending activity in agriculture, industry, housing, tourism and education, and allow it to create new lines of finance for small and micro enterprises.

The Central Bank of Belize announced a Bz\$24m bond issue in July to finance the construction of its new headquarters. The bonds will pay 11.75% annually over seven years.

Most recently, the government has announced that it intends to channel \$14m made available by the World Bank into its newly established Social Investment and Basic Needs Trust Funds, while a global loan of Ecu2.5m (US\$2m) for the funding of investments in small and medium-sized enterprises has been awarded to the DFC by the European Investment Bank.

The first-quarter trade deficit is almost halved

Trade figures for the first quarter of 1996 show a trade deficit of Bz\$22m, compared with Bz\$40m in the corresponding period of 1995. The reduced deficit was due to an 8.4% fall in imports resulting from the government's austerity programme, together with a large increase in exports of sugar and citrus concentrate.

Belize: foreign trade, Jan-Mar  
(Bz\$ m)

	1995	1996	% change
Total exports fob	90.3	97.3	7.8
Total imports cif	-130.3	-119.3	-8.4
Balance	-40.0	-22.0	45.0

Source: Central Bank of Belize.

# Bahamas

## Political structure

Official name	The Commonwealth of the Bahamas	
Form of state	Representative democracy	
Head of state	Queen Elizabeth II, represented by a governor-general appointed on the advice of the cabinet	
The executive	Prime minister, appointed to form a government by governor-general, heads a cabinet responsible to the House of Assembly; last reshuffled in January 1995	
National legislature	Bicameral; the upper house, the 16-member Senate, has nine members appointed on the advice of the prime minister, four on the advice of the opposition leader and three on the prime minister's advice after discussion with the leader of the opposition; the lower house, the 49-member House of Assembly, is directly elected on a district basis and sits for periods not exceeding five years	
Legal system	UK-style series of courts leading to Supreme Court at apex and in some cases to the Judicial Committee of the Privy Council in the UK	
National elections	August 19, 1992; next election due by August 1997	
National government	The FNM holds 31 of the 49 assembly seats	
Main political organisations	Government—Free National Movement (FNM) Opposition—Progressive Liberal Party (PLP); Vanguard Nationalist & Socialist Party (VNSP)	
Main members of cabinet	Prime minister & minister of housing & local government	Hubert Ingraham
	Deputy prime minister & minister of tourism	Frank Watson
Ministers	Agriculture & fisheries	Pierre Dupuch
	Attorney-general, foreign & women's affairs	Janet Bostwick
	Education	Ivy Dumout
	Finance & planning	William Allen
	Health & environment	Theresa Moxey-Ingraham
	Public safety & immigration	Cornelius Smith
	Public works	Arlington Butler
	Social development	Maurice Moore
	Transport	Tennyson Wells
	Youth & culture	Algernon Allen
Central Bank governor	James Smith	



## Economic structure

### Latest available figures

Economic indicators	1991	1992	1993	1994	1995
GDP at market prices US\$ m	2,840	3,059	3,335	3,408	3,500
Real GDP growth %	2.0	6.4	2.4	0.3	1.0 <sup>a</sup>
Consumer price inflation %	7.1	5.8	2.6	1.5	2.1
Population '000	260	260	270	270	275
Exports fob US\$ m	360.2	342.5	286.8	258.5	267.5
Imports fob US\$ m	1,045.6	1,069.2	1,100.5	1,145.2	1,168.9
Current account US\$ m	-107.2	-53.5	-73.3	-224.3	-212.0
Reserves excl gold US\$ m	181.3	155.3	172.3	176.6	179.2
Total external debt <sup>b</sup> US\$ m	412.3	440.5	453.4	411.4	393.26
Debt-service ratio %	4.2	4.6	4.7	5.4	4.6
Exchange rate (av) B\$:US\$	1.0	1.0	1.0	1.0	1.0

October 4, 1996 B\$1:US\$1

Origins of gross domestic product 1986	% of total	Components of gross domestic product 1993	% of total
Agriculture	4.5	Private consumption	70.5
Manufacturing, mining, electricity & water	10.3	Government consumption	12.8
Construction	3.0	Gross domestic investment	13.9
Wholesale & retail trade	26.2	Exports of goods & services	58.9
Transport & communications	10.9	Imports of goods & services	-56.1
Financial services	12.2	GDP at market prices	100.0
Government	17.1		
Other services	15.7		
GDP at factor cost	100.0		

Main destinations of exports 1995	% of total	Main origins of imports 1994	% of total
USA	23.7	USA	29.4
Spain	13.8	Finland	10.4
UK	7.2	Iran	9.9
Norway	6.9	Denmark	7.6

<sup>a</sup> EIU estimate. <sup>b</sup> Public-sector foreign currency debt; year-end.

## Outlook for 1997-98

Attention turns to next year's elections

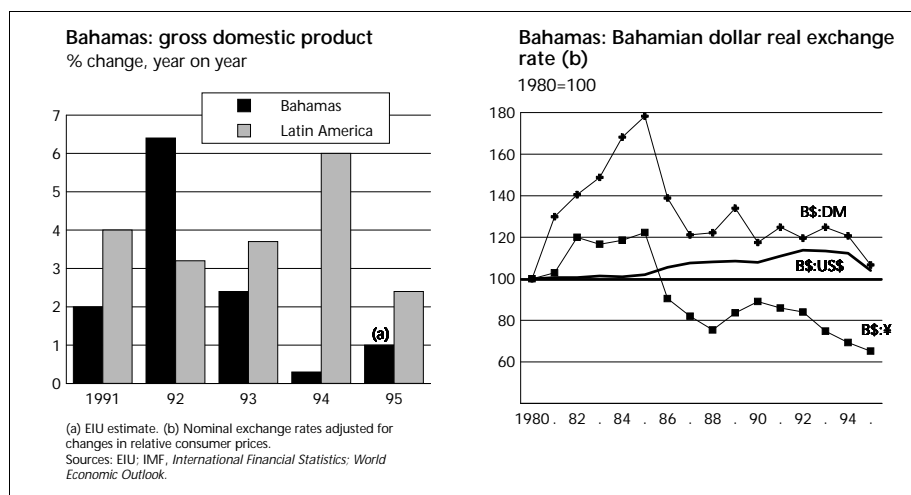
Conditions in the run-up to elections, due to take place in August 1997, are likely to favour the incumbent Free National Movement (FMN) government. Strong growth and new investments in the tourist industry have been accompanied by a major crackdown on the country's high crime rate, and the death penalty has been employed in at least four cases. The FMN, which enjoys the solid support of business sectors, is promising the privatisation of important state assets if, as expected, it wins the elections.

The economy will strengthen—

The EIU expects the Bahamian economy to grow by up to 4% in 1996 compared with just 1% last year following a strong recovery in the performance of the tourism sector. Both the cruise and stopover categories have risen steadily since the first quarter of 1996, and the government hopes to boost growth further by intensifying promotion and marketing of the Bahamas as a tourist destination. The recent renovations carried out at many of the existing hotel facilities will help to ensure this.

—boosted by growth in construction

The infrastructural development projects in the tourism sector will impact positively on the performance of the construction industry. Preliminary data for the second quarter of 1996 point to a significant increase in outlays for commercial and industrial projects.



## Review

### The political scene

Bahamas holds its first local elections

On July 26 the Bahamian government held the country's first local government elections. A total of 41,500 registered voters chose from among seven hundred candidates to elect representatives for town councils and committees in the Family Islands (which exclude New Providence and Grand Bahama). The

prime minister, Hubert Ingraham, said that several million dollars would be transferred from ministries and departments to support the new local government bodies. The district councils will be responsible for approving a range of licences, including those for vehicles, boats, restaurants, hotels and other businesses. The town committees will manage general community sanitation and rubbish collection, maintain road verges, drains, parks, green areas and cemeteries, and upkeep public buildings, ports, airports, docks and harbours.

The prime minister takes over the public works portfolio—

On July 1 Mr Ingraham took over the Ministry of Public Works. The vacancy in this high-profile ministry was created by the resignation of Sir Arlington Butler following his appointment as ambassador to the USA and the Organisation of American States. In addition to his duties as prime minister, Mr Ingraham is responsible for broadcasting, relations with the Grand Bahama Port Authority, the Department of Local Government, the Department of Housing, Bahamas Information Services, the Department of Lands and Surveys and relations with the National Insurance Board.

—while Sir Arlington retains his seat

Under what is considered by many to be an unusual arrangement, Sir Arlington is expected to retain his seat in the House of Assembly. However, Mr Ingraham announced that Sir Arlington's salary as a member of Parliament, which amounts to US\$26,000 per year, will be paid by the governing Free National Movement (FNM) rather than by the Public Treasury. Sir Arlington was first elected to parliament in 1968 and has represented the Salem constituency since 1992. His constituency duties are expected to be performed by MPs from neighbouring areas during his absence in Washington. The Salem constituency is expected to disappear, however, in forthcoming boundary changes.

Nurses are to be recruited in Barbados

At the end of July the minister of health, Theresa Moxey-Ingraham, confirmed that the Bahamas government would be recruiting nurses from Barbados on short-term contracts. The health sector in the Bahamas has been expanding rapidly, with the establishment of several new private and public health facilities. The supply of nurses has not kept up with the expansion, however, and managers have reported that the system is short by as many as 160-200 nurses. The Bahamian government intends to meet the shortfall by recruiting in Barbados, where there is a surplus of nurses in the public health system.

Trading is suspended with Caribbean countries infested with mealy bug

On June 19 the Ministry of Agriculture and Fisheries announced that no permits would be issued for the importation of any fruit, vegetables, flowers, plants or propagative materials from elsewhere in the Caribbean unless the territories are free of the pink or hibiscus mealy bug. The ministry stated that all shipments from the Caribbean must be accompanied by a phytosanitary certificate issued by the agriculture ministry in the country of origin, certifying that the country is free of the insect. The presence of the pest, which can devastate a wide range crops, has been confirmed in Grenada, Trinidad and Tobago and St Kitts and Nevis.

