HOW THE GLOBAL MINIMUM TAX IS YET ANOTHER DOOR FOR DISCRIMINATION

Late last year the USA, EU, and OECD convinced 136 countries (except Nigeria, Kenya, Pakistan, and Sri Lanka) to agree to implement a 15% Global Minimum Tax. In a world where countries are encouraged to improve their statistical infrastructure in order to support evidence-based policymaking, there appears to be no empirical research done to justify the introduction of this global minimum tax in the first place, nor what the appropriate tax rate and applicability threshold should be. It appears that simply the universal desire for more fiscal revenue and the negotiation process itself have given rise to an arguably arbitrary 15% tax on multinational corporations with revenue over EUR750 million, which is expected to earn USD150 billion in additional global tax revenues annually, according to the OECD. But who will earn this revenue?

In addition to the fact that this first-of-its-kind global tax policy is devoid of any empirical justification, it also excluded poor countries. Tax Justice Network (TJN) criticized this deal for its inequity and exclusivity, stating “it will neither curb profit shifting effectively, nor provide substantial revenues to more than a handful of OECD member countries. Everyone else has been left out – especially lower-income countries.” Maybe because poor countries are not really the problem?

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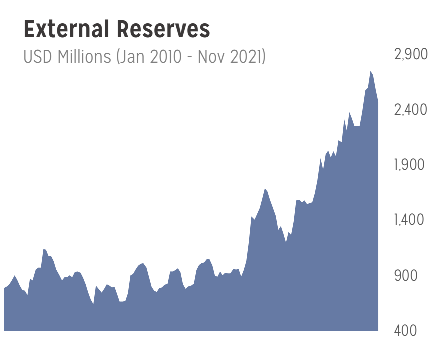
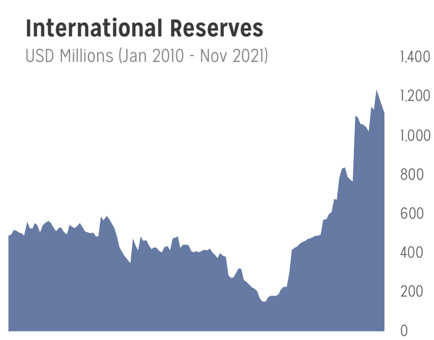
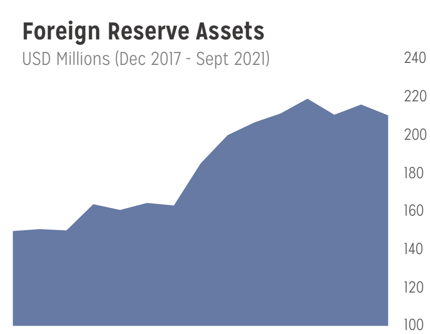
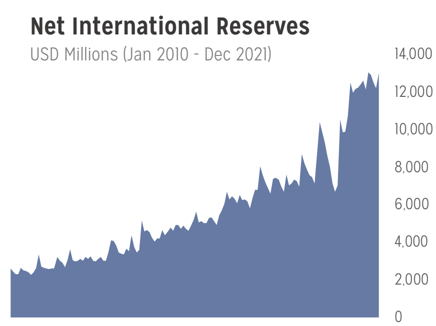
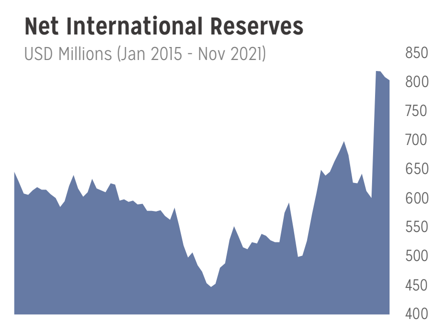
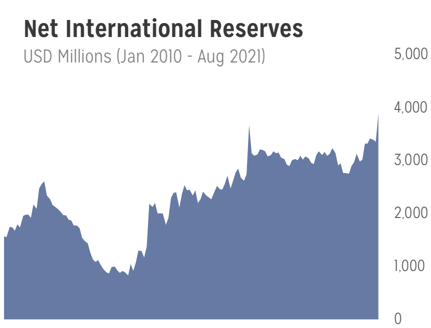
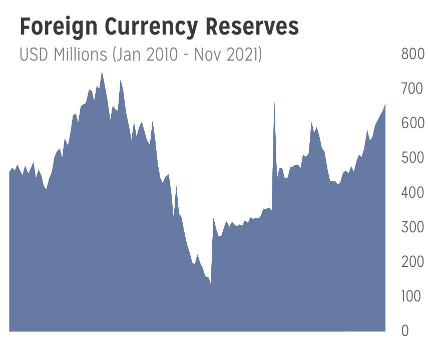
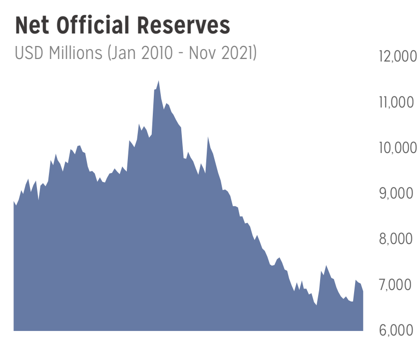
The countries pushing this deal themselves are responsible for two-thirds of the world’s corporate tax abuse, according to TJN, and the OECD itself “failed to detect and prevent corporate tax abuse enabled by the OECD’s own member countries – and in some cases, pushed countries to rollback their tax transparency.” Can the OECD be trusted to police this tax effectively and equitably? Will OECD nations’ effective tax rates match the nominal minimum 15%, or will their incentives and concessions lower the tax burden to improve their competitiveness? Oxfam suggests the latter, “Calling this deal 'historic' is hypocritical and does not hold up to even the most minor scrutiny…including a complex web of exemptions that could let big offenders like Amazon off the hook.” Furthermore, the OECD’s own research found that “Countries with a lower corporate income tax are likely to grow faster and attract more investment and jobs than high-tax countries.” What manner of institution goes through the trouble of conducting empirical research, just to ignore it?

