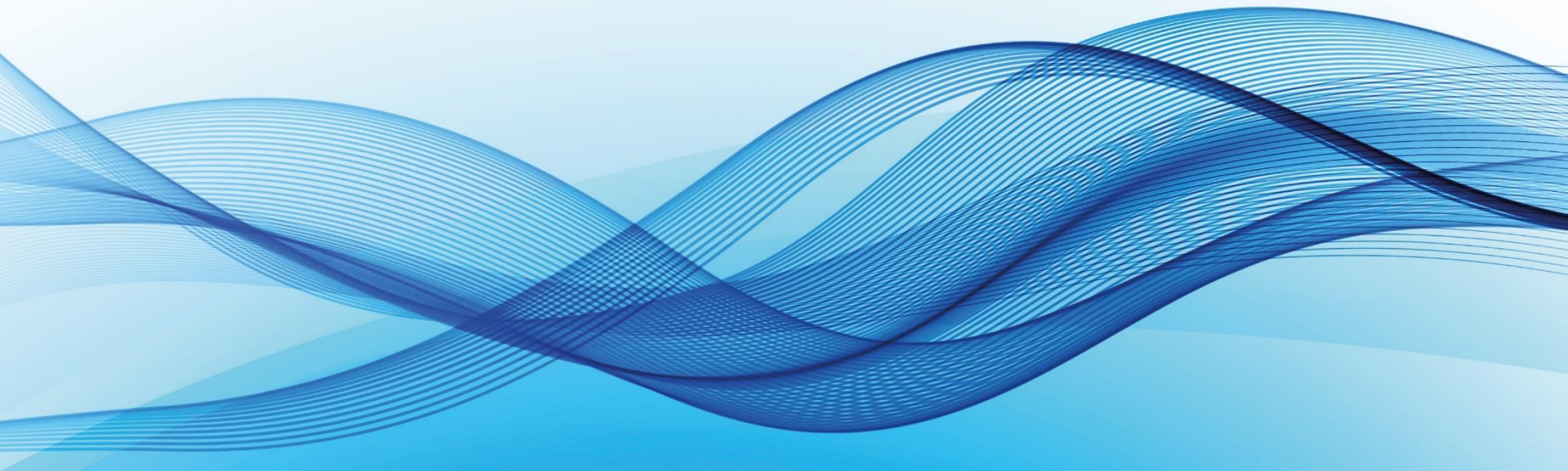




THE
CARIBBEAN
COUNCIL

Opportunities and Challenges in the Caribbean and Central America



March 2018

Introducing the Caribbean Council

The Caribbean Council is a long-established London-based consultancy and membership organisation, specialised in providing advisory services to companies, trade associations, governments, public sector organisations, and regional and multilateral organisations.

Through its activities, The Caribbean Council supports investment, trade and development in the Caribbean and Central America. We understand local markets—their drivers, the competitive landscape, the opportunities as well as the challenges, risks and potential pitfalls.

The Council is at the centre of a unique network with contacts across the region in all sectors of business, government and academia. It has a full-time specialist staff based in London, complemented by associates in Brussels, Geneva, Miami, Washington DC and an unrivalled network of consultants in every jurisdiction of the Caribbean and Central America.

Our President is Lord Bruce of Bennachie.



Our Consultancy & Advisory Services

We have decades of experience helping a wide-range of clients to understand local markets, get to know their potential local partners, avoid potential pitfalls, and maximise opportunities to conduct business in the region

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Our Research

We produce Caribbean Insight, Central America Briefing and Cuba Briefing- the market-leading weekly research publications providing analysis of political developments, business news and investment opportunities



Our Membership

Through our membership organisation, we deliver an unrivalled programme of activities, high-level networking and market intelligence, supporting companies to engage effectively with the region



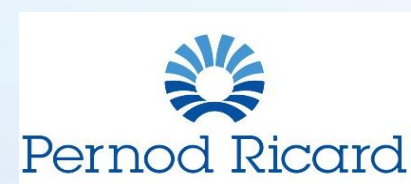
Our Events

We have a long and successful track record of organising conferences, trade delegations, seminars and workshops throughout the Caribbean, Central America, London and Europe

Our Clients and Members

The Council has a membership of over one hundred major companies who operate in or are domiciled in the region. We also work directly with companies through a variety of arrangements- membership, consultancy, on retainer, or on a project-by-project basis.