The government condemns nuclear waste ship

On August 9 the Bahamas government condemned the shipping of radioactive waste through the Caribbean. The action was prompted by reports that a UK freighter, Pacific Teal, carrying more than 20 tons of spent nuclear waste from

Japanese reactors, had entered the Caribbean Sea. The shipment was reported to be heading for recycling plants in the UK and France. The government joined other member states of the Caribbean Community (Caricom) in condemning the action, calling upon those concerned to refrain from shipping radioactive material through the Caribbean region and to respect the clear position of Caricom in this matter.

The death sentence is confirmed for two more convicts

The Ministry of Public Safety and Immigration has confirmed the death sentences handed down to two convicted murderers. Stephen Swaby was condemned to death by hanging on December 3, 1993, for the murder of Eleazor Rolle, while Richard Woods received a similar sentence on January 18, 1995, for the murder of Pauline Johnson. The governor-general has ordered that the sentences, originally imposed by the Supreme Court, be carried out. On March 13 the Bahamas had carried out its first death sentence in 14 years, with the execution of Thomas Reckley for murder. This was followed by the hanging on March 28 of Dwayne Mc Kinney.

The Bahamas Broadcasting Corporation fires its controller

On September 12 the board of directors of the state Broadcasting Corporation announced that the financial controller, Kingsley Munroe, had been fired following a special audit into the affairs of the corporation. The audit was requested by the board after management questioned a number of financial transactions. In a statement, the board said that reimbursement claims had been made for meal vouchers totalling B\$125,575 for which there was no reliable documentary evidence.

There are further repatriations of illegal immigrants—

On June 17 an estimated 500 Haitians were taken into custody by Bahamas Defence Force personnel as they arrived aboard a wooden motor vessel, while a further 124 were discovered on September 13 aboard two boats off Cistern Cay, Exuma. The Ministry of Public Safety said that the expiry of the repatriation agreement between Haiti and the Bahamas at the end of December 1995 would not affect the Department of Immigration's repatriation efforts. In August a group of 165 Haitians were deported, followed by a further 150 on September 19. Previously, 87 illegal Cuban immigrants had been repatriated on July 18, leaving 51 other Cubans in detention.

—and illegal Portuguese workers are arrested

On June 27, 11 Portuguese workers were apprehended at Club Méditerranée's facilities at Paradise Island. The arrest of the construction workers, who were held at the Carmichael Road Detention Centre, followed criticism of government's immigration policy by the co-deputy leader of the Progressive Liberal Party (PLP), Bernard Nottage. Dr Nottage accused the government of double standards in issuing work permits to the Portuguese workers. The immigration minister, Cornelius Smith, has promised an immediate investigation into the dispute. Officials for Club Méditerranée (Bahamas) Limited claimed that the Portuguese workers, who were overseeing a special roofing project, possessed legitimate immigration papers.

## The economy

- The fiscal situation deteriorates—
- The third quarter of the financial year 1995/96 (January-March) saw a widening of the central government deficit to US\$24m, from US\$5m in the same quarter of last year and US\$11.2m over the whole of 1995. Although capital expenditure fell in the same period, recurrent expenditure grew by 18% to US\$173m, and support for public corporations almost trebled to US\$9.8m. Total revenue increased by just 5%, to US\$169m. However, total expenditure and revenue for the first nine months of the tax year stood at around 71% of yearly targets, as did the overall cumulative deficit. The gap was financed by a US\$30m bond issue and short-term borrowing from domestic banks.
- but external debt levels fall
- The government's loans to public corporations helped the latter reduce their external liabilities somewhat. The companies' total debt stocks dropped by 8.7% to US\$237m in the year to March 1996, while total public sector foreign currency debt fell by 4.7% to US\$381m.
- The government announces divestment plans—
- In May the ruling Free National Movement (FNM) announced its intention of divesting stakes in the national electricity and telecommunications companies BEC and BTC. The sales will only take place after the next general election, due to take place in August 1997, which the FNM strongly expects to win.
- The two state companies have been hard-pressed to keep up with growing demand from the tourism industry and the offshore financial services sector. The government has said that it is seeking to create mixed ownership, with the granting of minority shareholdings of up to 49% to strategic investors with the necessary capital, technology and experience. Additional stakes will be reserved for the Bahamas private sector, meaning that the private sector as a whole will control majority shareholdings in the companies. Southern Electric of the USA, currently co-owner of the Freeport Power Company in Grand Bahama, has already expressed interest in buying into BEC. If the divestment project does move forwards, however, new investors will be required to agree to the maintenance of some services which may not be profitable due to population dispersion and distances.
- while small businesses receive an international loan boost
- In July it was announced that the Inter-American Investment Corporation, a subsidiary of the Inter-American Development Bank, had approved allocation of up to US\$8m for lending to small and medium-sized businesses in the Bahamas. In addition, the EU approved US\$5.7m under the Lomé Convention for projects in the Family Islands.

## Tourism

- The sector continues to experience strong recovery—
- Provisional data for the first six months of 1996 reveal that total visitor arrivals increased by 8.5% compared with the corresponding period in 1995. The number of cruise passengers rose by 10.5% and stopover numbers by 6.4%. Hotel room revenue was up by 26% in the same period, with occupancy rates rising from 70% to 79%. The president of the Bahamas Hotel Association said that the 12 leading hotels in New Providence and Paradise Island had earned an

unprecedented US\$82m in room revenue in the first half, and predicted that 1996 would be the best year for tourism since 1989. Overall tourist expenditure grew by 15.5%.

Bahamas: tourism statistics, Jan-Jun

	1995	1996	% change
Visitor arrivals	1,731,673	1,879,313	8.5
of which:			
stopover arrivals	875,680	931,840	6.4
cruise arrivals	806,673	891,292	10.5
Tourist expenditure (US\$ '000)	733,844	847,478	15.5

Source: Ministry of Tourism.

—buoyed by major foreign investments

Underlying this solid performance have been the investments of major overseas companies, which have attracted a new wave of visitors. Most recently, the Ruffin Group announced plans to invest US\$150m in Nassau following its purchase in June of the Nassau Beach Hotel and Coral Island Marine Park. The Group reportedly plans to combine the properties, using the marine park as part of the holiday package.

A resort on Paradise Island is to be expanded—

In August Sun International, which owns the Atlantis Resort on Paradise Island, announced that it had bought the adjacent 562-room Holiday Inn. The group plans to expand the Atlantis Resort with a new 1,200-room hotel and a casino and conference centre, while the Holiday Inn is to be renovated and then merged with the Atlantis Resort. The whole project is estimated to involve the investment of approximately US\$250m, and should reach completion by mid-1998.

—while Club Med plans to refurbish

In September Club Med will also begin to refurbish its 326-room village on Paradise Island at a cost of approximately US\$20m. The main purpose of the renovations is to upgrade Club Med's facilities at Paradise Island to the five-star standing of its sister property at San Salvador. Club Med's regional manager for the Caribbean and the Bahamas, Abdel Zouari, said that Club Med's village at Governor's Harbour, Eleuthera, will also be refurbished. Club Med has been in the Bahamas since 1977 and the new project will boost its total investment in the country to US\$217m. In 1995 approximately 50,000 tourists visited the three villages owned by Club Med and an estimated 500 Bahamians are employed at these villages.

## Foreign trade and payments

Tourist earnings narrow the current-account deficit—

Preliminary estimates from the Central Bank of the Bahamas indicate that the current-account deficit in the second quarter of 1996, at US\$22.8m, narrowed somewhat compared with both the first quarter of the year (US\$24.5m) and with the second quarter of 1995 (US\$23.2m). The slight improvement reflects the increase in the net services surplus—12.5% compared with the same period last year—with higher tourism receipts continuing to offset a large trade gap. The latter widened by more than 10% to US\$280.2m, due to a 3.4% increase in imports and a 26.2% fall in exports. The higher import figure reflects increases

of US\$2.8m in non-oil and US\$8.2m in oil import bills, while declining pharmaceuticals production continued to impact negatively on export earnings.

—but the capital account moves into deficit

The capital account recorded a US\$12.6m deficit in the second quarter, down from a revised surplus of US\$4.6m in the first three months of 1996. At the root of this was a substantial 69.9% fall in inflows of private long-term capital, from US\$30m to US\$9.2m. The deficit on both the current and capital accounts produced a shortfall of US\$35.4m, but another extremely large errors and omissions item ensured that reserves increased by just under 15% to US\$234.1m.

Bahamas: balance of payments  
(US\$ m)

	1995		1996	
	1 Qtr	2 Qtr	1 Qtr	2 Qtr
Merchandise exports	66.9	58.5	47.5	43.2
Merchandise imports	-302.0	-312.7	-329.4	-323.4
Trade balance	-235.1	-254.2	-281.9	-280.2
Services (net)	221.4	225.6	254.6	253.8
Foreign travel	330.4	316.7	390.3	361.8
Investment income	-49.1	-48.2	-53.5	-49.8
Other income	-59.9	-42.9	-82.2	-58.2
Transfers (net)	4.9	5.4	2.8	3.6
Private	-3.6	-3.8	-3.6	-2.8
Official	8.5	9.2	6.4	6.4
Current-account balance	-8.8	-23.2	-24.5	-22.8
Net capital movements	48.4	-3.8	4.6	-12.6
Long term	60.7	2.1	21.5	2.4
Private	66.4	12.6	30.0	9.2
Official	-5.7	-10.5	-8.5	-6.8
Short term	-12.3	-5.9	-16.9	-15.0
Net errors & omissions	-25.6	40.1	53.7	65.1
Change in reserves (- indicates increase)	-14.0	-13.1	-33.8	-29.7

Source: Central Bank of Bahamas, *Quarterly Economic Review*.

