

Marshall Islands Chamber of Commerce

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Meeting Minutes

Friday, November 13, 2009

Marshall Islands Resort

Meeting called to order by President Hirobo Obeketang at 12:15 P.M. Approximately 50 members and guests were in attendance. The next regular meeting will be announced in January, 2009.

- **Minutes** – approved electronically prior to the meeting

- **Guests**

- Lawrence J. Kimmel, Ph.D., Political and Economic Officer, US Embassy
- Taiwan Embassy
- Frank Armstrong, founder, Investor Solutions
- Richard Feldman, Managing Partner, Investor Solutions
- Anthony Frazier, Vinstar
- Bonnie Taggart, Marshall Islands Council of NGOs
- SK Lipson, Counselor, Marshall Islands High School
- Tamara Greenstone
- Kimber Rilometo

- **Chamber President's opening remarks**

Welcome to the November Chamber of Commerce meeting. This is the last Chamber meeting for 2009. Next year in January we will elect new officers. Please begin thinking about that. Before today's program begins, we will have two brief presentations and one announcement.

- **SK Lipson**

Ms. Lipson distributed and discussed a four-page handout concerning the Marshall Islands High School (MIHS) Mentorship Program. College bound third and fourth year students belong to the largest organization at MIHS – the College Club. The top students in this group have been assigned to volunteer mentors from the community. More mentors are needed. Mentors help these students get part time jobs to learn tangible skills and save money to pay for the expensive Test of English as a Foreign Language (TOEFL) and college applications fees. Mentors also work with the students in other ways such as vocabulary building and computer skills such as Excel. The Majuro business community was asked to provide more part time jobs. Consideration is being

given to asking the National Training Council (NTC) to assist any employer that offers part time jobs.

- **Anthony Frazier**

This week concludes a two-year effort funded by an ADB Technical Assistance (TA) grant to implement secured transactions legislation. The goal is to increase economic activity by allowing banks to lend more money when secured by movable property upon which an enforceable lien has been placed. This also adds transparency to the lien process such that any prospective vendor or financial organization can discover existing liens by accessing an offshore database. In other countries when this kind of legislation has been enacted GDP rose by 1 – 2% in the year following implementation. All that remains to be done is for the Marshall Islands government to publish the necessary regulations.

- **James A. McLean**

Bank of the Marshall Islands will lower its commercial lending rate subject to Board approval as soon as the Marshall Islands government publishes the secured transactions regulations.

- **Frank Armstrong**

Mr. Armstrong presented an overview of the world economy during the last two years. Markets are fundamental to our way of life, but they are variable. There are normal economic cycles that begin with over expansion and continue with asset price inflation, bank problems, negative economic impact, recovery, and preparation for the next bubble. The previous bubble was in the year 2000 involving Internet stocks. This one began with a government belief that everyone should own a home whether the person can afford it or not. It culminated when credit markets eventually froze.

There were several delusions that contributed to the severity of the economic downturn. For nearly 40 years people have believed that free markets don't need regulation and that regulation is bad for business. The problems began in the US and quickly spread to the rest of the world. Financial regulators were asleep. But world governments learned from the Great Depression of the 1930's. Then it wasn't the Stock Market crash that caused the problem but bank failures followed by the raising of interest rates and protective tariffs. This time, major governments injected large amounts of money into their economies. Even more stimulus funding is required to prime the pump. For example, investment in infrastructure coupled with the jobs that this would create would spur the economy.

The money supply has been inflated by the purchasing of bonds on the open market. Rather than being afraid of runaway inflation, the natural way to stop inflation is to sell the bonds back. The trick is in the correct timing of this curtailment.

Should an institution be allowed to be too big to fail? Should merchant banks take deposits to put the commercial banking system at risk? We can't do without banks as they provide necessary lending. Credit default swaps should be regulated. There should be a clear separation of auditing and financial advice. Executive compensation is

obscene, but the government should stay out of this. Even though some Boards have been in collusion with management, it is the proper role of a Board to represent independent shareholders to constrain executive compensation. This may need regulation.

The financial recovery is underway. The economic recovery has not yet started. Initially during the crisis there was a flight to quality by investors. Now we see an increasing investor taste for risk. But there are still trillions of dollars sitting on the sidelines.

A sound investment philosophy should consider naturally dynamic markets as well as a personal appetite for risk.

There is a “lost decade” but only in the S&P 500. Other markets have performed well during the crisis.

In answer to a question from the floor, gold is not necessarily a good investment. It can have a place in a well balanced portfolio only to the extent that gold tends to do the opposite of the stock market. As a single investment, gold is not a good choice. For example, an equivalent to one ounce of gold during the time of the Romans could purchase more than one ounce today. Gold has not gained in value.

- **Bonnie Taggart**

Through the use of a “Save the Majuro Christmas Parade” Facebook account, 60 interested parties have been located. The tentative date for the Majuro Christmas Parade is Saturday, December 19th. Donations of equipment, labor, or candy can be given by contacting Bonnie Taggart or Kimber Rilometo. The Marshall Islands Chamber of Commerce has endorsed this initiative.

Meeting adjourned at 1:15 PM.

Minutes prepared by:

Jim McLean