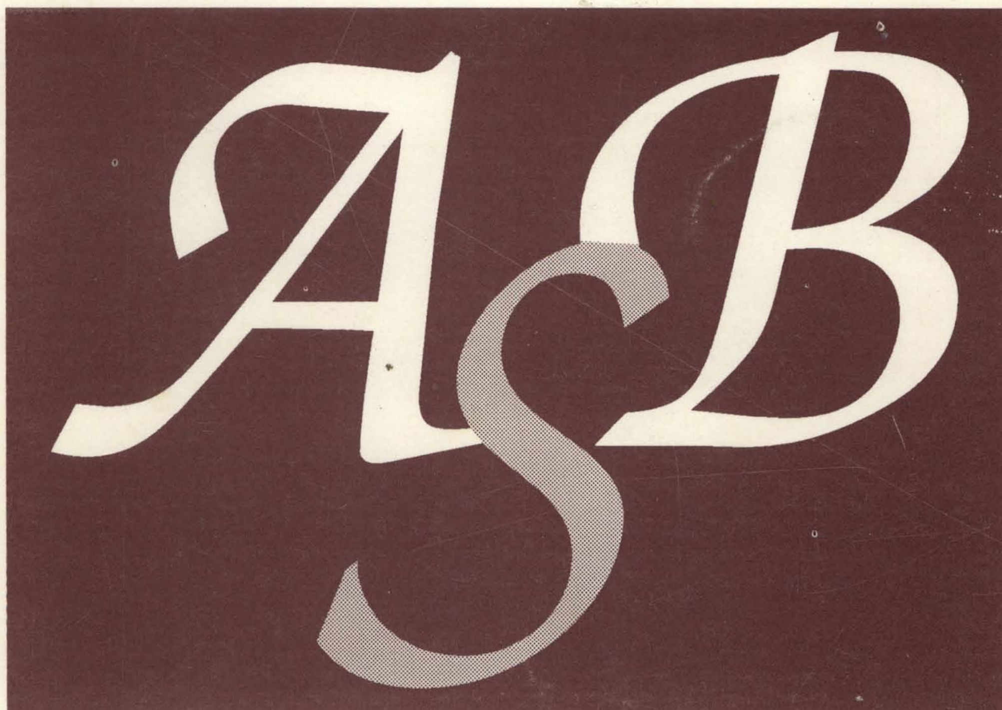
Sixth Adlith Brown Memorial Lecture

Monetary Integration in CARICOM

Karl Bennett



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REGIONAL PROGRAMME OF MONETARY STUDIES
INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
UNIVERSITY OF THE WEST INDIES, JAMAICA

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Karl M. Bennett

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The late Dr. Adlith Brown

The Adlith Brown Memorial Lecture honours the memory of Dr. Adlith Brown, co-ordinator of the Regional Programme of Monetary Studies from 1980 to 1984.

Although born in Jamaica, she could truly have been described as a Caribbean woman. Her sense of regionalism was nurtured on the Mona campus of the University of the West Indies where she did her under graduate work in Economics and had the distinction to be in the first graduating class for the B.Sc. (Economics) offered by the University. She subsequently completed her Masters (with distinction) as well as her doctorate degrees from McGill University.

Adlith returned to teach at the University (St. Augustine campus) in 1969 and in 1971 was transferred to the Mona campus where she taught Monetary Economic Research in 1976 and was one of the main anchors of its research programmes. She co-ordinated first the Caribbean Public Enterprise Project and from 1980 the Regional Programme of Monetary Studies. In this period she was also promoted to Senior Research Fellow and in 1982 to the position of Acting Deputy Director, which she held up to her death. These latter years demonstrated most her capacity for intellectual leadership and for creative management.

Adlith revelled in the realm of ideas. It is therefore understandable that she was fast developing a reputation of being an outstanding economic theorist as her writings attest. Indeed, she was an ideal person to co-ordinate the Regional Programme of Monetary Studies, given her passion for regionalism, her intellectual standing and her understanding of the process and problems of policy-making with which her colleagues in the central banks had to cope.