# Bermuda

## Political structure

Official name	Bermuda	
Form of state	Representative democracy; British Dependent Territory	
Head of state	Queen Elizabeth II, represented by a governor who is responsible for defence, external affairs, the police and internal security	
The executive	Premier, chosen from the majority party, heads a cabinet of no less than six members of the legislature	
National legislature	Bicameral; the upper house, the Senate, consists of 11 members, five appointed by the governor on the advice of the premier, three on the advice of the leader of the opposition and three by the governor at his discretion; the lower house, the 40-member House of Assembly, is directly elected every five years	
Legal system	Bermudan law and the legal system are based on the UK model	
National elections	October 1993; next election due by October 1998	
National government	The UBP has won the last eight elections	
Main political organisations	Government—United Bermuda Party (UBP) Opposition—Progressive Labour Party (PLP); National Liberal Party (NLP)	
Main members of cabinet	Premier & minister of finance	David Saul
	Deputy premier & minister of education	Jerome Dill
Ministers	Community & cultural affairs	Yvette Swan
	Environment, planning & natural resources	Pamela Gordon
	Finance	Grant Gibbons
	Health, social services & housing	Harry Soares
	Labour, home affairs & public safety	Quinton Edness
	Legislative affairs & women's issues	Lynda Milligan Whyte
	Technology & information	John Barritt
	Tourism & marine services	David Dodwell
	Transport	Wayne Furbert
	Works & engineering	Leonard Gibbons
	Youth, sports & recreation	Tim Smith
Chairman of the Bermuda Monetary Authority	Mansfield Brock	



## Economic structure

### *Latest available figures*

Economic indicators	1991	1992	1993	1994	1995 <sup>a</sup>
GDP <sup>b</sup> US\$ m	1,679.9	1,697.6	1,792.2 <sup>a</sup>	1,848.1	1,907.6
Real GDP growth %	-1.8	-1.7	3.0	4.4	0.7
Consumer price inflation %	4.4	2.7	2.5	2.4	2.6 <sup>c</sup>
Population '000	58.46	60	60	61	61
Exports fob US\$ m	49	84	39	37	54
Imports fob US\$ m	446	483	519	551	550 <sup>d</sup>
Current account US\$ m	-15	11	21	53	85
Exchange rate (av) Bda\$:US\$	1.0	1.0	1.0	1.0	1.0 <sup>c</sup>

October 4, 1996 Bda\$1:US\$1

Main destinations of exports 1994	% of total	Main origins of imports 1995	% of total
Canada	22.9	USA	72.9
USA	18.7	UK	4.8
UK	18.7	Canada	4.5
		Caribbean <sup>e</sup>	2.9

<sup>a</sup> EIU estimates. <sup>b</sup> Fiscal years beginning April 1 (eg 1991=1991/92 fiscal year). <sup>c</sup> Actual. <sup>d</sup> Preliminary official estimate. <sup>e</sup> Principally oil imports from the Netherlands Antilles.

## Outlook for 1997-98

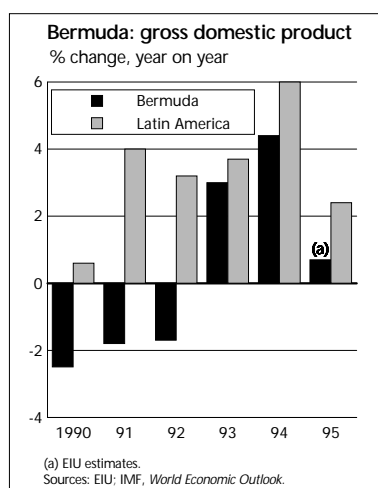
The run-up to the 1998 general election—

The ruling United Bermuda Party (UBP) continues to be beset by internal difficulties. The premier, David Saul, who took office in late 1995 following the resignation of Sir John Swan, does not enjoy the full support of the party. Mr Saul's origins—the premier comes from the traditional white elite—his preference for closer ties to the UK, and the lack of black representatives in the present cabinet have raised fears within the UBP that the party has distanced itself from the island's black majority in recent months. There is also some concern within the party about the marked increase in popularity of the pro-independence Progressive Labour Party (PLP) among the black middle class, whose support allowed the ruling party to retain its majority in Congress in the 1993 election. Although the next general election is not due until October 1998, the party will need to unite soon if it is to present a strong challenge to the PLP.

—will see the PLP revive the independence issue

The PLP will be regrouping behind a new leader in 1997-98 following the death of Frederick Wade in August. The new leader is likely to follow Mr Wade's "two elections" agenda. According to this strategy, the PLP would initially seek to gain control of the lower house in a general election, using this majority to push through reforms to electoral laws and citizenship regulations which, the party claims, favour the white elite. Thereafter, the party would hold another referendum on the independence issue. Although the first referendum in August 1995 gave a clear indication that the majority of Bermudans wish to retain colonial ties with the UK, the PLP will seek to revive the independence issue over the next two years. This is likely to polarise politics along racial lines, with most whites—overwhelmingly UBP supporters—against independence and most blacks supporting the move. Provided that the PLP can win the support of the black middle class for its pro-independence platform, it has a strong possibility of winning the 1998 election.

Economic activity may pick up slightly



The outlook for growth remains modest, with real GDP growth unlikely to exceed 2% over the forecast period. Tourism, the main economic sector, faces mixed prospects for 1996-98. Strong US growth in the first half of 1996 swelled tourist arrivals, raising hopes of a recovery in this sector. Tourist expenditure, however, has not grown correspondingly. Visitor numbers are likely to stabilise once the US economy slows in late 1996 or 1997. Modest growth will in turn restrain inflation, which had been creeping up in the second quarter. Although the latest EIU global assumptions project that US inflation will average 3% over the forecast period, the inflation rate in Bermuda is likely to remain at around 2.5% in 1996-97. The government will need to keep a firm grip on public expenditure over the next two years if it is to avoid strain on the fiscal accounts arising from its takeover of airport and air traffic control operations. The latter have been under state control since September 1995 following the closure of the US military base. In 1998 both inflation and economic activity will rise marginally if the UBP government relaxes policy in the run-up to the general election.

## Review

### The political scene

The death of the  
opposition leader—

The leader of the opposition Progressive Labour Party (PLP), Frederick Wade, died on August 13 of a heart attack. He had led the party since 1986 and was largely responsible for its strong performance in the 1993 general election, when the PLP won 18 of the 40 seats in the lower house. He was also at the heart of the party's tough pro-independence stance. His departure has left a vacuum in the PLP leadership, and the party will need to elect a new figurehead quickly if preparations for the 1998 general election are to be kept on schedule. The deputy leader, Jennifer Smith, who is currently acting leader, and the shadow education minister, Terry Lister, have been suggested as potential contenders for the position.

—leads to a by-election  
race

The three main political parties—the United Bermuda Party (UBP), the PLP and the National Liberal Party (NLP)—have been preparing to contest the by-election for Devonshire North, held by Mr Wade since 1968. Candidates were registered in late September and the poll is scheduled for October 10. Although both the UBP and NLP candidates, Stewart Greensdale and Edwin Armstrong, are optimistic about their election prospects, the PLP candidate, Paula Cox, remains favourite to win the seat in this traditional PLP stronghold. An independent candidate, Gershwyn Smith, is also contesting the seat.

Hurricane Hortense passes  
by

In mid-September Bermuda suffered its first scare of the Caribbean hurricane season, when Hurricane Hortense, which had caused severe damage and several casualties in the Dominican Republic, Puerto Rico and Grand Turk, passed close to the island. The hurricane did not hit the island directly, however, and caused little damage. Hortense is the sixth hurricane to affect the Atlantic Basin this year.

### The economy

Retail sales slow as local  
residents purchase more  
abroad

The government's decision to halve the duty-free allowance to US\$100 in February led to a 3.9% year-on-year decline in the value of overseas purchases declared by residents returning from abroad in the first quarter of 1996 (3rd quarter 1996, page 35). Nominal retail activity rose by 6.7% (4.2% inflation-adjusted) as residents switched their expenditure from overseas to local markets. However, Bermuda's high dependency on imports and the continued weakness in tourist expenditure meant that these developments were likely to be temporary. As expected, the second quarter saw an increase in foreign purchases by local residents of 8.7% year on year to \$6.6m, with earnings from local retail sales growing by only 3.1% (0.6% inflation-adjusted). June was the worst month for retail outlets, with a 1.8% drop in sales volumes. Sales picked up by 5.5% (3% inflation-adjusted) in July, owing largely to exceptional growth in the motor vehicle and service station sector of 17.5% year on year. Spending was also buoyant in food stores and liquor outlets, up by 6.2% and 5.5% respectively. However, sluggish tourist expenditure depressed the increase in receipts for other stores to a modest 1%.

## Bermuda: retail sales

	Annual % change in retail sales		Overseas purchases declared by local residents
	Value	Volume <sup>a</sup>	Annual % change
1995			
Apr	-0.8	-2.9	-4.7
May	1.9	-0.4	-0.4
Jun	1.3	-1.9	-3.2
Jul	2.5	-0.3	-7.1
Aug	-6.8	-9.2	0.0
Sep	1.3	-1.3	4.2
Oct	-2.6	-5.0	5.5
Nov	3.4	0.8	12.8
Dec	1.2	-1.3	4.4
1996			
Jan	7.8	5.4	-2.7
Feb	8.9	6.3	3.7
Mar	4.3	1.7	-12.0
Apr	4.3	1.6	6.9
May	5.1	2.3	9.8
Jun	0.1	-1.8	8.7
Jul	5.5	3.0	-7.2

<sup>a</sup> Value deflated by the consumer price index.

Source: Bermuda Government Statistics Department.

The inflation rate remains stable

After creeping up to 2.7% in April and 2.8% in May, the annual inflation rate fell sharply, to 2%, in June in response to the slump in retail sales (see above). This slowdown held the average inflation rate for the second quarter to 2.5%, the same rate as in the year-earlier period. However, price indices in several spending categories registered rises significantly above the average. In the education, recreation and reading category, prices jumped by 5.6%. The high cost of health insurance was the main factor behind a 4.7% rise in health and personal care costs, while high international oil prices pushed up fuel and power prices by 4%.

## Bermuda: consumer prices

	Index (1993=100)	Annual % change
1994		
1 Qtr	97.7	2.2
2 Qtr	98.5	2.3
3 Qtr	99.0	2.3
4 Qtr	99.6	2.5
1995		
1 Qtr	100.1	2.5
2 Qtr	101.0	2.5
3 Qtr	101.6	2.6
4 Qtr	102.2	2.6
1996		
1 Qtr	102.6	2.5
2 Qtr	103.5	2.5

Source: Bermuda Government Statistics Department.