We have provided support to FTSE 100, FTSE 250 and SME companies including those with interests in consumer goods, financial services, oil and gas, mining, renewable energy, ports and shipping and tourism. Clients and members have included:



Overview of the Region

Population: Caribbean: 43.6mn (2016) Central America 46.8mn (2017)

Languages:

- **English** (Anguilla, Antigua and Barbuda, Bahamas, Barbados, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Puerto Rico, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos Islands, and U.S. Virgin Islands).
- **Spanish** (Cuba, Dominican Republic, Puerto Rico and Central America)
- **French** (Haiti, Guadeloupe, Martinique, St. Barthelemy, French Guyana and St. Martin)
- **Dutch** (Aruba, Bonaire, Curaçao, Saba, St. Eustatius, St. Maarten, and Suriname)

Legal Systems:

- **English Common Law:** With the exception of Guyana and St. Lucia, the legal system of the English-speaking Caribbean countries is based on the Common Law system
- **French/European Civil Law:** French speaking Caribbean, plus Cuba and Dominican Republic and Central America
- **Roman Dutch:** Dutch speaking Caribbean and Suriname
- **Hybrid:** Guyana has the influence of the Roman-Dutch tradition, while St. Lucia has a strong influence of the French civil law

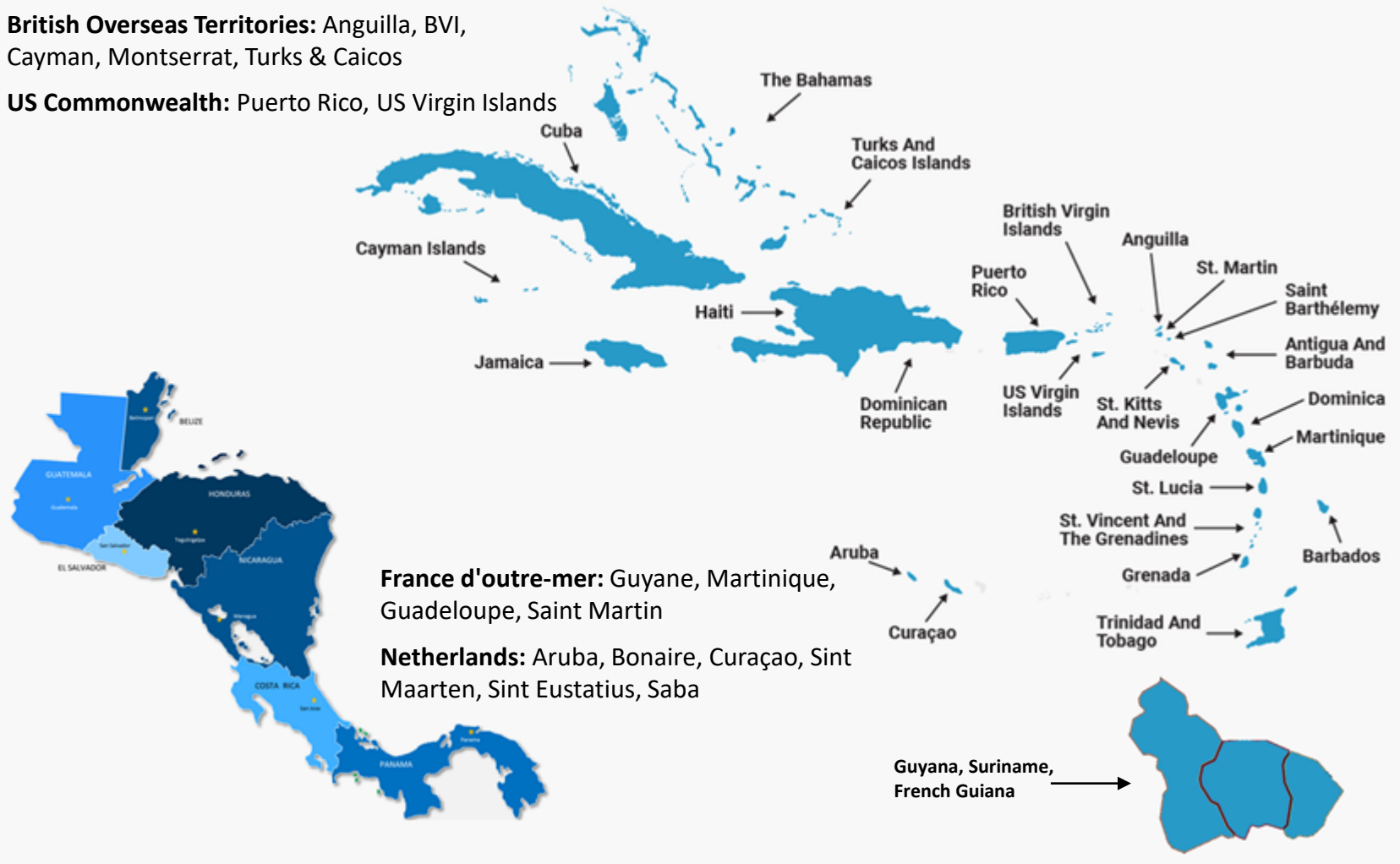
Different Geographies



Non-Independent Caribbean

British Overseas Territories: Anguilla, BVI, Cayman, Montserrat, Turks & Caicos

US Commonwealth: Puerto Rico, US Virgin Islands



Commonwealth Caribbean