Each year the Open Lecture at the conference of the Regional Programme of Monetary Studies is sponsored by Caribbean central banks and designated the Adlith Brown Memorial Lecture.

J. Edward Greene
University Director,
ISER

Introductory Remarks

by

Eric St. Cyr

Since the inauguration in 1983 of an open lecture series for dialogue between researchers from the central banks and universities of the region and the Caribbean peoples, this is the first occasion on which we have the opportunity to engage the public of Guyana. It is with very great pleasure that we welcome you to this occasion.

Let me begin by telling you something about our programme of activities and give some specific information on the occasion which we mark this evening.

In 1968, on the initiative of the then director of the Institute of Social and Economic Research, Mr. Alister McIntyre, a programme of collaborative research and discussions was begun. The central banks contributed funding, assigned their own research staff, researchers at the universities (at the Institute of Social and Economic Research at the University of the West Indies and at the Institute of Development Studies at the University of Guyana) set about the task of finding out how the monetary and financial systems of the newly emerging Caribbean states functioned and what policies would be appropriate to promote sound economic development in the specific context.

This work has continued uninterrupted. Over the twenty-two years of the programme we have produced a body of literature, an enhanced understanding of the issues, and a cadre of personnel who are reasonably well versed in the modalities of regulating monetary and financial affairs in the peculiar social, political and economic circumstances which characterise the region. Much of the effort of the exercise has gone into the training of young men and women in the techniques of data gathering, analysis and policy formulation. Many of the staff of the central banks throughout the region have been nurtured in this programme, including some central bank governors and IMF experts of Caribbean origin.

At these annual meetings, we present the results of our work over the previous months. We also exchange information and ideas, criticise each other's work by way of stimulating improvements, and plan the programme for the years ahead. We are exceedingly pleased this year to join in celebrations with the Bank of Guyana on the occasion of its Twenty-fifth Anniversary and once more convey

felicitations, on behalf of the University of the West Indies and the Regional Programme of Monetary Studies.

Tonight, ladies and gentlemen, we honour the memory, life and work of one of the more dynamic researchers whom, to date, the Regional Programme of Monetary Studies has had. The person to whom I refer is Dr. Adlith Brown. This programme has had its stalwarts, including several distinguished sons of the soil — C.Y. Thomas, Maurice Odle and Compton Bourne, to name a few. But in many respects Adlith Brown stands out.

Adlith, a graduate of the University of the West Indies when it was still all at Mona, did post graduate study at McGill, where she earned a doctoral degree. She taught at the University, first at St. Augustine, then at her **alma mater.** Later she joined the staff of the ISER and rose to the level of Deputy Director. She impacted seriously on a number of areas of academic work, among them the role of public enterprise in the Caribbean. She also contributed much to our understanding of the complex issues surrounding the phenomenon of the widespread unemployment in the Caribbean.

Still it is for her contribution to the study of money and finance in the region, its international dimensions, and to the leadership she gave in administering the Regional Programme of Monetary Studies that one is inclined to remember her most. She herself wrote extensively on Jamaica's emerging debt problem. She also inspired others to the seriousness of these problems for their impact on general welfare in the Caribbean. She brought an energy and verve to the office of Co-ordinator of RPMS which it would be difficult to match: travelling extensively, explaining, persuading, communicating, and simply getting things done.

It was Adlith's idea to start a series of lectures such as this one. And when in October 1984 she passed prematurely and certainly untimely, into the great beyond, it was the unanimous view that this series of open public lectures should be named, in honour of her life and work, "The Adlith Brown Memorial Lecture."

Our speaker this evening is Dr. Karl Bennett. I am sure he would wish me to say that, distinguished as his presentation would be, he did not have the luxury of more than a week's notice. Of course, his paper

had been prepared well in advance, but its presentation at this large open forum was not anticipated at the time of its preparation.