The stock exchange surges—	The market capitalisation of the Bermuda Stock Exchange (BSE) soared in the first nine months of 1996 to nearly US\$23bn, around 15 times its valuation of \$1.5bn at the close of 1995. The surge began in February when the five companies from the Asian-based James Matheson Group obtained a secondary listing for US\$17bn. A US\$2bn listing from another large insurer soon followed. Two more large listings, from insurance giant EXEL (US\$3.3bn) and Orbis Investment Management (US\$840m), added US\$4bn in July. The sharp rise in capitalisation is largely due to the efforts of the stock exchange's board to modernise its international listing regulations and implement an electronic trading system (1st quarter 1996, page 34; 3rd quarter 1996, page 37), as well as its launch of a global marketing campaign to attract funds.
—prompting its board to consider proposals for further expansion	<p>The BSE is examining proposals to set up a new trading index for insurers. According to the exchange's chief executive officer, William Woods, the index would fulfil two needs:</p> <ul style="list-style-type: none"> <li>• to improve contact between insurers and potential clients, particularly in areas where insurance coverage is limited or unavailable at present; and</li> <li>• to provide a hedge for insurers through the use of index-based derivatives.</li> </ul> <p>The BSE does not intend the scheme to compete with US-based catastrophe risk options. Instead, it would focus primarily on non-US catastrophe risk and lesser disasters, such as air crashes and maritime accidents.</p>
Business registrations remain buoyant	The business sector continues to benefit from growing international recognition of the BSE. Some 256 international companies were added to the business register in the second quarter, 43 more than in the corresponding period of 1995. Three new local companies were also created in April-June.

## Tourism

Tourism recovers	Tourism activity, which had been sluggish since late 1994, recovered in the second quarter of 1996. Stopover arrivals rose by 2.3% compared with the year-earlier period, to 132,501, boosted by a 3.2% increase in visitors from the USA, Bermuda's largest market. As a result, occupancy levels in all types of accommodation except guest houses recorded growth. The cruise subsector performed well, with passenger numbers rising by 7.2% to 69,610. Overall, total visitor arrivals were up by 3.9% to 202,111. The resurgence in the number of arrivals had little impact on tourist expenditure, however, which rose by only US\$600,000 year on year to US\$165.7m. This reflected the US\$1.1m decline in expenditure by air arrivals, which partly offset the US\$1.7m increase in spending by cruise passengers. Arrivals from Canada, Bermuda's second largest market, also fell marginally from 9,634 in April-June 1995 to 9,331 in the corresponding quarter of this year, while the number of visitors from other destinations declined by 4.4% to 11,032. Employment in the sector remained firm, expanding by 1.2% to 4,063 employees.
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## Bermuda: tourism statistics, Apr-Jun

	1995	1996	% change
Total visitors	194,444	202,111	3.9
By visitor type:			
Stopover arrivals	129,518	132,501	2.3
Cruise arrivals	64,926	69,610	7.2
By country of origin:			
USA	108,612	112,138	3.2
Canada	9,364	9,331	-0.4
Other	11,542	11,032	-4.4
Tourist expenditure (US\$ m)	165	166	0.4
Employment in the hotel industry <sup>a</sup>	4,016	4,063	1.2

<sup>a</sup> End-April.

Source: Bermuda Government Statistics Department, *Quarterly Bulletin of Statistics*.

# Barbados

## Political structure

Form of government	UK-style representative system	
Head of state	Queen Elizabeth II, represented by a governor-general	
The executive	the governor-general appoints the leader of the largest party in Parliament as prime minister. A cabinet is then appointed by the governor-general on the advice of the prime minister; last cabinet reshuffle September 1993	
National legislature	bicameral; the 21-member Senate is appointed by the governor-general (12 members on the advice of the prime minister, two on the advice of the leader of the opposition and seven by the governor-general alone); the House of Assembly has 28 members who are directly elected to represent single-member constituencies for terms of five years	
Legal system	based on UK law. Judicial appointments are made by the governor-general. Final appeal rests with the Judicial Committee of the Privy Council in the UK	
National elections	September 6, 1994; next national election due by September 1999	
National government	The BLP is the dominant party in the assembly with 19 seats; the DLP holds eight and the NDP holds one	
Main political organisations	Government—Barbados Labour Party (BLP) Opposition—Democratic Labour Party (DLP); National Democratic Party (NDP)	
	Prime minister & minister of economic affairs & the civil service	Owen Seymour Arthur
	Deputy prime minister & minister of foreign affairs & tourism	Billy Miller
Ministers	Agriculture & rural development	Rawle Eastmond
	Attorney-general & home affairs	David Simmons
	Education, youth & culture	Mia Mottley
	Health & the environment	Elizabeth Thompson
	Industry, commerce & business development	Reginald Farley
	International trade & business	Philip Goddard
	International transport	Ronald Toppin
	Labour, community development & sport	Rudolph Greenidge
	Public works, transport & housing	George Payne
Central Bank governor	Calvin Springer	

## Economic structure

### Latest available figures

Economic indicators	1991	1992	1993	1994	1995 <sup>a</sup>
GDP at current prices Bd\$ m	3,393	3,171	3,301	3,477	3,548
Real GDP growth %	-3.9	-5.7	0.8	4.0	2.3 <sup>b</sup>
Consumer price inflation (av) %	6.3	6.0	1.1	0.1	1.8 <sup>c</sup>
Population m	0.26	0.26	0.26	0.26	0.26
Exports fob US\$ m	203.9	190.5	181.5	180.5	237.6 <sup>d</sup>
Imports fob US\$ m	617.4	464.7	511.3	555.3	696.6 <sup>d</sup>
Current account US\$ m	-25.1	143.8	64.3	123.1	20.0
Reserves excl gold US\$ m	87.3	140.0	150.5	195.8	219.1 <sup>d</sup>
Total external debt US\$ m	652	610	568	574 <sup>a</sup>	590
Debt-service ratio %	24.0	20.5	20.0	18.7	14.5
Exchange rate (av) Bd\$:US\$	2.0	2.0	2.0	2.0	2.0 <sup>d</sup>

October 4, 1996 Bd\$2:US\$1

Origins of gross domestic product 1994	% of total	Components of gross domestic product 1994	% of total
Agriculture, forestry & fishing	5.1	Private consumption	63.7
Manufacturing and mining	7.6	Government consumption	20.3
Construction & utilities	8.2	Gross fixed capital formation	13.3
Wholesale & retail services	17.6	Exports of goods & non-factor services	49.1
Transport & communications	9.2	Imports of goods & non-factor services	-46.5
Tourism	14.0	Total	100.0
Financial & other services	20.3		
Government	17.9		
Total	100.0		

Principal exports 1995	US\$ m	Principal imports cif 1995	US\$ m
Sugar	28.7	Capital machinery	123.2
Electrical components	27.9	Food and beverages	122.3
Chemicals	26.5	Construction materials	60.8
Rum	9.8	Chemicals	44.9
Clothing	3.3	Fuels	31.0

Main destinations of exports 1995	% of total	Main origins of imports 1995	% of total
USA	26.4	USA	35.5
UK	20.8	UK	28.2
Jamaica	10.1	Trinidad and Tobago <sup>e</sup>	13.3
Trinidad and Tobago <sup>e</sup>	9.0	Japan	5.5

<sup>a</sup> EIU estimates. <sup>b</sup> Excluding the financial services sector. <sup>c</sup> Not strictly comparable with other years due to rebasing of the consumer price index.

<sup>d</sup> Actual. <sup>e</sup> Preliminary official estimate.



## Outlook for 1997-98

- The government will pursue expansionary policies this year—
- With the next national elections not due until September 1999, and a large majority in parliament, the Barbados Labour Party (BLP) government will have little difficulty in pushing through its legislative programme. Its main concern will be the creation of jobs. Although unemployment has fallen steadily since 1992, when it peaked at 23%, it remains high, averaging 16.2% in the first quarter of 1996. The government introduced an expansionary budget in May in an attempt to revive growth and employment after last year's slowdown. The budget is likely to have the desired effect; with tourism buoyant, agriculture benefiting from both substantial public investment and better weather conditions, and construction set to grow strongly as the hotel industry expands, unemployment is likely to fall steadily over the next two years.
- but a widening budget deficit and higher inflation—
- However, there is a downside. Fiscal receipts have not kept pace with increased expenditure, resulting in a fivefold increase in the budget deficit to Bd\$77m (US\$38.3m) in the first half. This has generated upwards pressure on prices; annual inflation averaged 3.2% in January-June 1996 compared with 1.8% for 1995 as a whole. The government, keen to extend the consumption boom which contributed to a 5.9% expansion in real GDP in the first half of 1996, will be reluctant to tighten economic policies in the remainder of the year. As a result, the fiscal deficit will end the year at around 2.3% of GDP, almost triple last year's shortfall of 0.8% of GDP, while consumer price inflation will rise to 3.5%.
- will force it to tighten policies in 1997-98
- Unless it is prepared to allow inflation to spiral upwards, the government will need to tighten economic policies in 1997-98. The EIU expects most of the required adjustment to take place on the monetary side, since the BLP administration seems unlikely to reduce fiscal spending. The introduction of value-added tax (VAT) on January 1, 1997, will boost fiscal revenue and bring the budget deficit under control. Mounting inflationary pressures, however, will lead the Central Bank of Barbados to raise interest rates, prompting a corresponding tightening of credit policies by commercial institutions.
- The economy will grow strongly in 1996—
- Although the Central Bank has not yet issued its half-yearly review of economic activity, press reports of leaked Central Bank projections indicate that the economy grew by 5.9% year on year in the first half, reflecting strong performances in the tourism and export sectors and the recovery of the sugar industry after last year's drought. The Central Bank expects growth to slow in the second half, with economic activity expanding by around 5% for the year as a whole. We are slightly more reticent about growth prospects for July-December, predicting a 4.2% expansion in real GDP for the whole of 1996. Domestic demand is likely to be buoyant as the tax relief measures introduced in the May budget raise disposable incomes. However, the growth of the manufacturing sector will be restrained by high wage costs and an overvalued exchange rate. The external sector will remain strong in the second half, bolstered by firm tourism revenue, although the seasonal nature of sugar exports (which coincide with the March-June harvest) will weaken export volumes modestly. The economy will slow in 1997-98, as tighter monetary policies curtail domestic

expenditure, the trade imbalance widens, and the manufacturing sector continues to see its export competitiveness curbed by the maintenance of a fixed exchange rate. (The Barbadian dollar has remained pegged to the US dollar at Bd\$2:US\$1 since 1977.) We expect growth to average 3.5% in 1997-98.