A Region of Opportunities, Often Overlooked

A market of **90.1m** consumers

Many countries close to peak of **demographic dividend**

Conservative GDP estimate of **US\$600billion p.a**

Value of imports (goods and services) estimate – **US\$212 billion p.a.**

Largest economies: Puerto Rico, Cuba, Dom Rep, Guatemala, Panama

GDP per capita (current) ranging from:

- Puerto Rico – US\$28.7k
- Trinidad - US\$19k
- Barbados - US\$16.1k
- Antigua – US\$13.6 k
- Panama – US\$13.1 k
- Dom Rep US\$ 6.4 k
- Jamaica US\$ 4.9k
- Only one country in region LDC – Haiti – \$814 per capita

Hidden Opportunities

GINI Index – high levels of inequality (Spanish speaking –42-48)
(Finland 27) (UK 35). Very wealthy elites.

A small number of largish firms to partner with – nationally and regionally. Makes distribution more straightforward and easy to identify Joint venture partners, but undermines competition.

Regional integration is poor – Insularity / Granular markets – over 32 different jurisdictions with different regulations.

English and Spanish language

Consumers - Sophisticated internationally outward focussed – international diaspora

Small markets – often overlooked – by international businesses.

Difficult to develop initially – but long-term relationships valued. Can be highly profitable.

Happiness index and sunshine

Key Opportunities in the Region

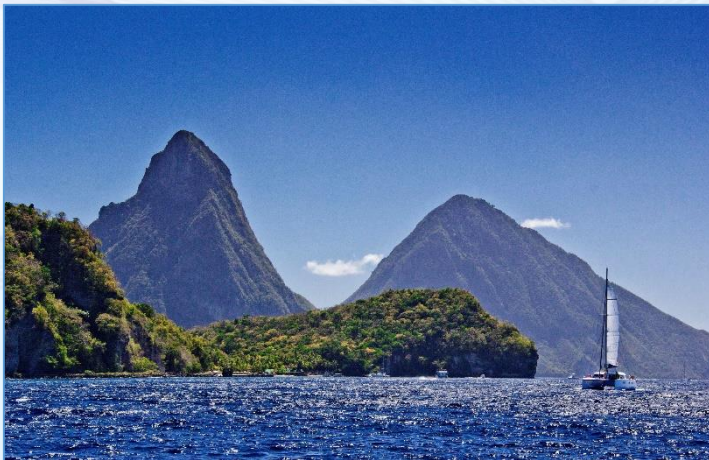


Energy & Extractives
Tourism & Real Estate



Transport Infrastructure
Supporting hurricane recovery

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Why Energy?

