THE EU'S DEFIANTLY DISCRIMINATORY & DISPROPORTIONATE ACTION PERSISTS

What a hectic year this has been for Europeans! On October 1st 2020, the European Union (EU) confirmed the list of jurisdictions which "pose significant threats to the financial system of the Union ('high-risk third countries')…identified as having strategic deficiencies in their AML/CFT regimes" such as Afghanistan, The Bahamas, Barbados, Botswana, Cambodia, Democratic People's Republic of Korea (DPRK), Ghana, Iran, Iraq, Jamaica, Mauritius, Mongolia, Myanmar/Burma, Nicaragua, Pakistan, Panama, Syria, Trinidad & Tobago, Uganda, Vanuatu, Yemen, and Zimbabwe. Then on October 7th, the EU published its list of "non-EU countries that encourage abusive tax practices, which erode member states' corporate tax revenues" as American Samoa, Anguilla, Barbados, Fiji, Guam, Palau, Panama, Samoa, Trinidad & Tobago, US Virgin Islands, Vanuatu, and Seychelles. The Cayman Islands were able to secure their escape from this list – for now.

The communiqué following the recent 41st Regular Meeting of CARICOM Heads of Government stated "Heads of Government observed that the EU…have stepped up the economic assault on Small States…condemned in the strongest possible terms the continued blacklisting…through unilaterally and arbitrarily determined standards, and in the absence of any meaningful prior consultation…this disproportionate treatment of CARICOM States is a breach of the rights of CARICOM citizens, and called upon the European Council and European Commission to desist from this egregious practice."

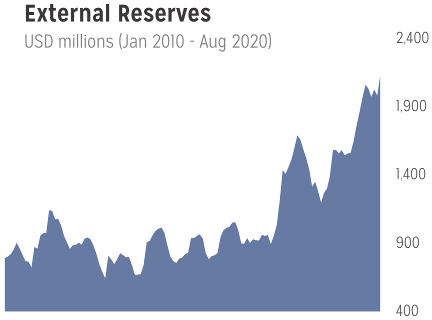
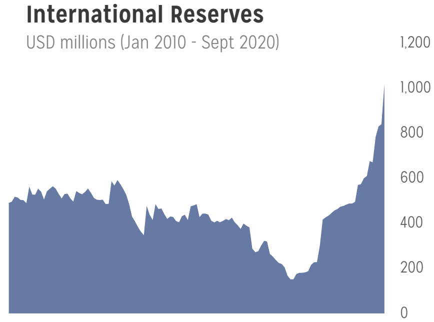
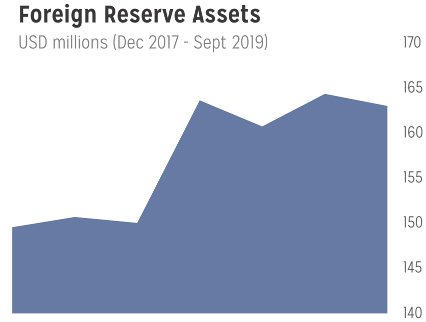
> This disproportionate treatment is a breach of the rights of CARICOM citizens

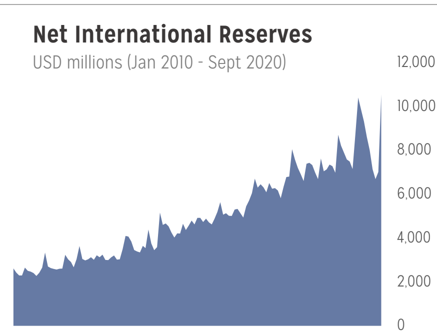
The fact that ALL of these countries have been colonized or otherwise occupied by Europeans, and that not one of them is predominantly white - which is quite a statistical achievement in itself – was discussed on a lively podcast with the outstanding Irish economist David McWilliams. This injustice captured the attention of certain Members of the European Parliament, to the extent that Ms. Clare Daly posed a formal question to the European Parliament as follows: "The EU's AML/CFT blacklist system has been criticised as racist and as 'a clear manifestation of Europeans' longstanding penchant for domination, exploitation, and brutality.' It has been criticised for the glaring omission of predominantly white, non-EU jurisdictions such as Gibraltar, Russia, and the USA, which are well known as money-laundering hotspots, and for the disproportionate inclusion of economically weak, non-white countries whose level of economic activity (including money laundering) is insignificant relative to that of EU Member States and other omitted countries.

