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ANALYSIS 3 November, 2021

An investor's guide to the Caribbean

This investor's guide to the Caribbean offers a one-stop shop for anyone considering operating in Antigua and Barbuda, the Bahamas, Barbados, Cuba, Dominican Republic, Dominica, Grenada, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines and Trinidad and Tobago.

By Christine Patton

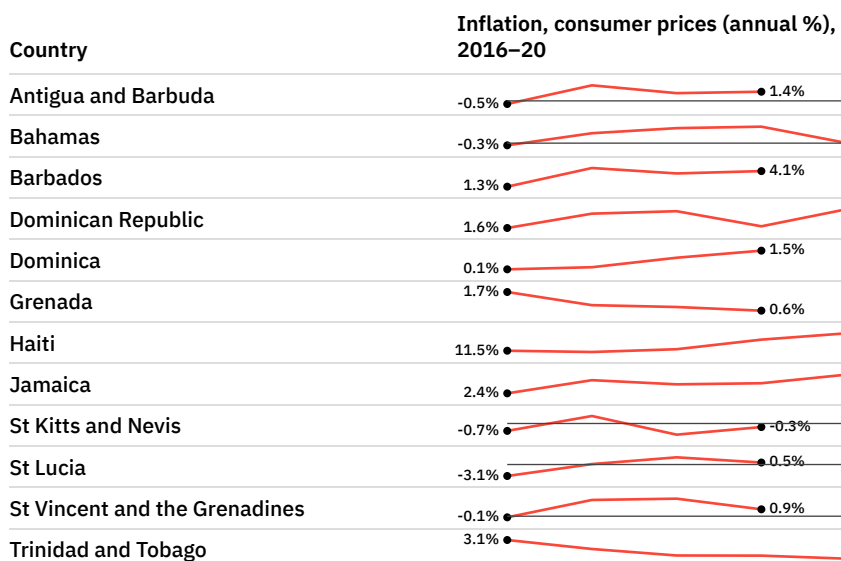




Tourism plays a significant role in the economic landscape of the Caribbean. However, the more diverse economies in the region are progressing further while others struggle with poverty and their recoveries from natural disasters.

Which Caribbean countries are flourishing?

Economic health check: Caribbean



Click for: [GDP](#) [% of Latin America and Caribbean GDP](#) [GDP per capita](#) [Population growth](#) [Inflation](#)

Source: World Bank

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Cuba's GDP has been increasing year on year, rising from \$64.3bn in 2010 to \$103.1bn in 2019. Its GDP per capita (\$9,099.7), however, remains below the Latin America average (\$13,727). Despite signs of growth, the import-driven country has been facing shortages of basic goods, made worse by the Covid-19 pandemic.

The US's embargo against Cuba restricts the flow of goods to the country, hindering economic growth. It is estimated to have cost the Cuban economy \$130bn over the past six decades. In 2016, then President Barack Obama relaxed sanctions with Cuba, allowed direct flights between the two countries, and eased restrictions on Americans doing business in the country. His successor [Donald Trump](#) put an end to this and placed Cuba back on the US list of state sponsors of international terrorism. Current President [Joe Biden](#) has promised to relax some of the restrictions

again; however, this plan has yet to materialise.

In a bid to strengthen its economy, in January 2021, Cuba merged its dual-currency system. The Cuba national peso (CUP), which many locals use, and its convertible peso, which is used for tourism and business sectors to obtain foreign currencies, were merged into a single CUP currency. However, this is leading to a rise in inflation. Many Cubans are being forced to acquire convertible currencies on the black market due to the overvaluation of the new CUP currency and the need for foreign currency to buy imports. Goods are imported at a high price, but resold at an even higher price, leaving many Cubans facing poverty.

As part of reform plans, wages, salaries and pensions in the country are set to increase. In 2021, Cuba also authorised private activity in most sectors in a bid to open up the country. Many of these changes are a long time coming for the Cuban economy, with some reforms announced as far back as 2011 but repeatedly delayed.

The **Dominican Republic**'s economy has been growing since 2004, with its GDP peaking in 2019 at \$88.9bn. The country is economically stable, with the UN Conference on Trade and Development declaring it the fastest-growing economy in Latin America and the Caribbean since 2010.