Energy security is a critical issue in the Caribbean:

- Heavy dependence on imported fossil fuels potentially economically catastrophic with a return to high oil prices
- Existing generation equipment is at end of life and largely diesel / petrol
- Energy distribution is inefficient – both market structure and transmission infrastructure
- Energy costs for business and consumers very high. Drag on competitiveness
- Energy consumption is forecast to double by 2030

Renewable and Conventional energy has substantial potential:

- Countries across the region are investing in new conventional energy generation (oil and gas, LNG, etc.)
- But are also investing in and incentivising renewable take up, and energy efficiency.
- Existing developments and massive potential identified for solar, wind, tidal/wave, thermal energy
- Studies also undertaken on interconnectors for energy
- Finance available through Green Climate Fund and Multilaterals.

Opportunities in Solar, Thermal, Wind, Hydro

- Substantial potential for renewable energy across the region
- Governments have made commitments for significant percentages of renewables in the energy mix in the coming decades
- Germany’s GIZ, UK’s DfID, IDB and others have pledged blended grants and loans. NGOs such as The Carbon War Room are also supporting the development of renewable projects across the region.

Energy Potential	Hydro	Wind	Solar	Geothermal	Biomass ¹
The Bahamas	Unknown	Medium	High	Unknown	High
Barbados	Low	High	High	Unknown	Low
Belize	Medium	High	High	Unknown	Unknown
Dominican Republic	High	Medium	High	Unknown	Low
Haiti	High	High	High	Unknown	Low
Jamaica	Low	Medium	High	High	Low
Suriname	High	Low	High	Unknown	Low
Trinidad & Tobago	Low	Low	High	Unknown	Low

Developments in Renewables



Monte Plata Solar Farm, DomRep: 67.7MW

Wigton Windfarm, Jamaica: 24MW



St Kitts Geothermal: 10MW (300MW potential)

Suriname Afobaka Dam: 180MW



Opportunities in Bio Energy

- Joint venture between UK firm and Cuban State Enterprise ZERUS
- Turning existing sugar mill and bagasse production into bio-power for the national grid
- Innovative use of invasive species Marabu
- Now in the construction and extension phase, involving an investment of approx. US\$900mn for the construction of five bioelectric plants near the Sugar Mill; will produce a total of 300 MW



Opportunities in Waste-to-Energy

In January 2017, The Caribbean Council and the Centre for Process Innovation published an FCO funded Technical and Economic Feasibility Study on using Sargassum for Anaerobic Digestion.

Anaerobic Digestion technology has potential to provide significant, circular benefits across key challenges facing Small Island Developing States in the Caribbean:

- 1) Waste management and landfill crises
- 2) Sewage treatment
- 3) Sustainable energy production

Roadblocks remain: lack of interest from those with scale such as hotels, lack of throughput on many islands, funding streams overlook potential of waste



Sargassum on Reduit Beach shoreline, St Lucia. Credit: The Voice, 5 March

Opportunities in Conventional Resources

- Oil and gas exploration in the Caribbean basin is at an all-time high, rapidly drawing interest from international oil companies
- Dominican Republic, Jamaica, Suriname, French Guiana, St Lucia, Grenada, the Bahamas, Cuba, Barbados and the Dutch Caribbean all looking to exploit potential onshore and offshore resources. Central America also active.
- New investment in Trinidad's gas fields and a push by the government to move up the value chain
- LNG terminals emerging in Central America

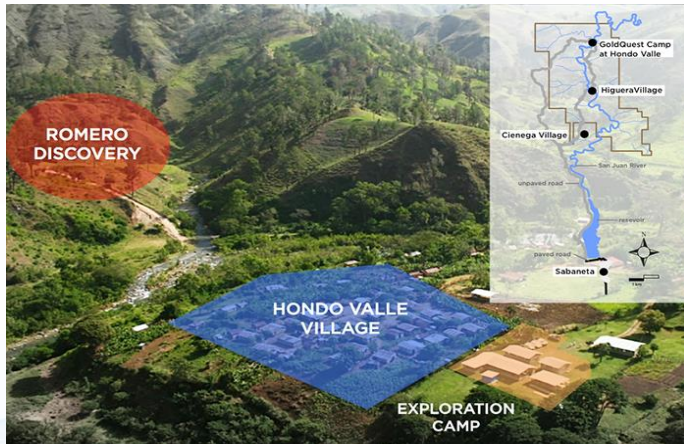
What's driving this?