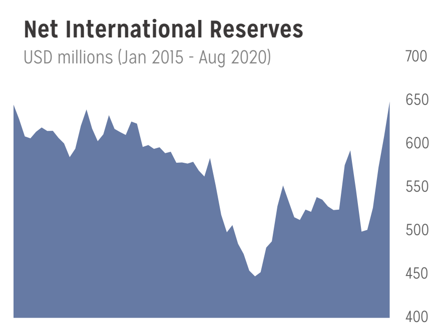
1. Can the Commission address these criticisms and account for the fact that the EU's AML/CFT blacklist is predominantly made up of non-white countries in the Global South?
2. Is it concerned that the penalties imposed as a consequence of blacklisting have the potential to damage irreparably the economies of blacklisted countries, particularly in light of the fact that most of the states blacklisted are economically weak to start with?

Not only did the European Parliament's response ignore the allegations of discrimination against 'non-white countries in the Global South,' it either naively or dishonestly stated "The inclusion in the EU list does not entail any sanctions: the principal consequence of the listing is that obliged entities in the Member States are bound to apply enhanced 'know your customer' checks to business relationships or transactions involving high-risk third countries." Could the EU not know that the enhanced due diligence they impose has direct negative reputational, cost, and efficiency implications?

Watch this space for a thorough analysis of and reply to the EU Parliament's response to Ms. Clare Daly's question.

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	FDI projects and rebuilding have provided a boost to economic activity, but domestically funded construction remained subdued into Q2. Mortgage disbursements for new construction & repairs (residential + commercial) fell by 46% y/y in Q2 2020 after declining 13% y/y in Q2 2019. For new buildings, mortgage commitments fell 57% y/y in terms of value - suggesting softness will continue. Preliminary estimates for Q2 2020 suggest bank profitability contracted by 71% y/y on increased provisioning of bad debt in anticipation of COVID-19 losses. External reserves amounted to USD2.1 billion on Sept 2, 2020, roughly 9.6 months of import cover. After adjusting for 50% statutory requirement on CB Bahamian dollar demand liabilities, "usable" reserves amounted to only USD1.04 billion in June. Fiscal deficit financing came mostly through external borrowing. The public sector debt/GDP ratio grew from 63.5% in June 2019 to 76.8% in June 2020. For FY2020/21 the deficit is projected to rise to 11.6% of GDP - the highest ever. Debt is expected to further expand to 82.8% of GDP.	The economy contracted 18% y/y in Q3, and 16% y/y for Jan-Sept 2020. Tourism declined 66% y/y in Q3, and manufacturing fell 3% y/y, driving a 47% y/y contraction in tradeables. Non-tradeables contracted 6.2% with y/y declines across all subsectors including construction (-2%) and Wholesale & Retail (-12%). Financial sector profitability suffered as banks provided for bad loans, but capital buffers remained above prudential benchmarks. Unemployment remains high with 32,000 claims made from March to Sept and USD60 million in unemployment benefits paid. Government responded by accelerating its capital works program and with the launch of its BEST program focused on spurring the reengagement of tourism workers, which accounted for 40% of the workforce. External borrowing boosted international reserves which were over USD1.0 billion or 28 weeks of imports at the end of Sept 2020. As GDP shrank and debt has expanded to respond to the crisis, debt/GDP reached 131% in Sept 2020, up 11 p.p. from December 2019.	Cayman has lost over 7% of its population in 2020 so far. Overall contraction of 7.8% is expected in 2020, and unemployment will reach 7.6% by the end of the year. The Hotel & Restaurant sector will contract 79%, and visitor arrivals are expected to remain far below 2019 levels through 2025, according to ESO projections. Transport & Communications will contract 15% in 2020. Real Estate will contract 9% and is likely to face further declines as expatriate workers leave the jurisdiction. Financial Services will decline 3.7% in 2020 and Business Services will contract 1.7%, with downside risks based on volatility in international markets. Government stimulus measures aimed at providing low-cost funding to the private sector, increasing disposable income, and boosting construction activity, will continue to soften the blow. Strong public finances and accumulated surpluses before the crisis put the government in a position to respond meaningfully without increasing debt. Unemployment will begin to fall in 2021 to 5.5%, according to ESO projections.
TOURISM	Stay-over: 2020: 364,156 (Jul) -68.5% y/y Cruise pax: 2020: 1,327,084 (Jul) -59.2% y/y	Stay-over: 2020 est: 172,655 (Jun) -54% y/y Cruise pax: 2020 est: 250,881 (Jun) -34% y/y	Stay-over: 2020: 93,558 (Feb) +8.5% Cruise pax: 2020: 448,435 (Feb) -4.3%
GROWTH	1.8% (2019 prelim. est.)	-0.1% (2019 prelim. est.)	2.8% (2019 prelim. est.)
RESERVES	**External Reserves** USD millions (Jan 2010 - Aug 2020)  Source: Central Bank of The Bahamas, Marla Dukharan	**International Reserves** USD millions (Jan 2010 - Sept 2020)  Source: Central Bank of Barbados, Marla Dukharan	**Foreign Reserve Assets** USD millions (Dec 2017 - Sept 2019)  Source: CIMA, Marla Dukharan
OUTLOOK	Central Bank forecasts a contraction of -15% to -20% in 2020. IMF expects a contraction of 14.8% this year, which is subject to further downward revision, and only a 4.6% recovery in 2021.	IMF forecasts an 11.6% contraction this year, which is subject to further downward revision. Growth will return to a medium-term average of 2% as structural reforms are implemented.	The government estimates the contraction this year could be around 7.8%, largely dependent on the effectiveness of stimulus measures. The recovery for 2021 is now expected to be around 5.1%,