—and the current-account surplus will be eliminated by 1998

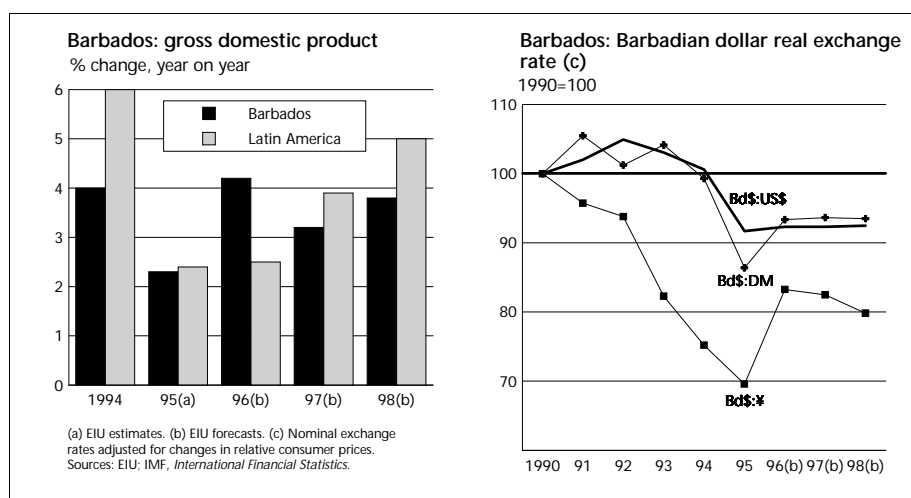
Anecdotal evidence indicates that the current-account surplus widened in the first half of 1996 as the main sources of foreign exchange earnings, namely tourism and sugar exports, recovered strongly after a decline in the corresponding period of 1995. Although buoyant economic growth in the UK and the USA, the island's main tourism markets, should bolster tourism revenue in June-December, the surplus is likely to slip to around US\$80m by the end of 1996 as sugar exports cease in the second half. Falling international sugar prices and the steady expansion of imports will reduce the surplus to \$50m by end-1998.

#### Barbados: forecast summary

(US\$ m unless otherwise indicated)

	1995 <sup>a</sup>	1996 <sup>b</sup>	1997 <sup>b</sup>	1998 <sup>b</sup>
Real GDP growth (%)	2.3 <sup>c</sup>	4.2	3.2	3.8
Consumer price inflation (year-end; %)	0.5 <sup>d</sup>	3.5	3.0	3.2
Merchandise exports fob	238 <sup>d</sup>	270	270	295
Merchandise imports fob	697 <sup>d</sup>	780	800	840
Current-account balance	20	80	60	50
Total external debt	590	590	570	585
Average exchange rate (Bd\$:US\$)	2.0 <sup>d</sup>	2.0	2.0	2.0

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> The performance of the financial services sector is not included in the 1995 estimate of real GDP growth. <sup>d</sup> Actual.



## Review

### The political scene

The government signs an anti-drug agreement with USA

In response to US proposals aimed at increasing cooperation in counter-narcotics operations, Barbados signed an agreement on September 27 allowing the USA right of pursuit in the country's territorial waters. Identical agreements had already been signed by Antigua and Barbuda, Belize, the Dominican Republic, St Kitts-Nevis, the Windward Islands and Trinidad and Tobago, while Jamaica has accorded the right of pursuit within the country's economic exclusion zone.

A trade war with Trinidad and Tobago

Barbados joined Jamaica mid-year in levying restrictions on imports from Trinidad and Tobago. These measures, limited at present to duties on milk, licensing restrictions on pasta and a ban on soft drinks, drew a fierce response from the Trinidad and Tobago government, which claimed that the move ran contrary to the trend of trade liberalisation in the Caribbean Community (Caricom) area. The action was not illegal, however. Under Article 29 of the Caricom treaty, member states are permitted to ban products from other countries for up to 18 months to protect domestic producers. Barbadian officials defended the punitive measures on the grounds that the supplying industries were heavily subsidised by the Trinidad and Tobago government. The latter denied these assertions, claiming that lower production costs and a more competitive currency have enabled Trinidadian producers to undercut their Caribbean counterparts.

Political parties agree on the floods act

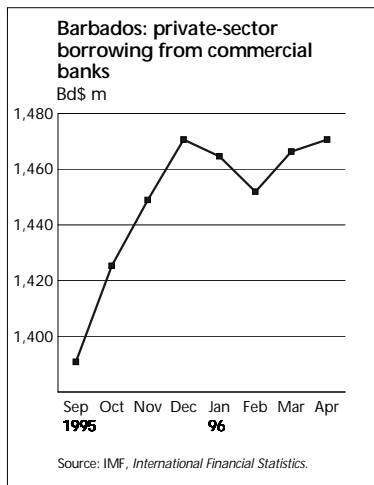
It is rare in Barbadian politics for government proposals to receive the unequivocal support of the main opposition party, in this case the Democratic Labour Party (DLP). The government amendments to the Prevention of Flooding Act constitute one such occasion. The proposed changes would allow government workers to enter private property to undertake any work necessary to curb flooding without the threat of a trespass suit. The severe flooding which took place in August 1995 was the catalyst for the amendments.

### Economic policy

The government loosens its rein on public spending

Anecdotal evidence indicates that central government spending increased by 15% year on year in the first half of 1996. Revenue did not keep pace, rising by only 4%, and the budget deficit consequently jumped fivefold to Bd\$77m (US\$38.3m), an estimated 4.3% of GDP, up from Bd\$14m in the year-earlier period. The sources of finance for this deficit are unclear, due to evident inconsistencies in government statistics for the period. The government claims to have relied upon an expansion of borrowing from commercial banks in order to finance its first-quarter deficit of Bd\$38.8m. This, it says, allowed it to reduce its reliance on Central Bank of Barbados finance. The claim is not borne out by IMF data, which indicate an increase of Bd\$64m in government borrowing from commercial banks during the quarter, from Bd\$714m to Bd\$778m, while Central Bank claims on the government experienced a dramatic reduction,

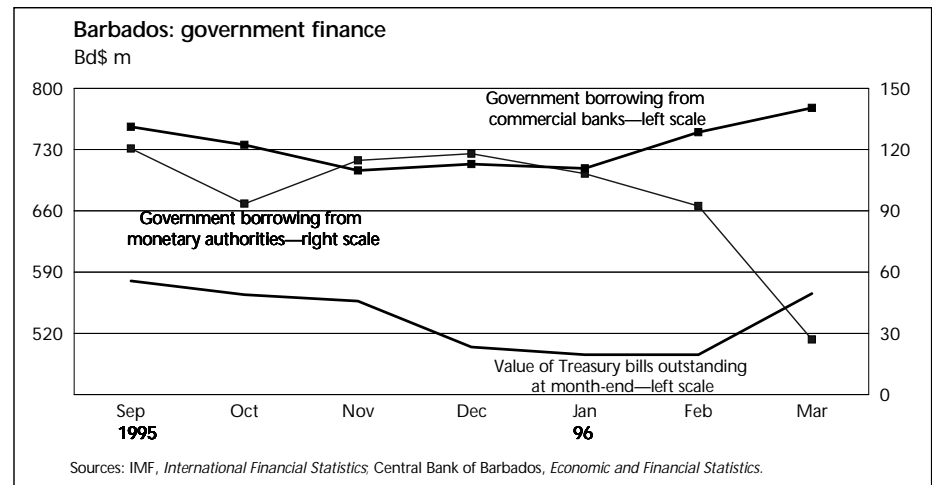
from Bd\$118m to Bd\$27m. Instead, there appears also to have been a boom in the sale of Treasury bills, of which the total value outstanding rose from Bd\$504.4m to Bd\$565.5m in the first quarter, and to Bd\$595.5m by end-April. Of this rise, the private non-financial sector was responsible for the largest share. Its holdings of Treasury bills increased from Bd\$89.4m at end-December 1995 to Bd\$141.9m at end-March 1996.



Monetary tightening checks private credit growth

VAT is on course for January implementation

Tax breaks for returnees



The decision of the Central Bank to increase the rediscount rate in December from 9.5% to 12% in order to restrict credit growth appears to have paid off. Commercial bank lending to the private sector, which had risen strongly in 1995 (2nd quarter 1996, page 44), remained stable at around Bd\$1.47bn in the first quarter of 1996, while total domestic credit stocks (including net government borrowing in the financial sector) fell by 5%, from Bd\$1.94bn to Bd\$1.84bn. The broad measure of money supply, M2, dropped by almost 12%. The fall-off in credit growth is surprising, given the decision of the commercial banks not to pass on the increase in the rediscount rate. Commercial lending and deposit rates remained unchanged at 10% and 5.2% respectively in January-April.

The prime minister, Owen Arthur, has reassured the electorate that the broad value-added tax (VAT) outlined in the May budget will replace most existing indirect taxes on January 1, 1997. Although the VAT draft bill has been in place for over a year, its approval has been delayed by renovation work to an implementation unit and lengthy consultations with various interest groups. The VAT bill, which proposes to modernise and simplify indirect tax collection in Barbados, enjoys broad popular support.

In early August the government announced a package of duty exemptions for returning nationals, at an estimated cost of around Bd\$1m. It hopes that these measures, together with the creation of the Facilitation Unit for Returning Nationals (FURN), will ease the passage of returning expatriates by reducing the financial cost of homecoming. Previously, returning nationals faced heavy duties on imports of personal effects, particularly in the case of cars, where amounts were sometimes twice those paid by domestic residents. All such levies will now be waived. The returnees themselves have requested additional

benefits, including exemptions from duties on commercial vehicles and the right to purchase vehicles duty-free from local dealers rather than having to import them. The government is currently studying these requests. Special investment instruments for returnees to channel their savings into various projects in the country are also under review. The deputy prime minister, Billy Miller, has stated that returning nationals have already expressed an interest in investing in the expansion of the Grantley Adams International Airport and several hotels.