Dr. Bennett is one of those West Indian sons who lives abroad (he is on staff at the Department of Economics at Waterloo University in Canada), but whose heart is unambiguously in the region, a technique of sharing in the global commons which West Indians know so well and increasingly must come to accept: Cicero, we recall, considered himself a citizen of the whole world! Whatever else Dr Bennett researches and expounds, he manages to produce as much on the Caribbean as those whose locale and interest are solely Caribbean.

Dr. Bennett is a graduate of Queens University and McGill University where he earned a doctorate.

Dr. Bennett is breaking new ground for us tonight. He is the first academic to whom the honour falls to deliver a lecture in this series, and follows in the paths of such distinguished practitioners of the art of economic and public administration as Dr. Vaughan Lewis, Director-General of the OECS, Mr. Roderick Rainford, Secretary-General of Caricom, Dr. Courtenay Blackman, former Governor of the Central Bank of Barbados, Dr. Maurice Odle of the United Nations Centre for Transnational Cooperation, Mr. William Demas, former President of the Caribbean Development Bank and now Governor of the Central Bank of Trinidad and Tobago, Dr. Edwin Carrington, Secretary-General of the ACP, and most recently Dr. Bhisnodat Persad, Director and Head of the Economic Affairs Division of the Commonwealth Secretariat, London.

It gives me great pleasure to invite **Dr. Karl Bennett** to speak on the theme **Monetary Integration in Caricom** in this the Sixth Adlith Brown Memorial Lecture.

Monetary Integration in Caricom

Karl M. Bennett

Monetary Integration in Caricom

I would like to begin by stating how honoured I am to have been invited to deliver the Adlith Brown Memorial Lecture at this meeting of the Regional Programme of Monetary Studies. Adlith was one of the people whom I met during my course of graduate studies at McGill University, who helped to rekindle my interest in Caribbean affairs and encouraged me over the years in pursuing research on topics which are of particular relevance to the Caribbean. Moreover, she was in large part responsible for my current involvement in the Regional Programme of Monetary Studies. The topic which I have selected for this lecture, Monetary Integration in Caricom, is one which I am sure would be of particular interest to her, given her lifelong strong conviction of the important contribution which could be made to the people of the region by adopting a regional approach in addressing their fundamental problems. If the circumstances were different, I would now be looking forward with a combination of anticipation and to some extent trepidation, to the challenges she would certainly raise in response to some of the arguments I will be presenting.

WHY IS MONETARY INTEGRATION IN CARICOM NECESSARY

The case for monetary integration in Caricom is basically another dimension of the argument for economic integration in the region. From the earliest days of the post World War II period, most notably in the writings of Arthur Lewis, economic and political integration has been advocated as being the means through which countries of the English-speaking Caribbean could most effectively address the endemic problems of poverty with which they would have to cope in the post-colonial period. The attempt at political integration was short lived. Nevertheless, even with the demise of Federation, there was no diminution in the efforts made towards bringing about some form of economic association. Indeed, the successful conclusion of an agreement establishing a regional free trade area might be partially

interpreted as reflecting a view that it was necessary to demonstrate that economic cooperation among the countries of the region could yield substantial benefits, before political integration could be successful. Perhaps, more to the point, was a growing acceptance across a broad cross section of Caribbean society that there were real benefits to be derived from the creation of a wider free market area.

The initial success of Carifta in stimulating import substitution within the region, and the subsequent growth in the volume of regional exports and sales experienced by firms, particularly those in the larger countries, reinforced support for the integration movement. The transformation from the free trade area to Caribbean Community was effected with relative ease.

However, once what might be considered the early phase of easy import substitution had passed, the integration movement appeared to run out of steam. After twenty-two years the experiment with integration has not lived up to expectations. The Caribbean experience is far from being unique in this regard. Integration experiments in Central and South America and parts of Africa have also floundered. Given that failure seems to be the norm for attempts at economic integration involving developing countries, a reasonable person might ask, why should additional effort be made to revitalize and promote economic integration in Caricom. The answer, in essence, is that the basic rationale for integration proposed in the fifties and sixties still remain valid. In addition, there is the emergence of what may be deemed a new orthodoxy in the approach to commercial relations. The spectacular success of the European Community has given rise to the acceptance of the view among business and public officials in the advanced industrial countries, that if their enterprises are to be able to compete with the Europeans, they must also establish trading blocs. The recent Canada/US free trade agreement is a case in point, and preliminary discussions have already commenced concerning the ways in which a broader North American free trade zone, incorporating Mexico, might be brought about. Given these trends, small open economies, such as those in Caricom, could not be expected to have any hope of realizing their developmental goals functioning in isolation.