At the start of 2021 the **World Bank** forecast a 4.8% growth in the Dominican Republic's GDP in 2021 and 4.5% in 2022, above the growth projected for the Caribbean region of 3.7% for 2021. A rebound in the tourism sector in 2021 is likely to boost the country's economic growth further. The Ministry of Tourism reported more than 327,000 visitors to the country in April 2021, a 7.5% increase compared with the month before.

While tourism is a key sector in the Dominican Republic, in order to maintain growth the country has embarked upon a path of diversification. **The OECD's Production Transformation Policy Review** highlights the country's strong agricultural sector. It is the largest producer of organic cocoa in the world (30% of global production) and also leads on organic bananas (55%). Strengthening this sector and further diversification, including its growing textile and apparel manufacturing sector, would aid with economic development. The US is currently its largest trading partner, but the country is aiming to expand trade with other countries.

The Bahamas has the highest GDP per capita in the Caribbean region, reaching \$34,863.4 in 2019. The country offers a stable political and economic environment, offering investors freedom from taxes. The economy, however, is heavily reliant on the tourism and financial services sectors. The **Bahamas National Development Plan: Vision 2040** looks to economic diversification as a priority for growth and identifies new sectors including the

[blue economy](#), defined as "the simultaneous promotion of economic growth, environmental sustainability and strengthening of oceans ecosystems by maximising the value of marine resources".

In 2013, [Jamaica](#) launched a reform programme following spiralling government debt and fear of economic collapse. Support packages from the International Monetary Fund, the World Bank and the Inter-American Development Bank helped the country cut its debt and transform its economy. The World Bank stated that the country's public debt fell below 100% of GDP in 2018/19 and is expected to decline below 60% by 2025/26, in line with the provisions of the Fiscal Responsibility Law.

[Trinidad and Tobago](#) relies on oil and natural gas production to fuel its economy, which accounts for [three-quarters of exports](#) and half of government revenue. A drop in oil and gas prices following the 2008 financial crisis heavily impacted the economy, with GDP per capita failing to reach 2008 levels of \$21,204 since. The impact of Covid-19 also hit the energy sector hard, although the country is keen to step up production.

According to GlobalData's [Trinidad and Tobago Exploration & Production, 2021 report](#) natural gas production is expected to grow by an average of 2% by 2024 and reach more than 3.4 billion cubic feet per day. To increase stability the country is keen to diversify its economy, however. Its National Development Strategy for 2016–2030 highlights agro-processing as one of the seven economic areas of focus. As a result, in 2020 the country's first agro-processing plant opened in Moruga.

[Haiti](#) is still recovering from the impact of the 2010 earthquake, one of the deadliest natural disasters on record, which destroyed much of the country's already frail infrastructure. According to data collected by the Office of the Special Envoy for Haiti, the country has received more than \$13bn in aid since 2010. However, mismanagement of this aid, alongside political instability and depreciation of the local currency, have hindered development.

The country consistently runs large trade deficits. In 2020, Haiti's trade deficit amounted to approximately [\\$2.25bn](#). It has the highest inflation rate in the region, reaching 18.7% in 2019 and 22.8% in 2020. A shortage of basic goods, including food and fuel, has been pushing inflation up in the country.

A further earthquake in 2021 and the recent assassination of Haiti's President Jovenel Moïse, who planned to amend the constitution and consolidate power after bypassing democratic elections in 2019, is likely to bring more turmoil to an already struggling country.

[Dominica](#), one of the poorest countries in Latin America, has the lowest GDP in the Caribbean region, reaching only \$570m in 2019. This accounted for only 0.01% of Latin America's GDP. Despite