Public-sector reforms are  
tabled—

A government statement issued in late August reported that a public-sector reform bill would be presented to parliament after the summer recess. The proposed reforms include:

- a redefinition of the roles and responsibilities of cabinet ministers and permanent secretaries;
- training for civil servants;
- the modernisation and reorganisation of public institutions; and
- the formation of a Citizens' Council, supported by a Citizens' Charter, aimed at making civil servants more accountable to the public.

—amid revelations of bad  
debts at a key government  
agency

The state-run Barbados Agricultural Development and Marketing Corporation (BADMC) has run into severe financial difficulties. The agency, which has an accumulated debt of Bd\$16m, owes Bd\$7.9m to local creditors, \$1.7m to the government sinking fund and Bd\$744,000 to local farmers. It is also heavily indebted to other government agencies, and has large overdrafts with two local banks. The present crisis was precipitated by a reduction in government subsidies to the corporation of Bd\$1.4m this year, which provoked fears of bankruptcy. The government was forced to agree to a Bd\$1.5m overdraft for BADMC in July pending the company's implementation of a restructuring programme.

The restructuring plans were initially endangered by fierce resistance from the National Union of Public Workers (NUPW). The union, which disrupted government plans earlier this year when it rejected a two-year pay award (2nd quarter 1996, page 43), feared that the restructuring would lead to massive job losses. It threatened to pull out of the protocol on prices and incomes (which sets pay increases for public-sector workers until early 1998) unless the 535 jobs at BADMC were guaranteed. However, the union has now agreed to proposals to transfer workers from BADMC to a more profitable state-run enterprise, the Barbados Agricultural Management Company (BAMC), which has special responsibility for sugar production. Buoyed by a bumper sugar harvest, the BAMC has outlined ambitious expansion plans, including a Bd\$2.8m capital outlay on three sugar-processing factories. The company hopes to attract government grants and loans from multilateral and commercial creditors to fund the project.

The government plans to  
introduce environmental  
taxes

In mid-May Mr Arthur announced the imposition of an environmental tax on locally produced and imported goods, in addition to a new levy on items deposited at landfills. The revenue generated will be used to offset the cost of operating refuse sites and to improve the environment. The environmental tax will vary according to product category. Most imported goods will be charged

0.75% of their imported value (including the cost of carriage, insurance and freight). Fixed charges on imports of motor vehicles (US\$75), large household appliances (US\$7.50) and smaller goods such as televisions and mattresses (US\$5) will be levied in addition to the basic rate. A further charge, equivalent to 1% of the value of the goods, will be paid on items (apparently both locally produced and imported) which contain plastic, glass, metal or paperboard. Opposition leaders have strongly criticised the bill, claiming that its inflationary effect will hurt the poor. They have also pointed out that the introduction of a fee for dumping at landfill sites could lead to an upsurge in the illegal dumping of refuse, which would partly neutralise the efforts made by the government to improve refuse disposal. Despite these protests, the bill is expected to be approved by parliament later this year.

Barbados is set to join the IDA

Press reports indicate that the Arthur administration has tabled plans to become a credit-providing member of the International Development Association (IDA), a World Bank agency whose remit is to provide grants and soft loans to the world's most impoverished countries. Although its initial contribution, estimated at around Bd\$100,000, will be small, the government hopes that joining the IDA board will raise the country's profile among the international financial community and open up new sources of funding for local enterprises. In addition, membership of the IDA would allow local firms to bid for projects being carried out in the region with financing from the World Bank and the Inter-American Development Bank.

## The economy

Economic activity surges in the first half

The economy grew by 5.9% year on year in the first half of 1996, according to press reports of leaked Central Bank of Barbados projections (the half-yearly *Economic Review* has not yet been published at the time of writing). This represents a strong improvement on the corresponding period of 1995, when real GDP growth was only 1%. The Central Bank attributed the growth to the buoyancy of the external sector, with tourist expenditure increasing by 5.8% compared with the year-earlier period and export revenue increasing by 25%. Domestic output, both traded and non-traded, also performed well. The sugar sector experienced a sharp rise in production to 60,000 tons, well above last year's drought-stricken yield. Manufacturing growth stood at 4.6%, while construction expanded by 5.5%.

The inflation rate stays high

Buoyant consumer and government spending fuelled inflation in the first half. After falling from 2.9% in January to 2.5% in February, annual inflation rose steadily to 4.2% in May, according to Central Bank sources. Inflationary pressures slowed in June, with the retail price index rising by only 2.7% year on year. Among the spending categories, food registered the largest year-on-year price increase in the second quarter (6.3%), followed by alcohol and beverages (5.4%) and medical and personal care (3.7%). The only category which experienced a decline was clothing and footwear, where prices fell by 0.6%.

## Tourism and agriculture

Tourist arrivals expanded steadily in January-April—

The steady recovery in stopover tourist numbers, which began in the final quarter of 1995, continued in the first four months of 1996. Arrivals increased by 7.2% compared with the year-earlier period, to 160,334. Growth was strongest in the UK market, which expanded by 14.2%, but there were also modest rises in arrivals from the USA (4.3%) and Canada (5.8%). Cruise arrivals, on the other hand, virtually stagnated in January-April, rising by a mere 0.6%. This lacklustre performance lowered the overall increase in visitor numbers to 3.3%.

Barbados: tourism statistics, Jan-Apr

	1995	1996	% change
Total visitors	360,839	372,774	3.3
By visitor type:			
Stopover arrivals	149,608	160,334	7.2
Cruise arrivals	211,231	212,440	0.6
By country of origin:			
USA	42,118	43,924	4.3
UK	37,793	43,158	14.2
Canada	24,981	26,428	5.8

Source: Central Bank of Barbados, *Economic and Financial Statistics*.

—while recent developments augur well for the coming season—

Prospects for the coming winter tourism season (November-April) are good. The Barbados Tourism Authority (BHA) said that the expansion of several hotels will create up to 700 new hotel beds. The number of air seats is expected to rise by 1,500-2,000 when Air Jamaica expands its services between Barbados and New York on November 1, thus ending the Barbadian tourism authorities' long search for additional seat capacity. A proposal for Air Jamaica to run services three times weekly from Atlanta to Barbados and St Lucia is also under discussion. Although reluctant to project a winter season as good as the last one, which saw a 13% increase in visitor numbers, the BHA is confident that the number of tourist arrivals will grow strongly, and has estimated that tourism earnings will rise by Bd\$13m-20m (US\$6.5m-9.9m).

—although water shortages are threatened

An opposition spokesman, John Tudor, has advised tourist developers to build their own salination plants, pointing out that fresh water usage in Barbados has reached 95% of reserves. With growth projected at 3.6% over the next two years, the island could experience water shortages by 1998. Problems have already been reported in several parishes, and new developments in the tourism industry will put further pressure on water resources.

The sugar sector recovers, although future prospects remain doubtful

Better weather conditions and improved husbandry were the main factors behind the strong performance of the sugar industry, with output rising to 60,000 tons in the 1995/96 season compared with 38,000 tons in 1994/95. Production is expected to cover local demand for the first time in five years. Despite the positive performance, however, underlying problems remain. The IMF, in a report prepared on the Barbados economy last year, warned that the sugar industry is vulnerable to high labour costs, periodic droughts and declines in international prices, particularly in the preferential prices Barbados receives for its sugar exports to the EU. The report pointed out that unit production costs

are the highest in the world, around 40% higher than the world average and at least twice the average unit selling price on the international market, and narrow profit margins mean that negative developments in any of the aforementioned variables could force plantations into bankruptcy. While commending the government-sponsored rehabilitation programme adopted after the drought-affected 1994/95 harvest, the IMF urged the industry to reduce its dependency on preferential markets.

## Foreign trade and payments

Surpluses on the current and capital accounts raise net international reserves

According to the Central Bank of Barbados's first-quarter *Economic Review*, net international reserves rose by Bd\$133.2m (US\$66.2m) in January-March 1996. The increase was due to improvements on both the current and capital accounts. On the current-account side, domestic exports rose by 42.8% to Bd\$93.7m on the strength of a surge in sugar exports to Bd\$21m. The strong export performance offset the 5.8% increase in imports to Bd\$338.7m, reducing the trade deficit by a modest Bd\$9.6m to Bd\$245m. The invisibles surplus also widened in January-March, largely due to the 12% rise in net tourism revenue (by Bd\$44.1m to Bd\$412.8m). The improvements in the trade and invisibles balances were reflected in the marked rise in the current-account surplus, which reached Bd\$166.5m. Developments in the capital account were even more dramatic, as a sixfold increase in long-term private credit (to Bd\$62.2m) and a 64.3% reduction in net public-sector debt repayment combined to create a Bd\$58m surplus, in contrast to the Bd\$34.4m deficit in the year-earlier period.

Barbados: balance of payments, Jan-Mar  
(Bd\$ m)

	1995	1996	% change
Merchandise exports	65.6	93.7	42.8
Merchandise imports	-320.2	-338.7	5.8
Trade balance	-254.6	-245.0	-3.8
Services (net)	358.2	395.7	10.5
Foreign travel	368.7	412.8	12.0
Investment income	-36.1	-41.6	15.2
Other	25.6	24.5	-4.3
Net transfers	13.9	15.8	13.7
Current-account balance	117.5	166.5	41.7
Net capital movements	-34.4	58.0	n/a
Long term (net)	-53.4	40.0	n/a
Official	-62.2	-22.2	-64.3
Private	8.8	62.2	606.8
Short term (net)	19.0	18.0	-5.3
Errors & omissions	-1.8	0.0	n/a
Balance for official financing	81.4	224.5	231.5
Net official financing & adjustments	53.7	91.3	70.0
Changes in reserves			
(- indicates increase)	-27.7	-133.2	380.9

Source: Central Bank of Barbados, *Economic Review*.