We might then say that the case for integration in the nineties rests on both logic and necessity. However, meaningful progress towards regional economic integration cannot occur when there exists what amounts to a condition of monetary fragmentation within the region. Progress towards integration will continue to be constrained as long as, in terms of financing requirements, it is as difficult for firms in one country in the region to conduct business with firms in another country in the region, as with ones which are outside the region. More to the point, such activities require the use of an extra regional convertible currency, usually the US dollar. At the same time, the failure of development strategies pursued by governments in the region over the postwar period has done little to reduce the dependence of countries in the region on a limited range of exports. This has left them highly vulnerable to external shocks and is reflected in the frequent wide swings in their foreign exchange earnings. The dramatic collapse of the economies of Guyana and Jamaica and more recently that of Trinidad and Tobago, provides dramatic evidence of this failure.

A condition of what I have referred to as fragmentation in regional payments will continue to exist as long as the precarious foreign exchange situation prevails. Nevertheless, if there is to be regional integration in substance, as well as form, a way must be found to make the mechanisms for effecting payments for goods, services and investments, among Caricom countries, more closely approximate those associated with that of a single country. In other words, such settlements must over time take on the characteristics of domestic settlements, as opposed to international settlements. This then is, in essence, the case for monetary integration.

WHAT DOES MONETARY INTEGRATION INVOLVE

Let me now proceed to outline in some detail what is involved in monetary integration. Firstly, if settlements between countries in Caricom are to be carried out without the intervention of an extra regional currency, this will necessitate the establishment of a Caricom currency, or unit of account, which would be used in settlements within the region. The advantage to the region, in this regard, of having a common currency can be better understood when one

reflects on the advantage of using a single currency within a country. In using a single currency nominal values are set in different areas of the country. In holding units of the currency in different parts of the country all residents are exposed to the risk of deterioration in purchasing power arising from inflation. However, in conducting transactions in different parts of the country residents are not exposed to exchange risk. The nominal value of the currency will not change in one region relative to the other. Furthermore, in all parts of the country the currency might be converted on an unrestricted basis to buy goods and services or to carry out investments. That being the case, in a purely monetary context, there are no obstacles to rational economic decision making within a country. This should contribute to a more effective use of economic resources.

Given these potential benefits, should the use of a single currency be restricted to the Caricom area? One might ask whether a single world currency might not be the ideal for the global economy. Since the benefits from the use of a single currency are linked to the impact it would have on the mobilization and allocation of resources, and there are physical as well as socio-cultural limitations on the free movement of resources, a single global currency would not appear to be optimal. Consistent with this line of reasoning is the issue as to whether the Caricom region would be the appropriate domain for a single currency. I do not intend to proceed any further with what the economists in the audience will recognize as some of the issues involved in the Mundell/Mckinnon thesis on optimum currency areas. More precisely, I am not prepared to outline an elaborate argument for the purpose of proving that Caricom constitutes an optimum currency area. Given that my concern is with ways in which the process of regional integration can be promoted, and given commodity flows and capital flows are central to this process, a common currency is clearly supportive of these goals.

IMPLICATIONS OF INTRODUCING A CARICOM CURRENCY

What are the implications of introducing a Caricom currency, and how could such a currency be introduced, which embodies all the attributes just outlined.