- A series of world class discoveries by ExxonMobil offshore Guyana since 2015 has 'derisked' the basin; although challenges await in this frontier economy
- Geopolitical developments spurring new investment in refining and power station capacity



Offshore platform, Curacao

Opportunities in Extractive Industries



DomRep- Gold, Rare Earths
Cuba- Nickel



Guyana- Gold
Jamaica-Bauxite



Why Tourism & Real Estate?

The Caribbean is the leading blue water destination in the world

Tourism is the most significant economic contributor and employer in the region:

15% of total regional GDP in 2016 – US\$56.4 billion – Supporting 725k jobs

Arrivals in 2017

Stayover:

30.1 million

Cruise:

27 million visitors

Substantial importer of

Food/drink/

Hotel equipment

Other leisure equipment

Boats etc.



Opportunities in Tourism & Real Estate

The industry is not without its challenges:

- Highly competitive global market place
- Local high cost bases (labour / energy / water / flights / tax)
- New market entrants such as Cuba
- New technologies disrupting traditional industry – AirBnB
- Changing consumer tastes/patterns

The industry needs to:

- Diversify their markets (Brexit / US)
- Diversity their product mix (more heritage/activities)
- Improve and update much of their hotel stock
- Expand airlift and inter-island connections
- Retain competitiveness on price (energy efficiency / water efficiency)
- Improve marketing / social media
- Access low cost finance

Opportunities are there for companies to assist the industry with services to address these challenges

Opportunities in Tourism & Real Estate

With some US\$6.8bn invested into the sector in 2016, there are also many opportunities to invest in the industry in new resorts / hotels and other projects:

Average room rates in 2017 were US\$205 (up 2% on y.e).

Average room occupancy was 66.4% (down 1.2% on y.e)

Countries such as **Cuba** are opening up to 100% foreign ownership for the first time.

Creative **new financing models** have been developed in the Eastern Caribbean underwritten by Citizenship by Investment schemes

Countries devastated by the hurricanes last Autumn offer a rare opportunity to enter the market at a time when **real estate prices have fallen significantly**

Other countries in **Central America** are looking to build their tourism brand and increase the sector's contribution to GDP. Nicaragua, Guatemala, El Salvador are looking to emulate success of Costa Rica.

Why Transport Infrastructure?

After energy costs, the biggest challenge for the region is moving people and goods



Airports
Roads



Cruise Ports
Shipping



Opportunities in Shipping & Ports

Main regional ports in the region are all undergoing major upgrade and expansion:

- Jamaica (Kingston)
- Bahamas (Freeport)
- Dom Rep (Caucedo)
- Panama
- Cuba (Mariel)

Lots of competition currently to win transshipment business

Competition also for dry docks and repair for shipping passing through region.

Many second tier ports are underdeveloped, and inland infrastructure such as roads, bridges are often inadequate



Panama Canal

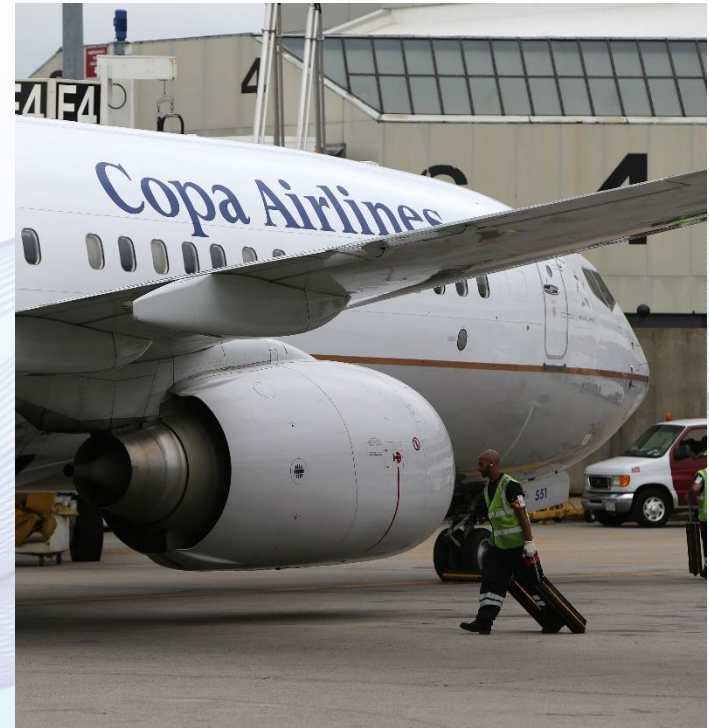
Opportunities in Airports

Air lift is key to the region – given its geography and dependence on tourism.