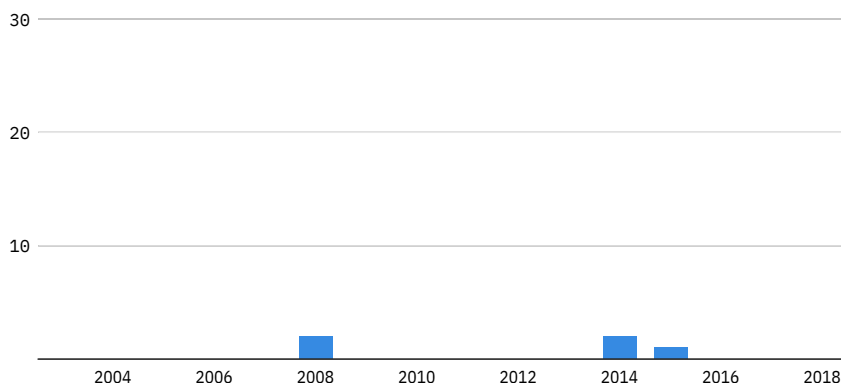
being resource rich, with plentiful rainfall, volcanic soil and farmland, the country relies heavily on tourism. In 2019, travel and tourism contributed [38% of Dominica's GDP](#). The impact of Covid-19 on the tourism sector contributed further to an already struggling economy.

Dominican Republic leads the way for foreign investment

FDI in the Caribbean

Number of greenfield FDI projects, 2003–20

Antigua and Barbuda



Click for: [FDI projects](#) [Share of Latin American and Caribbean FDI](#)
[FDI per capita](#) [Value of greenfield FDI](#)
[Share of value of Latin America and Caribbean FDI](#) [Value of FDI as % of country GDP](#)

Source: UNCTAD/FT

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FDI in the Caribbean is heavily reliant on investment from China, as well as the tourism sector.

The Dominican Republic is the top recipient of [foreign direct investment \(FDI\)](#) in the Caribbean, with 297 projects recorded since 2003. The number of FDI projects peaked in 2013 at 30. A slowdown in China's economic growth from 2014 led to a decline in FDI in the country and the region as a whole. The Dominican constitution accords foreign and local investors equal treatment under the law and foreign investors can freely hold equity in local businesses and joint ventures, as well as buy real estate. [Free zones](#) and low labour costs also attract foreign investors to the country.

Not only does Jamaica look to tourism for investment, its close proximity to the US and similar time zone to the East Coast offers investors a solid location for [outsourcing activities](#) owing to lower costs, location benefits and language factors. The Business Process Industry Association of Jamaica's president, Gloria Henry, says: "Employment in the [business process outsourcing] sector has moved from 13,000 to 26,000, accompanied by a 75% increase in exports and a 75% increase in foreign exchange earnings. We are on a growth path – not just to improve the existing businesses, but

to fill the almost two million square feet of space that is being developed in Jamaica.”

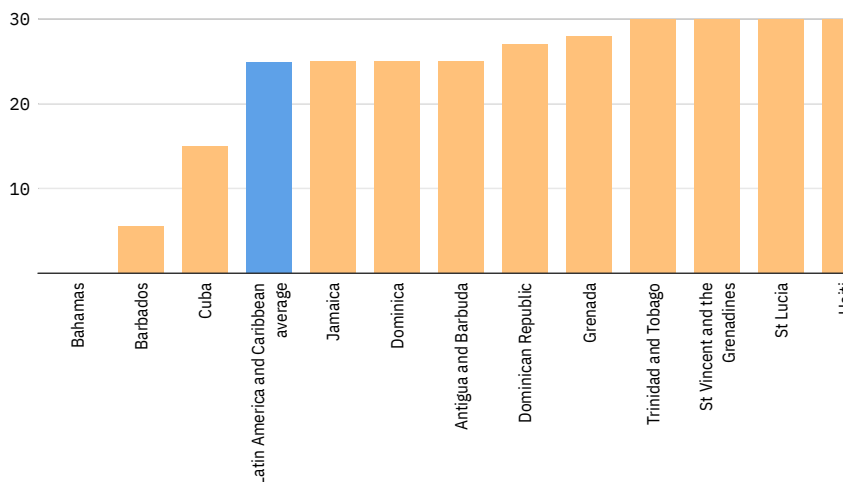
Despite US sanctions, Cuba continues to attract foreign investors. In 2020 the country launched its [Foreign Trade Single Window](#), a one-stop shop cited as "an indirect incentive to foreign investment". The reduction in red tape that the window brings with it should make the country more appealing to investors, should its roll-out be successful.