First, if there is to be a Caricom currency, there would have to be a Caricom monetary authority provided with the power to issue this currency. Since the argument for a Caricom currency is based on the importance of promoting convertibility and nominal stability in currency values within the region, such a currency need not be a currency of issue which enters into circulation. Rather, the currency would serve the role of a unit of account, or perform in a role of what is sometimes called, an artificial currency unit. The system would work as follows. Individual central banks would receive amounts of Caricom currency from the central authority and would agree to convert Caricom currency units into their respective national currencies at a fixed rate. Intra-regional settlements would be made through transfers of the Caricom currency unit. This would mean that the Caricom currency would enter the monetary base of the respective countries and would, accordingly, have a direct impact on their respective money supplies. Since the prime responsibility of national central banks is to exercise sovereign control over the money supply within their respective jurisdictions, the introduction of a Caricom currency, which would be created independently by a regional authority, would clearly undermine the sovereign authority of the respective central banks. In essence, if there is to be a Caricom currency, then of necessity, the regional authority empowered to create the currency would function as a regional central bank.

Although I admittedly approached the issued in a somewhat circuitous fashion, I am now prepared to state unequivocally, that any serious examination of the issue of economic integration in Caricom must face up to the inevitability of the need for a Caricom central banking arrangement.

The creation of a Caricom central banking system would not necessarily mean the creation of new physical structures and a professional and administrative bureaucracy. The system could be based on the existing national central banks. For example, decisions as to the quantity of Caricom currency units which would be created over any given time period, could be arrived at by a special committee comprising representatives of the various national central banks. The decision of such a committee would be based implicitly on an agreement as to what would seem to be appropriate monetary growth targets for each country and region as a whole.

Agreement on a money growth target could not be reached and in any case would not be meaningful in the absence of agreement on a broad range of issues in the fiscal and monetary sphere. For example, such a monetary agreement would potentially impose limits on the extent to which national central banks could fund deficits incurred by national governments and state corporations. There would also have to be a harmonization of interest rates across the region. These are but a few examples of what, if you wish, might be called the necessary regionalisation of economic decision making emanating from the emergence of a regional central banking system.

Before turning from the issue of a regional central banking system, I must make a few comments on what is often cited as being a major cost of such an arrangement, namely, the partial loss of sovereignty or independence in the monetary sphere. I find it very hard to understand how any one can subscribe to the notion that there is value in participating in an economic association, without implicitly accepting the need to forgo an element of sovereignty. Moreover, whether or not a country participates in an economic association, there is strong evidence to indicate that with few exceptions, most countries are not in a position to exercise meaningful independence in monetary matters. In spite of Mrs. Thatcher's strong nationalist opposition to the establishment of a European Central Bank, the fact is that currently, monetary policy in Britain, as for that matter in most of the Common Market countries, is pretty much predetermined by decisions taken by the German central bank.

INTRODUCTION OF THE CARICOM CURRENCY

Let us now turn to the issue of real substance, namely the mechanism which could be employed for introducing a regional currency which, functioning as a unit of settlement, would ensure convertibility for current and capital transactions within the region. The Caricom currency could function to assure such regional convertibility only if the currency were itself freely convertible into extra regional currencies. In order to clarify this conclusion I will now proceed to provide a more comprehensive outline of the operational features of such a system.

Let us assume that agreement was reached leading to the establishment of a Caricom central banking system with the right to create and allocate Caricom currency units. One of the first issues which would have to be resolved is that of establishing a value for a unit of the currency. There are a range of procedures from which decision makers could choose. The value of the unit, for example, could be set initially as a weighted average of exchange rates of individual currencies in the region in terms of the US dollar. The largest weights could be assigned to currencies of those countries which are most stable. This would assure a relative degree of external stability in the value of the unit. Once the value was established the rate of conversion, i.e. number of units of the respective currency for each unit of Caricom currency would also be established. Agreement could be reached to keep intra-regional rates established in this way unchanged, regardless of whether any country devalued its currency against the US dollar. Caricom countries would be effectively operating on dual exchange rate standard.[1]

Given that the Caricom currency would be the unit of settlement, countries which had experienced an overall surplus with their Caricom partners would accumulate Caricom currency credits. Since these credits would be associated with payments to residents, there would be an expansion in the money supply. Those countries which were in an overall deficit position with their regional trading partners would have experienced a loss of Caricom currency and a contraction in their money supply. This is based on the presumption that the national central banks would not be in a position to take action to sterilize the monetary consequences of intra-regional movements in Caricom currency units.