Lots of investment and expansion to airports to expand range of aircraft they can carry and to try and attract business as a hub.

Key projects include:

- Guyana – currently not cleared for flights to the states.
- St Vincent - Needs a terminal building
- Costa Rica – longstanding project for a new airport
- Cuba – plans for expansion of terminal building



St Lucia Airport

Opportunities in Cruise infrastructure

The Cruise market in the Caribbean is very large
– approximately 27million visitors in 2017.

Fiercely competitive – itineraries can change
month by month

New ships being brought on stream by major
cruise liners (Genesis Class)

Across Caribbean and Central America
countries are looking to create new berths or
upgrade existing berths and cruise terminals

Also looking to upgrade onshore facilities for
visitor experience



BVI cruise ship visiting

Opportunities in road and mass transit infrastructure

Road infrastructure around the region is often woefully inadequate and in poor repair.

New developments include:

- Jamaica - new north-south highway
- Dom Rep – New East –West highway
- Central America – Pan American highway

Numerous road schemes under examination to improve:

- a) access to rural remote areas
- b) reduce congestion in urban environments

In larger metropolitan areas in Panama and Santo Domingo, the Governments have already built the first lines of metros. They are now expanding these.



Santo Domingo Metro

Supporting Hurricane Recovery

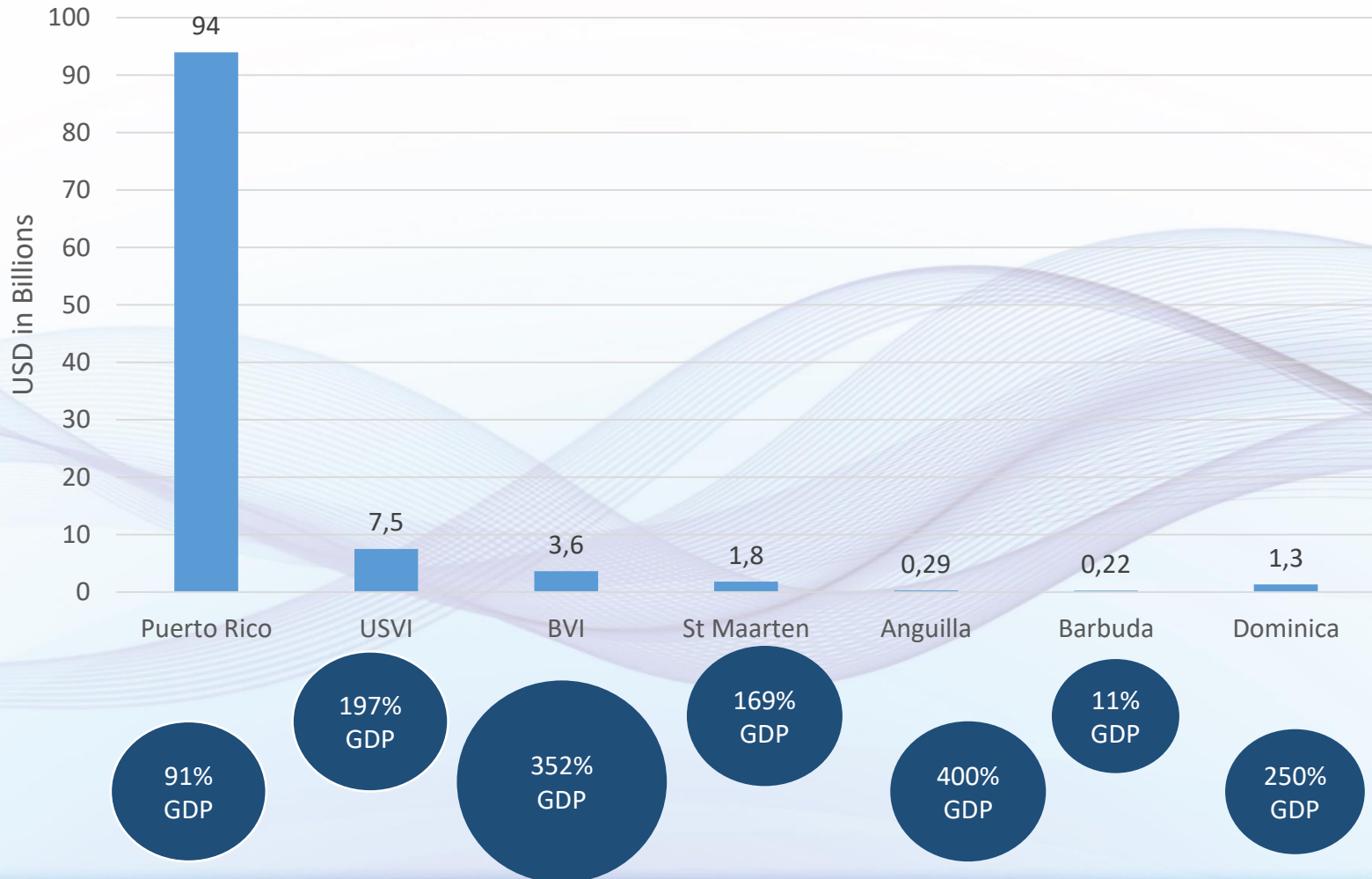
Table 1. Five costliest tropical cyclones in the Caribbean ordered by inflation-adjusted overall losses (1990–2017)

