

Manning Challenges Chavez's Petro Caribe?

Old guard Caribbean integrationists will be pleased at the news that Trinidad and Tobago's Prime Minister, Patrick Manning has pledged to put his country's petroleum dollars into a regional development fund, a promise that likely signals his intention to challenge Venezuela's Hugo Chavez's Petro Caribe initiative that has put a wedge in Caribbean Community (CARICOM) relations.

The news came after heads of government met in a special session in Port of Spain, May 24, "called to address the deterioration in regional economies as a result of the fallout of the global financial and economic crisis".

According to a news release from the CARICOM secretariat, with effect from 2010, Trinidad and Tobago said it was prepared to make a firm contribution to the Petroleum Fund under different governance arrangements within a restructured Caribbean Development Bank (CDB).

The meeting had agreed to a revamped Barbados-based CDB as "a vehicle for all development resources of the Region and in this regard should be restructured to become more responsive to the needs of the Region."

The leaders, with the assistance of the CARICOM Secretariat, the Organisation of Eastern Caribbean States (OECS) Secretariat, the Eastern Caribbean Central Bank (ECCB) and the CDB sought to identify ways out of the crisis and the actions required to achieve that goal.

The heads of government appointed a team led by Dr DeLisle Worrell, Executive Director of the Caribbean Centre for Money and Finance and including Derrick Latibeaudiere, Governor of the Bank of Jamaica, Dr Shelton Nicholls, Deputy Governor of the Central Bank of Trinidad and Tobago, and Dr Garth Nicholls, Senior Director, Research Division of the ECCB to review the plans of member states and examine their sustainability and try to incorporate those plans into a regional programme. The leaders stated that any regional programme should be sensitive to the peculiar needs of the OECS.

The team should report back to the Conference of Heads of Government on specific proposals regarding: an approach to international financial institutions to request special considerations for CARICOM countries given their unique circumstances of size and vulnerability. Additionally, the team should formulate proposals on a short-to medium term strategy for the economic transformation of Member States.

The Heads also issued an invitation to the Community's Central Banks to put together options for debt management strategy.

With respect to the CDB, the Government of Trinidad and Tobago stated that it was prepared to put its Petroleum Fund under the management of the CDB as well as to support the incorporation of the CARICOM Development Fund (CDF) into the CDB. The Region's development partners would then be asked to match the funds placed in the CDB which would then be able to help the development needs of the Region significantly.

The heads of government reiterated the need for a departure from the International Monetary Fund's (IMF) traditional model and suggested there should be two sets of standards - one for developed countries and one set for developing countries.

The heads agreed that the situation required immediate action, particularly for those countries which are already in difficulty, but also agreed that such action must be taken within a context of a long-term strategy to reverse the debilitating economic trends which appear to be endemic to our economies. They urged that the post-crisis situation should see the emergence of a transformed regional economy. They urged the technical officials to prepare a regional medium term framework that might show higher levels of deficits at this time but allow for the emergence of a transformed region over time.

The heads further agreed that all countries considering approaches to the IMF should move as fast as possible in that regard and

should not limit their requests to the exogenous shock window due to the small sums available under that window.

The CARICOM leaders referred to a World Bank report which identified four areas as important to the future of the region. The first was Information and Communications Technology (ICT) and related services. The leaders stated that there was a need for connectivity across the Region and a reduction in the cost of broadband access so that this area could become an avenue to generate jobs.

The second area was the export of educational services and the Heads of Government pointed to the need for an online university to which all of the population could have access as well as the necessity for the reform of the Caribbean Examinations Council (CXC).

The third and fourth areas could be coupled, with the Region becoming a destination for medical services as part of a new type of multi-destination tourism.

In January, the CARICOM Secretariat issued a release to clarify what was described as a "mix-up" after news reports that Trinidad and Tobago would be ending its contribution to the CARICOM Development Fund (CDF), established by the heads at the July 2008 conference held in Antigua.

The chief executive officer, Ambassador Lorne McDonnough, in responding to the report said there had been a misunderstanding about the difference between the Trinidad and Tobago Petroleum Fund and the CARICOM Development Fund.

The CEO suggested that the report might have resulted from an unfortunate mix-up relating to the Trinidad & Tobago Petroleum Fund, sometimes simply referred to as "The Fund", and the newly established CARICOM Development Fund.

The Trinidad and Tobago Petroleum Fund was established by the Government of Trinidad and Tobago and ratified by CARICOM in May 2005. It was a quick disbursing grant facility established to provide relief to CARICOM Member States that were net importers of petroleum products and which were affected by increasing energy costs. Monthly allocations to this facility by the Government of Trinidad and Tobago were triggered when the price of Brent crude oil passed a specified threshold.

The CDF was established to provide technical, financial and development assistance to those countries, regions and sectors so designated by the Community Council as "Disadvantaged Countries, Regions and Sectors" affected by the implementation of the CARICOM Single Market and Economy (CSME).

Participating CARICOM member states agreed to contribute US\$120 million to the capital fund, based on an agreed formula to be paid in two tranches. Up to January member states had paid their initial contributions and the CDF's capital fund was approximately US\$67million dollars. Another US\$130 million for the capital fund is to be raised from potential donor partners. The capital fund can be replenished every 4 years.

Venezuela's establishment of the Petro Caribe fund to make oil available at concessionary rates, with the earnings pumped into development programmes, has divided CARICOM members over loyalty to their sister country who some see as not being responsive enough to their situation.