In spite of its low levels of FDI, **St Lucia** strongly encourages foreign investment. The government allows 100% foreign ownership of companies in any sector. In 2018, [Invest Saint Lucia](#) won the best investment award in the Latin America and the Caribbean region at the Annual Investment Meeting Awards. The country is also planning to transform its picturesque Anse de Sable area into a multi-investment opportunity for both local and foreign investors.

The best place to do business in the Caribbean

Conducting business: Caribbean

Corporate tax rate, 2021



Click for: [Access to electricity](#) [Broadband subscriptions](#) [Individuals using internet](#)
[Time to start a business](#) [Corruption Perception Index](#) [Corporation tax](#)

Source: KPMG

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Barbados ranks as the [least corrupt](#) country in the Caribbean, offering a stable environment in which to do business. In 2019, its fixed broadband subscriptions (per 100 people) were the highest in the Caribbean region at 37.2. In October 2021, telecoms operator Flow announced that Barbados had become the first island in the Caribbean to fully operate with fibre-to-the-home, offering faster connectivity, more reliability and fewer outages. The country also offers low corporation tax, at just 5.5% in 2021,

coupled with a short time to start a business in the country (16 days).

The Bahamas, often cited as a tax haven, offers investors a 0% corporate tax rate. The country has a long-standing reputation in offshore finance. Corruption in the country is relatively low, ranking second best in the region in Transparency International's Corruption Perceptions Index in 2020 with a score of 63. This, however, is a decrease from its score of 71 between 2012 and 2014.

Despite almost all the population (99.8%) in Cuba having access to electricity, there is growing pressure on current energy systems. In mid-2021 the country was hit by intermittent black outs with many blaming out-of-date infrastructure and lack of maintenance putting a strain on current systems.

The Dominican Republic ranks as one of the worst in the region in the Corruption Perception Index. Current President Luis Abinader has called for transparency and honesty but faces a battle in tackling drug trafficking and money laundering. In 2020 he presented a [plan of initiatives](#) focused on fighting corruption and recovering stolen public assets.

Haiti falls short across all measures of conducting business. It is the most corrupt country in the region and starting a business takes 97 days, 69 days more than the Latin America and Caribbean average. Less than half the population (45.4%) has access to electricity and only 31% of the population used the internet in 2017. Lack of basic human amenities alongside poor infrastructure in the country is keeping many citizens in poverty.

St Kitts leads on human capital

Human capital and quality of life: Caribbean

Literacy rate, adult total (% of people aged 15 and above)

Country	Year	Data
Antigua and Barbuda	2015	98.95
Bahamas	2020	93.00
Barbados	2014	99.60
Cuba	2012	99.75
Dominican Republic	2016	93.78
Grenada	2014	98.60
Haiti	2016	61.69
Jamaica	2014	88.10
St Kitts and Nevis	2020	98.00
St Lucia	2020	78.00
St Vincent and the Grenadines	2021	95.63
Trinidad and Tobago	2010	98.70

Click for: [Age dependency](#) [Literacy rate](#) [Tertiary enrolment](#) [Life expectancy](#) [Drinking water](#)

Source: World Bank

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St Kitts and Nevis has one of the highest tertiary education enrolments in the Caribbean at 86.7% in 2015, while literacy rates reached 98% in 2020. It was the first Commonwealth Caribbean country to introduce free universal secondary education. The country's [Education Act](#) addresses the fundamental goal of providing access to quality education for all nationals in institutions that foster economic development and other values of the country's community.

In **Grenada**, education is free and compulsory between the ages of six and 14 years, and its tertiary education enrolment stood at 104.6% in 2018. This happens because of outside factors such as having to provide for families, including working family farms during harvests, which leave many students having to repeat educational years, drop out or enrol late in the year or at a later stage in life.

The Dominican Republic's unemployment rate, the lowest in the region, has stood below the Latin American average since 2017, falling to 5.83% that year. The main objective of the government's public policies is to improve the quality of life of its population. Miguel Ceara Hatton, the country's minister of economy, planning and development, highlights the government's efforts to improve the quality of public expenditure and put public finances on a path to greater sustainability in a context where economic activity and jobs are recovering, following the findings of a recent [World Bank report](#).