Date	Tropical cyclone	Affected area	Overall losses (US\$m, 2016 values)*	Insured losses (US\$m, 2016 values)	Fatalities
6–14 September 2017	Hurricane Irma	Anguilla, Antigua and Barbuda, Bahamas, British Virgin Islands, Cuba, Dominican Republic, Florida (US), Haiti, Puerto Rico, Saint Martin, Sint Maarten, St Barthelemy, St Kitts and Nevis, Turks and Caicos, US Virgin Islands	67,000	32,000	128
19–22 September 2017	Hurricane Maria	Bahamas, Dominica, Dominican Republic, Guadeloupe, Haiti, Martinique, Puerto Rico, Turks and Caicos, US Virgin Islands	63,000	30,000	108
20–30 September 1998	Hurricane Georges	Antigua and Barbuda, Cuba, Dominican Republic, Haiti, Puerto Rico, Saint Kitts and Nevis, US Virgin Islands	14,700	3,800	3,661
6–14 September 2008	Hurricane Ike	Cuba, Dominican Republic, Haiti, Turks and Caicos Islands	7,600	39	82
7–21 September 2004	Hurricane Ivan, storm surge	Barbados, Cayman Islands, Cuba, Dominican Republic, Grenada, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago	5,900	2,300	67

*Figures for 2017 events are approximations and may overestimate losses for the Caribbean as they are total losses (including the US) and at 2017 prices. The figures may change.

Source: Munich Re (2017), Munich Re (2018b–d), EM-DAT (2018)

Catastrophic impact of 2017 hurricanes: Estimated losses and damages



International and regional players

Dec 12th
One Planet
Conference, PARIS

'Caribbean Climate
Smart Coalition'
(public/private)
Charter for a
USD\$8bn investment
plan

Dec 7th
CARICOM-UN HIGH
LEVEL PLEDGING
CONFERENCE
Pledged US\$2bn

CDB / IDB / World Bank

Examples of Infrastructure Needs

DOMINICA

Key infrastructure needs and requirements:

75% of electricity network
Port at Woodridge Bay

Cabritis cruise ship berth
damage and pier walkway
destroyed

90% of structures either
heavily damaged or
destroyed

Roseau ferry terminal
Water supply and
treatment areas damaged

ST MAARTEN

Key infrastructure needs and requirements:

Telecommunication

90% of the infrastructure was
damaged

Airport headquarters and
technical hangar were badly
damaged

Water services not functioning.