Let us for simplicity assume that the country's surplus arose from commodity trade. Given the high level of foreign inputs in most areas of production in Caricom countries, there would likely be a significant extra-regional payments liability associated with the export surplus. Receiving payment in a Caricom currency which could not be converted into an external currency, would, unless there were offsetting earnings from extra regional trade or investments, very likely lead to a balance of payments crisis. Unlimited convertibility of a Caricom unit of account, given the current severe shortage of

foreign exchange being experienced by most countries in the region is clearly not immediately feasible.

A STAGED APPROACH TO MONETARY INTEGRATION

If, as I stated at the outset, monetary integration is essential for promoting substantial regional integration and if as we have just staged, complete monetary integration is not immediately feasible, consideration must be given to a staged approach to monetary integration. The negative balance of payments consequences arising from a lack of external convertibility of the Caricom currency could be limited if, at the initial stages, the Caricom currency was used as an instrument of settlement for a limited range of intra-regional transactions. One of he potential benefits of monetary integration suggested earlier is the positive impact it is expected to have on the mobilization and allocation of investible funds. I would propose that the Caricom currency unit be introduced initially as an instrument of settlement for a defined set of private capital transactions. The eligible transactions would be those related to direct investment and the purchase and sale of financial assets of private corporations. There is the presumption here that private capital transactions would be directly or indirectly associated with productive activity. Moreover, the rates of return offered to entice investors could not be divorced from prospective rates of return on the investments for which financial support is being sought. This last proposition would not be applicable to government financial assets. Consequently facilitating regional trade in government debt instruments through the medium of the Caricom currency might just be one more way of enabling governments to monetize their deficits.

The volume of such private transactions which could be settled using the Caricom currency would be determined by the volume of the currency which the Caricom central bank or monetary authority would agree to create for a given period, for example, one year. This decision would ultimately have to be based on a consideration of what rate of expansion in money supply in the region would not cause a worsening in the balance of payments position of countries in the region. This decision, as suggested earlier, would be made by a committee involving representatives of the various central banks in

the region. Once the target was agreed on, this would implicitly be associated with targets for individual countries in the region. Each central bank would then be assigned a share of the Caricom currency created by the Caricom central bank. In turn, each country would declare, in net value terms, the maximum value of the common currency it was prepared to accept in settlements related to the approved capital transactions.

The system would function in the following way: Suppose a Barbadian investor wished to invest in a farming project in Belize. The investor under the proposed scheme, could arrange through his bank to have the necessary funds transferred to Belize and have an account established in Belize dollars. Through the intervention of the Central Bank of Barbados, the transfers would be effected by transferring the requisite value of Caricom currency units to the Central Bank of Belize, where they would be converted to Belize dollars. The system would conceivably work more efficiently, if instead of all settlements being carried out on a bilateral basis, there was a system of multilateral settlements under the supervision of the regional monetary authority.

An innovation of this type for capital transactions could be an important first step on the path towards monetary integration in the region. For a limited range of investments there would be no difference between investing in one's home country, than in another country.

EXTERNAL CONVERTIBILITY OF THE CARICOM CURRENCY

There can be no meaningful monetary integration in Caricom unless the Caricom currency becomes externally convertible. The degree of convertibility of the currency will be determined by the level of external currency assets the central monetary authority will be able to secure. This leads immediately to the question as to how such external currency assets might be acquired.

As part of an agreement to establish a Caricom central bank, all countries could agree to transfer a part of their foreign currency holdings to the central bank. Such reserve pooling would not be

feasible under current circumstances in the Caribbean. Most countries do not have an adequate level of reserves of this type to make a meaningful contribution to a reserve pool.