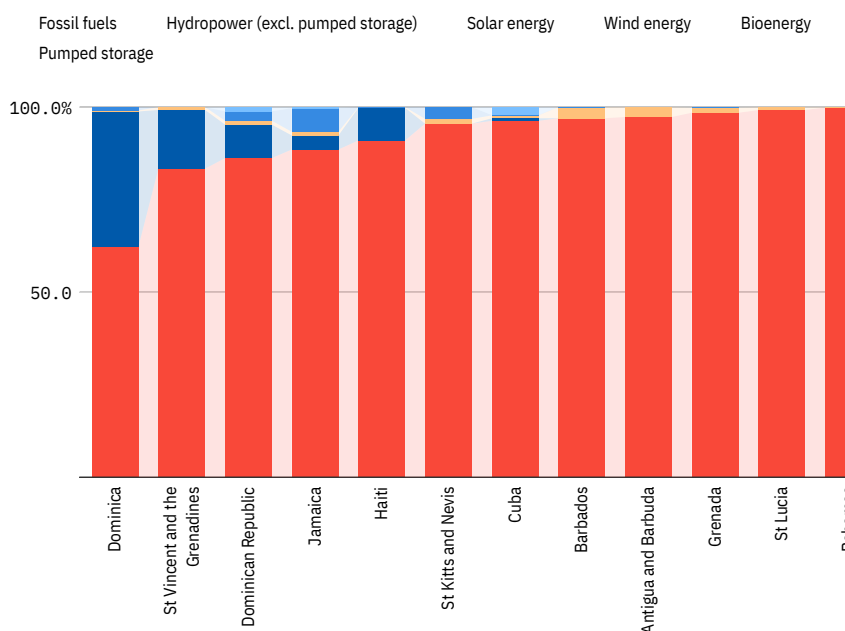
Haiti is one of the most impoverished countries in the world. The UN reports that 4.4 million people are food insecure in the country, including 1.9 million children. Haiti has the lowest

percentage of people using at least basic drinking water services in the Caribbean at just 65.5% in 2017, compared with more than 90% across all other parts of the region. Poverty is rife and Covid-19 has only made a bad situation worse. With the highest age dependency ratio (60.4%) in the region – the ratio of dependants to working age population – alongside lower than average literacy rates (61.7% in 2016), the country faces an uphill battle to pull people out of poverty.

Dominican Republic leads the way for solar energy

Environment: Caribbean

Proportion of electricity generation by technology, 2018



Click for: [CO2 emissions](#) [Temperature change](#) [Electricity generation](#)

Source: Irena

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The Dominican Republic intends to generate 25% of its energy from renewable sources by 2025 and plans to be carbon neutral by 2050. The country is leading the way for solar power and now boasts a two million-square-metre solar plant, Monte Cristi Solar, the largest in the region. It will produce about 103,000 megawatt hours of clean, renewable energy each year.

Overall, the climate of the Caribbean is ideal for solar power and smaller islands can benefit from photovoltaic technology that can be implemented across current structures, such as rooftops.

Faced with power shortages, Cuba is a country that may benefit from shifting its focus to renewable energy. It plans to generate [24% of its power from renewable energy by 2030](#), comprising

onshore wind, solar photovoltaic and biomass power generation, reaching a total of about 2.1GW of new renewable energy capacity.

In a bid to reduce dependence on fossil fuels, Dominica plans to construct a new geothermal plant by 2023. Prime Minister Roosevelt Skerrit said the plant would ensure that the country will be powered by renewables, reducing energy costs and carbon emissions while simultaneously creating jobs. The project will also provide electricity to Guadeloupe and Martinique.

As a region heavily dependant on tourism, Covid-19 and consequential worldwide travel bans had a massive impact on the Caribbean. Many countries are import-led and the pandemic has exposed many areas that were already under pressure. Strategies to promote development across the region will be key to recovery and growth.

Over the next two weeks, Investment Monitor will provide investor guides on Central America and South America.

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Does your company have a purchasing or procurement policy that includes purchasing responsibly sourced products and/or services?

Yes

No

Don't know

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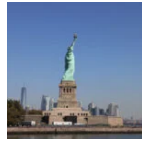
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