<table>
<tr><th></th><th>CUBA</th><th>DOMINICAN REPUBLIC</th><th>GUYANA</th></tr>
<tr><td>UPDATE</td><td>An 8% GDP contraction is forecast by ECLAC for 2020. Increased exports of medical services, which account for 48% of total foreign exchange earnings, will partially mitigate lost tourism revenues. Goods exports dropped on lower global tobacco and rum sales, lower prices for sugar and nickel, and reduced aid from Venezuela. Imports have declined based on lower consumption and foreign exchange availability - 39% of self-employed reported in May having suspended work activities. The currency unification, though without a definitive date, will see the elimination of the CUC. For 6 months both currencies will use an exchange rate of CUP24:CUC1 (to USD1) for persons, and CUP1:CUC1 for businesses. The exchange rate thereafter has not been announced, though a devaluation of the CUP is expected. The Ministry of the Economy will ensure that the resulting inflation will not exceed the rise in salaries. Cuba's monetary unification policy also stipulates the elimination of "excessive subsidies and undue gratuities" and revenue measures, which have not yet been detailed.</td><td>The monetary policy rate was held steady in October, after being reduced to 3% in August 2020. The monthly Economic Activity Index declined 5.6% y/y in Sept - much softer than the 29.8% y/y decline registered in April. For the first 9 months of the year, economic activity declined 8.1% y/y. Private credit in local currency continues to expand, growing 9% y/y in October. International reserves closed October at USD10.55 billion - roughly the level held in Jan 2020, following a USD3.8 billion bond placement. FDI surpassed USD2 billion for Jan-Sept 2020, in line with the annual average of USD2.5 billion for the last decade. Remittances continue to grow, up 10.5% y/y for Jan-Sept 2020 to USD5.8 billion. Inflation in Sept was 5.03%, at the upper limit of the 4.0% ± 1.0% target range. The Central Bank highlighted shifts in the labor force, with 12.7% of the economically active population not seeking work in June 2020, up 7.6 p.p. y/y, and 28% reporting as "absent," meaning on vacation, leave (paid or unpaid), and expecting to return to their jobs. The unemployment rate was 3.2% as fewer people were seeking work.</td><td>Oil GDP increased by 45.9% in H1 2020, while non-oil GDP contracted 4.9% y/y. Transport & Storage declined 25% y/y, Wholesale & Retail declined 15%, and Accommodation & Food Services declined 33%. Agricultural output fell 4.1% y/y. Construction activity dropped 5.6% y/y, due to a lack of fiscal stimulus and weaker private sector activity. The Balance of Payments deficit narrowed by 83% y/y, falling to USD14.9 million. A high merchandise trade surplus from oil, gold and rice exports was insufficient to produce a current account surplus, but mitigated the narrower capital account surplus based on outflows of oil revenue to the Natural Resource Fund and oil companies. International reserves ended June at USD573 million or 1.7 months of imports, strengthening in August to USD649 million. A fiscal deficit of GYD4.5 billion was recorded in H1 2020, versus a surplus of GYD2.5 billion a year prior, as revenues declined, based on both COVID-19 and the elections impasse. Public debt increased 1.3% y/y to USD1.68 billion. Gross govt debt/GDP remains low, forecast by the IMF to end 2020 at 37%.</td></tr>
<tr><td>TOURISM</td><td>Stay-over:
2020: 984,178 (May) -57% y/y
Cruise pax:
2018: 877,500 +43% y/y (*341,005 from USA)</td><td>Stay-over:
2020: 1,743,480 (Sept) -65.0% y/y
Cruise pax:
2020: 344,485 (Sept) -55.1% y/y</td><td>Stay-over:
2019: 282,221 (Nov) +9.5% y/y
Cruise pax:
n/a</td></tr>
<tr><td>GROWTH</td><td>0.5% (2019 prelim. est.)</td><td>5.1% (2019 prelim. est.)</td><td>4.7% (2019 prelim. est.)</td></tr>
<tr><td>RESERVES</td><td>n/a</td><td>