The Caricom central bank would then have to raise external currency assets from outside the region. One possible path which might be followed in trying to raise external funding would be to designate one of the principal functions of the bank as being that of a regional balance of payments support facility. The need for such a facility has been recognized for a considerable period of time. Funding for such a facility could be sought from the multilateral and bilateral agencies which have usually provided financial support to the region. In functioning as a balance of payments support facility its financing would be conducted in Caricom currency, which in this instance would be convertible. Some of you might be wondering what would be the point of providing support in the form of a convertible Caricom currency. Since such support is usually sought when countries are in an acute payments crisis situation, the funding received would normally be converted immediately.

The kind of support facility which is being proposed here would function in a substantially different way than what might be deemed a conventional balance of payments support facility. The role of the facility would be primarily that of taking action to address the fundamental causes of a payments problem, rather than simply reacting to the payments problem. The facility could, for example, be engaged in such activities as providing financing in support of enterprises in countries in the region, which had established themselves and were making an effort to expand their sales in extra regional markets. Funding might also be provided in support of regional import substitution endeavours in areas such as food production, which would potentially generate substantial savings in foreign exchange. It could also play an ancillary role in activities, such as the provision of export credits and provide rediscount facilities for selective credit instruments of the regional commercial banks.

Additional progress towards convertibility for the Caricom currency could be made if regional agencies, such as the Caribbean Development Bank, which receive independent external financing would agree to transact their business in the Caricom currency. This

would mean, for example, that the Caribbean Development Bank would maintain its balances with the Caricom central bank. This could be viewed in some sense as being an indirect form of reserve pooling, since countries receiving financial support from the Caribbean Development Bank would be substituting holdings of convertible Caricom units for extra-regional currencies.

CONCLUSIONS

Any realistic hope of realizing meaningful regional economic integration will not be possible without a resolution to the issue of what I have called monetary fragmentation within the region. This will require the creation of a regional central banking system with the power to create a currency unit which will be freely convertible into all existing regional currencies, as well as being externally convertible. Establishing such a system presents a real challenge. I have proposed, in broad outline, a number of initiatives which could help move the region towards this goal. Some of these proposals clearly need refinement. Moreover, in concentrating on a Caricom currency as a unit of settlement, I have not dealt with the question as to whether at some stage there would be a need for a Caricom currency which would enter into day to day circulation in the region.

Nevertheless, limited as my proposals have been, I would consider my efforts in this regard to have been successful, if it encourages others who are likely more knowledgeable than I on these matters, to place the issue of monetary integration higher on their respective agendas. This would certainly contribute to an earlier realization of a workable arrangement, which satisfies all the essential conditions.

NOTE

[1]This extended note is provided for purposes of clarification.

Let us assume that the following weights were adopted for the Caricom unit, which we will call by the acronym the CUA. The Barbados and Eastern Caribbean dollar each 30 per cent, the Trinidad and Tobago dollar 20 per cent, the Jamaican dollar 10 per cent, and 5 per cent each for the Belize and Guyana dollar. The initial value of the CUA expressed in US dollars would then be determined as follows:

1 CUA = .30 (US$/B$) + .30 (US$/EC$) + .20 (US$/TT$)
+ .10 (US$/J$) + .05 (US$/G$) + .05 (US$/BEL$)

The values in parenthesis are the US dollar prices of the respective currencies, or the exchange rates expressed in US dollars.

Once the value of the CUA was determined, there would also be simultaneously determined the price of the CUA in each of the respective currencies as well as the cross rates between the respective currencies based on the value of the CUA.

Under the proposed dual exchange rate standard with fixed intra-regional cross rates, countries would be required to maintain unchanged the rate at which the CUA could be converted for their respective currencies. Consequently, the impact of a devaluation would be significant only to the extent that central banks holding convertible CUA's as part of their external reserves would have to make the necessary accounting adjustment. The value of the CUA would remain stable even in the face of major devaluation by participants. A 25 per cent devaluation by Barbados would reduce the value of the CUA by 7.5 per cent and a 50 per cent Guyanese devaluation would lower the value of the CUA by 2.5 per cent given the weight of the respective currencies in establishing the value of the CUA.