# Cayman Islands

## Political and economic structure

Official name	The Cayman Islands	
Form of state	Representative government; British Dependent Territory	
Head of state	Queen Elizabeth II, represented by a governor	
The executive	Seven-member Executive Council, headed by the governor; four members are chosen by the Legislative Assembly, and three officials selected by the governor	
National legislature	Unicameral 12-member Legislative Assembly, elected for periods of four years	
Legal system	There is a Juvenile Court, a Summary Court and a Grand Court of the Islands; appeals from the Grand Court proceed to the Court of Appeal in Jamaica and, beyond that, to the Judicial Committee of the Privy Council in the UK	
National elections	November 1992; next election due by November 1996	
Main political organisations	Elections are fought by ad hoc teams or by independents	
Executive Council	Governor	Michael Gore
Official members	Attorney-general Financial secretary Chief secretary	Richard Coles George McCarthy James Ryan
Elected members	Agriculture, communications & works Community development, sports, youth affairs & culture Education & aviation Health, drug abuse prevention & rehabilitation Tourism, environment & planning	John McLean  McKeeva Bush Truman Bodden  Anthony Eden Thomas Jefferson

### *Latest available figures*

Population (mid-year) <sup>a</sup>	(1994)	31,300
GDP <sup>b</sup>	(1995)	S\$937.6m
GDP growth rate <sup>a</sup>	(1995)	5.0%
Inflation rate (annual average) <sup>a</sup>	(1994)	4.0%
Exports <sup>a</sup>	(1994)	US\$2.2m
Imports <sup>a</sup>	(1994)	US\$313.3m

Exchange rate on October 4, 1996 CI\$0.83:US\$1

<sup>a</sup> Caribbean Development Bank (CDB) estimates. <sup>b</sup> EIU estimate.

# Turks and Caicos Islands

## Political and economic structure

Official name	The Turks and Caicos Islands	
Form of state	Representative government; British Dependent Territory	
Head of state	Queen Elizabeth II, represented by the governor who is responsible for foreign affairs, internal security and defence	
The executive	Eight-member Executive Council; three ex officio members are appointed, the chief minister, financial secretary and the attorney-general, and there are five ministers	
National legislature	Unicameral Legislative Council; composed of 13 elected members, the three ex officio members of the Executive Council and three nominated members	
Legal system	UK-style courts with ultimate appeal to the Judicial Committee of the Privy Council in the UK	
National elections	January 1995; next election due by January 1999	
National government	The PDM has eight of 13 seats	
Main political organisations	Government—People's Democratic Movement (PDM) Opposition—Progressive National Party (PNP)	
Main members of the Executive Council	Chief minister & finance & development Governor & president	Derek Taylor Martin Bourke
Ministers	Attorney-general Chief secretary Communications, transportation & tourism Deputy chief minister & works, immigration & labour Education, health, youth development & sport Local government affairs, social welfare, agriculture & fisheries Natural resources, planning, environment & heritage	David Ballantyne Roger Cousins Oswald Skippings  Samuel Harvey Clarence Selnet  Hilly Ewing  Staven Rigby

### *Latest available figures*

Population (mid-year) <sup>a</sup>	(1994)	14,600
GDP at market prices <sup>b</sup>	(1995)	US\$100.6m
GDP growth rate <sup>a</sup>	(1995)	2.7%
Exports	(1993)	US\$4.7m
Imports	(1992/93)	US\$46.6m
Currency=US\$		

<sup>a</sup> Caribbean Development Bank (CDB) estimates. <sup>b</sup> EIU estimate.

# Cayman Islands and Turks and Caicos Islands

## Review

### Cayman Islands

A new framework for the combat of money-laundering

The Proceeds of Criminal Conduct Act, passed on September 20, extends existing anti-narcotics legislation in the Caymans to cover financial misdeeds. It makes it a criminal offence for financial institutions to assist money-laundering or to fail to report suspicious transactions, and allows the monetary authorities to confiscate the proceeds of such crime. The islands' Currency Department and Financial Services Supervision Department (FSSD) are also to be merged into a single Monetary Authority, in a move to strengthen enforcement of the new regulatory framework. Staff numbers are expected to increase from 26 to 40 in the first year of operation.

Visitor arrivals rise to record levels

According to recent information from the Department of Tourism, the number of stopover visitors for the period January-May 1996 rose by 6.8%, to a total of 171,404. Cruise arrivals soared by 16.9% to 354,752. The figures indicate that growth in the Cayman tourism sector this year is set to surpass that of 1995, when a record 1.04 million visited the islands. The creation of an independent Tourism Attraction Board, which would assume ownership and operational responsibility for various sites currently owned by the state, has been suggested.

Fibre-optic cable completed

Cable & Wireless, the UK firm which dominates telecommunications in the islands, was due to finish cable-laying operations between Grand Cayman, Cayman Brac and Jamaica in September. The project, which began in July, is aimed at improving the speed of data transmission and the quality of voice communication, as well as creating links to previously inaccessible telecommunications systems.

### Turks and Caicos Islands

Controversial governor is replaced

The British Foreign & Commonwealth Office announced in July that the term of the Turks and Caicos Islands governor, Martin Bourke, would not be extended. Mr. Bourke had prompted uproar earlier this year when he made a series of disparaging comments about the islands, leading the country's legislative assembly to demand his removal. The Foreign Office rejected the demand, but said that Mr Bourke would be transferred at the end of his term in September "in accordance with normal diplomatic career moves". Mr Bourke has been replaced by the Foreign Office first secretary and former deputy governor of Bermuda, John Kelly.

## Quarterly indicators and trade data

Jamaica, Belize, Bahamas, Bermuda and Barbados: quarterly indicators of economic activity

		1994				1995				1996	
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
<b>JAMAICA</b>											
Production:	Qtrly totals										
Bauxite	'000 tons	3,004	3,052	2,968	2,830	2,523	2,928	2,758	2,663	2,933	2,990
Sugar	Annual totals										
	'000 tons	( 223.0 )				( 214.1 )				( n/a )	
Prices	Monthly av										
Consumer prices:	1990=100	400.0	427.9	461.0	477.6	492.4	509.1	534.8	581.9	n/a	n/a
change year on year	%	35.0	39.3	37.3	29.6	23.1	19.0	16.0	21.8	n/a	n/a
Money	End-Qtr										
M1, seasonally adj:	J\$ m	18,014	19,786	18,601	20,318	20,793	22,872	26,942	28,031	25,656	25,112 <sup>d</sup>
change year on year	%	34.6	33.6	21.2	25.6	15.4	15.6	44.8	38.0	23.4	n/a
Foreign trade	Qtrly totals										
Exports fob	J\$ m	9,523	10,131	9,674	10,133	11,180	12,583	12,462	12,285	3,924 <sup>d</sup>	n/a
Imports cif	"	15,838	17,236	18,436	20,144	19,736	23,490	26,015	28,322	10,179 <sup>d</sup>	n/a
Exchange holdings	End-Qtr										
Foreign exchange <sup>c</sup>	US\$ m	431.6	537.2	631.8	735.9	782.7	761.3	752.2	680.8	716.3	760.8 <sup>d</sup>
Exchange rate											
Market rate	J\$:US\$	33.10	33.38	33.29	33.20	32.25	33.74	36.79	39.62	38.85	35.38
<b>BELIZE</b>											
Exports: agriculture	Qtrly totals										
Sugar	'000 tons	38.3	21.9	25.1	13.1	27.1	31.4	26.5	13.0	30.0	39.1
Prices	Monthly av										
Consumer prices:	1990=100	107.8	108.6	108.9	109.5	110.5	111.6	112.5	113.9	115.4	n/a
change year on year	%	-1.6	-0.8	2.7	1.9	2.5	2.8	3.3	4.0	4.4	n/a
Money	End-Qtr										
M1, seasonally adj:	Bz\$ m	149.26	148.22	151.68	152.09	156.57	154.21	158.80	164.17	163.52	164.74 <sup>e</sup>
change year on year	%	13.9	4.2	9.9	5.7	4.9	4.0	4.7	7.9	4.4	6.8
Foreign trade	Qtrly totals										
Exports fob	Bz\$ m	92.17	80.69	64.30	57.80	90.31	99.32	78.35	55.37	96.24	54.11 <sup>f</sup>
Imports cif	"	122.10	130.25	133.00	131.80	130.32	130.91	126.68	129.12	119.38	78.52 <sup>f</sup>
Exchange holdings	End-Qtr										
Central Bank:											
foreign exchange	US\$ m	32.18	39.07	33.46	29.72	22.28	25.38	30.69	32.58	33.49	34.46 <sup>g</sup>
Exchange rate											
Market rate	Bz\$:US\$	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

*continued*

		1994				1995				1996	
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
<b>BAHAMAS</b>											
Prices	Monthly av										
Consumer prices:	1990=100	117.4	117.6	117.9	119.0	119.7	120.3	120.8	120.8 <sup>h</sup>	n/a	n/a
change year on year	%	2.6	0.8	0.7	1.6	2.0	2.3	2.5	n/a	n/a	n/a
Money	End-Qtr										
M1, seasonally adj:	B\$ m	398.6	395.2	401.2	408.0	415.8	443.2	426.1	437.2	440.2	430.2
change year on year	%	8.3	6.1	8.5	10.7	4.3	12.1	6.2	7.2	5.9	-2.9
Foreign trade <sup>i</sup>	Annual totals										
Exports fob	US\$ m	(	656	)	(	678	)	(	n/a	)	
Imports cif	"	(	2,846	)	(	2,493	)	(	n/a	)	
Exchange holdings	End-Qtr										
Central Bank:											
foreign exchange	US\$ m	228.5	238.0	208.0	167.5	185.9	199.8	155.5	169.9	203.5	233.0 <sup>d</sup>
Exchange rate											
Par value	B\$:US\$	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>BERMUDA</b>											
Foreign trade <sup>i</sup>	Annual totals										
Exports fob	US\$ m	(	91	)	(	96	)	(	n/a	)	
Imports fob	"	(	816	)	(	720	)	(	n/a	)	
Exchange rate	End-Qtr										
Par value	Bda\$:US\$	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>BARBADOS</b>											
Exports: agriculture	Annual totals										
Sugar	'000 tons	(	36.3	)	(	38.2	)	(	n/a	)	
Prices	Monthly av										
Consumer prices:	1990=100	112.3	113.1	115.4	115.5	114.6	114.5	117.4	118.4	117.8	118.6 <sup>k</sup>
change year on year	%	-1.5	-0.4	0.5	1.7	2.0	1.2	1.7	2.5	2.8	n/a
Money	End-Qtr										
M1, seasonally adj:	Bd\$ m	511.7	540.0	539.2	513.7	538.5	514.8	474.7	427.6	541.0	465.5 <sup>d</sup>
change year on year	%	4.2	10.5	7.6	8.8	5.2	-4.7	-12.0	-16.8	0.5	n/a
Foreign trade	Qtrly totals										
Exports fob	Bd\$ m	100.7	92.1	74.0	93.1	101.1	147.8	95.9	127.0	71.6 <sup>l</sup>	n/a
Imports cif	"	259.2	306.3	333.0	323.7	353.9	398.9	356.5	418.2	267.0 <sup>l</sup>	n/a
Exchange holdings	End-Qtr										
Central Bank:											
foreign exchange	US\$ m	171.4	209.6	184.0	195.7	210.6	224.1	229.7	219.0	273.9	297.3 <sup>m</sup>
Exchange rate											
Market rate	Bd\$:US\$	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01

Note. Annual figures of most of the series shown above will be found in the Country Profile.