Piping system needs to be
restored

Over 11,000 people have
damage to their housing
requiring significant
reconstruction or repair

BRITISH VIRGIN ISLANDS

TB Lettsome International
Airport – Tower is damaged

Sea – harbours are damaged

Roads – severely damaged

60-80 % of buildings damaged
or destroyed – in North -90%

Electricity – generation,
transmission & distribution

Anegada –60% without power

Jost van Dyke –no working
water plant, no electricity
service. No ferry service to

Tortola and USVI; waste
management issues – health
clinic severely damaged.

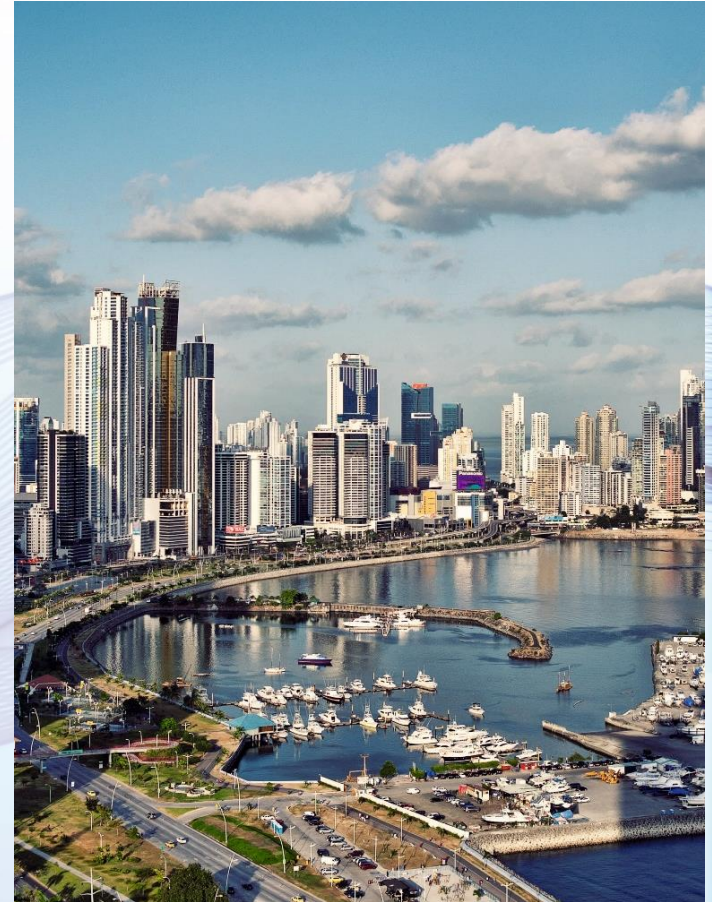
Desal plants in Virgin Gorda
destroyed

destroyed

Challenges: Business & Political Environment

The Caribbean and Central America is home to a complex and diverse political and business environment, posing a range of challenges to investors.

- Data and key documents are often difficult to obtain
- Small countries mean higher risks of politics and business becoming interlinked
- Corruption risks
- Accessing finance
- Often complicated politics with risk of deadlock, regular changes in government
- Uncertainty about application of the law
- Slow and under-resourced judiciary
- Cuba embargo, rollback of rapprochement



Panama City Skyline

How can we help you?



Research Publications

Our market-leading research and analysis on the Caribbean, Cuba and Central America, provides subscribers and members with indispensable, weekly digests of political developments, business news and investment opportunities.

Made up of regional and multinational companies, global business consultancies, diplomatic corps and Foreign Ministries around the globe, our subscribers are kept on the cutting edge of what's happening, and why it affects them.

How can we help you?

Consultancy Services

- Identification and assessment of Business Opportunities
- Market Entry, Competitor Analysis and Field Market Research
- Investigative Due Diligence and Anti-Corruption Compliance
- Political Risk Analysis & Business Intelligence
- Economic, Trade & Regulatory Policy Analysis

Business Advisory Services (through Membership or Consultancy)

- High-level introductions and stakeholder engagement programmes
- Support in securing funding streams from governments and Multilateral Development Banks
- Representation and Advocacy
- Trade Missions
- Consortium Development and Business Strategy Formulation



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