Source: Central Bank of the Dominican Republic, Marla Dukharan</td><td>


Source: Bank of Guyana, Marla Dukharan</td></tr>
<tr><td>OUTLOOK</td><td>We expect a contraction in the 10 to 15% range this year. ECLAC's most recent forecast is for a contraction of 8%.</td><td>The IMF expects a contraction of 6% in 2020 with the economy to begin recovering by 4.0% in 2021.</td><td>The IMF cut its growth projection in half to 26% for 2020 - still the fastest in the world. The IMF forecasts 8% growth in 2021 and 29% in 2022.</td></tr>
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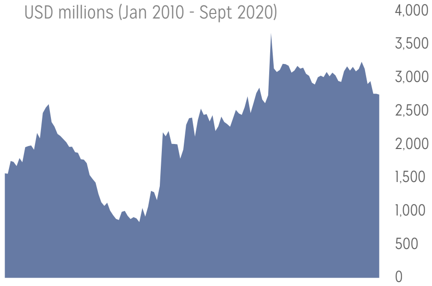
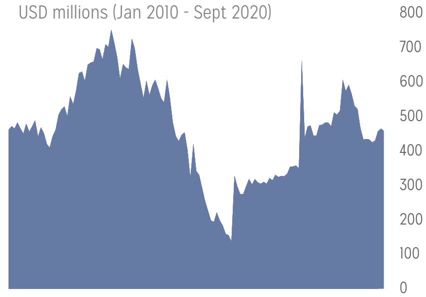
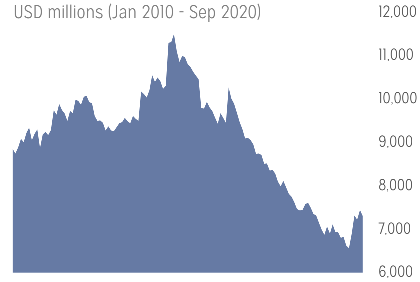
	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	Unemployment reached 12.6% in July 2020, a 5.3 p.p. increase from Jan 2020, meaning 60,900 more people are jobless. Inflation in Sept 2020 was 4.9% - well within the BoJ's target range of 4-6%. The economy contracted by 10.2% y/y in H1 2020, with the goods producing sector contracting 4.4%, and services 11.5%. Hotel & Restaurant sector contracted 50%, Transport, Storage & Communication 16%, and Wholesale & Retail 11%. Reserves have fallen by USD490 million from the USD3.2 billion high in March 2020, to USD2.75 billion at the end of Sept 2020, estimated at 36 weeks of goods and services imports. Remittance inflows grew 18% y/y for Jan-July 2020, reaching USD1.56 billion for the period. The exchange rate averaged JMD143.95:USD1 in Sept, after breaching JMD150:USD1 in August, and continues to fluctuate in both directions. The JMD is expected to depreciate 4.1% over the next 12 months, according to the BoJ's inflation expectations survey, with consumer prices expected to rise 7% over the period.	Government announced on Oct 30 that they are in technical discussions with the IMF. Fitch Ratings downgraded Suriname on Oct 26 to C from CC, highlighting their view that a process of default is underway, as government missed an interest payment and announced it would take advantage of the 30-day grace period to engage with investors. Fitch estimates central gov't debt/GDP will reach 137% at the end of 2020 (65% of which is external). Rampant inflation of 45% y/y in Sept 2020 has accompanied the devaluation as usual. The SRD continued to depreciate in Oct reaching SRD14.29:USD1, losing 47% of its value since August 2020. Foreign currency reserves continue to decline sharply, falling 22% y/y in September to USD458 million. Gov't stated at the Oct 30 press conference that further depreciations are not planned. Regarding the oil finds in Suriname, Total recently stated they may consider not developing their third offshore oil and condensate find unless it is "giant" in terms of recoverable resources.	