<sup>a</sup> End-May. <sup>b</sup> January only. <sup>c</sup> Bank of Jamaica. <sup>d</sup> End-April. <sup>e</sup> End-July, 160.26. <sup>f</sup> Total for April-May. <sup>g</sup> End-July, 69.27. <sup>h</sup> Average for October-November. <sup>i</sup> DOTS estimate. <sup>j</sup> End-July, 234.5. <sup>k</sup> Average for April-May. <sup>l</sup> Total for January-February. <sup>m</sup> End-July, 295.6.

## Jamaica, Belize, Bahamas, Bermuda and Barbados: UK trade

(£ '000)

	Jamaica		Belize		Bahamas		Bermuda		Barbados	
	Jan-May 1995	Jan-May 1996	Jan-May 1995	Jan-May 1996	Jan-May 1995	Jan-May 1996	Jan-May 1995	Jan-May 1996	Jan-May 1995	Jan-May 1996
Imports cif										
Fruit, vegetables & products	19,946	19,940	11,271	12,532	178	5	0	0	126	79
of which:										
bananas	16,619	15,917	8,544	8,089	n/a	n/a	0	0	n/a	n/a
Sugar & products	41,162	39,671	5,312	6,415	0	0	0	0	8,070	15,366
Coffee, cocoa, tea & spices	319	433	0	0	0	0	0	0	0	1
Beverages	1,950	1,507	0	0	9,647	10,524	0	0	529	770
Metalliferous ores & scrap	8,050	12,638	0	0	55	0	0	0	83	3,254
Chemicals	246	129	44	164	0	12,769	148	154	38	86
Machinery & transport eqpt	1,422	1,397	16	6	261	98	108	5,999	1,287	30,583
Scientific instruments etc	440	348	171	77	12	15	185	65	218	15
Total incl others	75,241	78,091	16,978	19,381	12,910	24,338	543	6,725	11,113	51,153
% share of UK in each country's exports <sup>a</sup>	17 <sup>b</sup>	16 <sup>b</sup>	32 <sup>c</sup>	30 <sup>c</sup>	1 <sup>d</sup>	1 <sup>d</sup>	20 <sup>e</sup>	20 <sup>e</sup>	26 <sup>f</sup>	21 <sup>f</sup>
Exports fob										
Food	3,957	1,677	328	569	2,054	2,493	903	978	1,982	1,511
Beverages	319	467	509	412	544	489	586	563	341	240
Petroleum & products	43	483	3	0	12	7	2	1	10	13
Chemicals	3,804	3,918	527	726	1,033	1,116	916	1,387	2,071	2,074
Paper & manufactures	211	232	451	157	35	51	47	31	259	208
Textile yarn, cloth & mnfrs	168	184	117	9	78	63	211	255	202	283
Non-metallic mineral mnfrs	431	391	33	42	261	366	881	815	265	310
Metals & manufactures	3,881	2,693	258	67	333	298	225	478	1,869	2,159
of which:										
iron & steel	1,899	918	96	1	43	28	16	54	1,109	1,243
Machinery incl electric	5,713	5,906	1,399	483	1,041	732	878	1,130	3,743	2,426
Transport equipment	5,252	4,927	560	411	192	65	402	118	63,075	3,057
Clothing & footwear	248	58	23	37	433	279	841	480	191	260
Scientific instruments etc	238	325	1,720	25	20	94	209	140	411	331
Total incl others	31,767	26,925	6,289	3,730	6,864	7,069	7,153	7,293	76,420	15,099
% share of UK in each country's imports <sup>a</sup>	5 <sup>b</sup>	6 <sup>b</sup>	7 <sup>c</sup>	6 <sup>c</sup>	5 <sup>d</sup>	1 <sup>d</sup>	7 <sup>e</sup>	7 <sup>e</sup>	9 <sup>f</sup>	9 <sup>f</sup>

<sup>a</sup> Calculated from each country's trade statistics. <sup>b</sup> 1990 and 1991. <sup>c</sup> 1994 and 1995. <sup>d</sup> 1988 and 1989. <sup>e</sup> 1991 and 1992. <sup>f</sup> 1992 and 1993.

Jamaica, Belize, Bahamas, Bermuda and Barbados: US trade  
(US\$ '000)

	Jamaica		Belize		Bahamas		Bermuda		Barbados	
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
Imports cif										
Fish & products	10,539	12,045	9,406	12,787	38,914	36,138	183	0	1,077	2,703
Fruit, vegetables & products	14,101	16,126	11,266	9,579	3,119	4,590	0	0	0	0
Sugar & products	17,231	3,067	10,709	9,630	5	0	0	0	57	32
Beverages	17,774	19,597	0	18	2,782	2,570	509	1,240	2,473	1,731
Crude minerals & fertilisers	1,043	2,654	0	0	34,025	28,966	11	7	8	5
Metalliferous ores & scrap	172,470	180,178	16	115	253	3,730	101	74	1,153	412
Petroleum & products	75	78	0	0	58,857	14,257	0	0	0	0
Chemicals	33,090	45,246	298	1,649	48,876	67,562	576	763	27	138
Clothing	462,239	540,109	17,703	14,172	150	20	129	10	4,211	4,196
Total incl others	789,937	894,663	54,172	55,938	219,509	170,685	9,264	10,657	35,775	38,727
% share of USA in each country's exports <sup>a</sup>	28 <sup>b</sup>	30 <sup>b</sup>	44 <sup>c</sup>	36 <sup>c</sup>	91 <sup>d</sup>	93 <sup>d</sup>	66 <sup>e</sup>	62 <sup>e</sup>	21 <sup>f</sup>	23 <sup>f</sup>
Exports fob										
Meat & products	16,429	18,625	1,012	1,077	11,223	9,857	13,398	13,923	3,116	3,160
Cereals & products	46,805	74,244	3,759	3,782	11,512	12,133	20,863	21,240	9,171	11,040
Fruit, vegetables & products	4,133	5,686	3,017	985	26,094	24,830	9,453	10,898	2,675	2,524
Animal feeding stuffs	5,731	10,954	4,086	3,816	8,557	8,486	1,893	2,101	1,392	1,298
Oilseeds	15,835	4,045	0	11	63	53	0	0	3,791	4,466
Petroleum & products	98,522	117,981	1,588	1,077	96,386	70,661	1,337	1,056	764	6,923
Chemicals	86,503	135,039	9,075	8,738	44,402	60,568	13,529	12,633	15,081	19,579
Wood & cork & mnfrs	33,541	39,144	1,741	1,736	26,092	30,502	4,876	6,017	11,059	9,959
Paper & manufactures	28,367	36,081	4,963	4,894	15,151	16,457	11,245	11,177	4,266	5,277
Textile yarn, cloth & mnfrs	27,241	31,972	1,209	1,105	6,461	6,286	3,647	3,881	6,226	3,465
Metal manufactures	15,062	18,417	3,791	4,747	17,139	16,617	7,859	9,508	5,017	6,875
Machinery incl electric	168,132	206,170	23,765	18,478	76,594	81,079	37,697	42,242	35,962	38,424
Transport equipment	45,726	66,667	9,728	6,952	76,131	70,617	39,615	30,502	3,015	4,246
Clothing & footwear	272,173	385,925	8,199	8,016	9,151	6,668	7,099	6,895	1,679	3,205
Scientific instruments etc	16,052	21,187	1,875	744	9,095	15,444	4,456	4,785	4,438	4,496
Total incl others	1,044,774	1,389,826	107,001	96,452	653,153	643,355	292,718	293,125	153,043	179,351
% share of USA in each country's imports <sup>a</sup>	49 <sup>b</sup>	51 <sup>b</sup>	53 <sup>c</sup>	54 <sup>c</sup>	46 <sup>d</sup>	34 <sup>d</sup>	66 <sup>e</sup>	66 <sup>e</sup>	38 <sup>f</sup>	38 <sup>f</sup>

	Imports cif (US\$ m)					Exports fas <sup>g</sup> (US\$ m)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Jun	Jan-Jun
	1993	1994	1995	1995	1996	1993	1994	1995	1995	1996
Jamaica	766.4	789.9	894.7	429.1	425.2	1,116.2	1,065.5	1,420.9	665.7	748.4
Belize	57.6	54.1	55.9	32.0	39.5	135.6	115.2	100.1	49.7	50.6
Bahamas	346.5	219.5	170.7	94.5	97.7	704.4	684.9	660.5	315.9	368.5
Bermuda	14.8	9.3	10.7	5.1	7.5	264.8	299.9	298.5	148.8	140.9
Barbados	35.1	35.8	38.7	20.5	19.4	145.5	161.1	185.7	86.4	102.7

<sup>a</sup> Calculated from each country's trade statistics. <sup>b</sup> 1990 and 1991. <sup>c</sup> 1994 and 1995. <sup>d</sup> 1988 and 1989. <sup>e</sup> 1991 and 1992. <sup>f</sup> 1992 and 1993.

<sup>g</sup> Including re-exports.