The economy already contracted 1.2% in 2019 after averaging -0.8% growth for a decade and is expected to decline 6.8% in 2020. The crisis has amplified the effects of T&T's overdependence on oil & gas, fiscal drag from unsustainable debt, dis-ease of doing business, and the distorted FX regime. The non-energy sector contracted 9.1% in Q2 2020, and the energy sector contracted 8.3%. The exchange rate has remained unchanged for 47 months, putting pressure on foreign reserves, which stood at USD7.3 billion at the end of Sept 2020, based on drawdowns from the Heritage & Stabilization Fund and external borrowing. The Balance of Payments has provided no organic growth to reserves since 2014. Gov't continues to generate a primary fiscal deficit while accumulating arrears, meaning they are borrowing from the public (for free) to pay interest on existing debt. Gross public sector debt/GDP was 79% in June 2020. Central Gov't debt/GDP stood at 60% in June, and the IMF forecasts it will reach 78% by 2025.
TOURISM	Stay-over: 2020: 695,721 (Sept) -65.6% y/y Cruise pax: 2020: 449,271 (Sept) -59.9% y/y	n/a	Stay-over: 2020: 91,886 (May) -44.7% y/y Cruise pax: 2020: 45,580 (May) -31.4% y/y
GROWTH	1.0% (2019 prelim. est.)	2.3% (2019 prelim. est.)	0.0% (2019 prelim. est.)
RESERVES	**Net International Reserves** USD millions (Jan 2010 - Sept 2020)  Source: Bank of Jamaica, Marla Dukharan	**Foreign Currency Reserves** USD millions (Jan 2010 - Sept 2020)  Source: Centrale Bank van Suriname, Marla Dukharan	**Net Official Reserves** USD millions (Jan 2010 - Sep 2020)  Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	The IMF is forecasting an economic contraction of 8.6% in 2020, with a recovery of 3.6% in 2021 and 3.8% in 2022.	Suriname is in talks with the IMF as a balance of payments crisis is underway. The IMF is projecting a 13.1% contraction this year, and only 1.5% growth in 2021.	The IMF is projecting an economic contraction of 5.6% this year, but we expect it to be 8% to 10%. The IMF forecasts a recovery of only 2.6% in 2021. We also expect a balance of payments crisis and an IMF program by 2022, at the latest.