Already the USA’s Foreign Account Tax Compliance Act (FATCA) has had to undergo scrutiny for its unintended consequences, and so too the Financial Action Task Force. The fact that the likely unintended consequences of this Global Minimum Tax are not even contemplated, is yet another elementary mistake. There is no reason to believe that the OECD, which is already deficient in policing existing tax standards, can produce a better outcome with this deal. Perhaps proper policing was never the intention. We have seen this movie before. Since the beginning of time, the powerful have created structures to maintain and solidify their position, not weaken it. And institutionalized discrimination and systematic marginalization of weaker states continues unabated. The effects of such treatment only radicalizes and drives disaffected states towards other pariahs, and their most vulnerable towards the powerful nations. For there is no ‘New World’ left for the marginalized masses to flee to, only the ‘First World.’ Eventually, ‘their’ problems become yours. *“Because when the rain falls, it don’t fall on one man’s housetop - remember that.”* - Bob Marley and the Wailers, So Much Things To Say

	BAHAMAS	BARBADOS	CAYMAN ISLANDS
UPDATE	Hurricane Dorian reconstruction and FDI-led projects continue to drive economic activity. Tourism is recovering gradually with 48% of Jan-Oct 2019 stayovers recorded in Jan-Oct 2021, with results for Sept and Oct 2021 at 80% and 76% of 2019 levels, respectively. External reserves strengthened as a result of increased USD borrowing and not based on economic activity. Non-usable reserves amount to 46% of total external reserves. Non-borrowed, usable reserves at Nov 2021 stood at negative USD404 million, and have been negative for more than a year. We expect a debt restructure and an IMF program in the next year or two. The high level of external debt (43% of Central Govt debt) would make a devaluation very costly in terms of overall debt burden. In 2020, the IMF assessed that the currency was overvalued by 6-9%. The alternative to currency devaluation is an internal devaluation much like the IMF BERT program in Barbados, lowering labour costs and the overall cost of doing business through reforms and raising taxes.	The economy contracted 3.2% in Q3 2021, with tradables declining 29% and non-tradables growing 1.8%. Long-stay arrivals showed some recovery, but weak tourism activity continues to weigh on economic performance. Sectors such as agriculture and manufacturing were impacted by ashfall and the hurricane in 2021. Based on the government's outlook for the recovery of tourism to gain force in 2022, labour market conditions should continue to gradually improve. If schools do not reopen, unemployment and productivity will continue to deteriorate. By the end of Q1 2021 roughly 8,700 jobs were recovered, and the unemployment rate declined to 15.9%. For Jan-Aug 2021, unemployment claims fell by 43% y/y. Int'l reserves continued to be bolstered by borrowing from multilaterals, reaching USD1.115 billion in November 2021, about 39 weeks import cover. The current account will continue to be negatively impacted by lower inflows from tourism and rising oil prices. A snap election was called for January 19, 2022 but a change in power is not anticipated.	The economy grew 1.4% in H1 2021 after having contracted 11.4% y/y in H1 2020. Construction activity continued to lead growth, up 13%. Business services grew 4.5% and Finance & Insurance expanded 3.2%. As borders remained closed until Nov 2021, Hotels & Restaurants contracted 98%. Transport, Storage & Communications declined 13.5%. The resilience of the financial sector partially offset the sudden stop/tourism shock, with the number of captive insurers and mutual funds growing, market capitalization on the stock exchange rising 65% y/y, and new company registrations reaching the highest level ever. The value of construction project approvals in H1 2021 doubled y/y to KYD739 million, far exceeding the 2019 level. Preliminary estimates point to growth in construction for 2021 of 9.4%. For 2022, NCB Hilton Hotel, the Hyatt Hotel Pageant Beach, Mandarin Hotel and Indigo Hotel will be important sources of building activity. As tourism begins to rebound, the wholesale & retail sector will gradually recover, and is expected to expand 3.7% in 2022.
TOURISM	Stay-over: 2021: 677,881 (Oct) @ 48% of 2019 Cruise pax: 2021: 444,974 (Oct) @10% of 2019	Stay-over: 2021: 81,738 (Oct) @ 12% of 2019 Cruise pax: 2021: 8,440 (Oct) @ 12% of 2019	Stay-over: 2021: 2,085 (Mar) @ 1.4% of 2019 Cruise pax: 2021: 0 (Mar)
GROWTH	-16.3% (2020) / +2.0% (2021 est)	-18% (2020) / -1.8% (2021 est)	-6.7% (2020) / 1.2% (2021 est)
RESERVES	 Source: Central Bank of The Bahamas, Marla Dukharan	 Source: Central Bank of Barbados, Marla Dukharan	 Source: CIMA, Marla Dukharan
OUTLOOK	We expect the economy to grow 5% in 2022 and 4% in 2023, backed my reconstruction and continued recovery of tourism. This will still leave the level of economic activity around 7% below its 2019 level.	The government expects GDP will increase between 7–9% in 2022, with a medium term average of 3% per year thereafter. The IMF forecasts 8.5% growth for 2022 and 4.8% for 2023, averaging ~2% thereafter.	GDP growth is forecast to pick up to 5% in 2022 and then average 3.2% through 2025, backed by construction activity and the gradual recovery of tourism.

	CUBA	DOMINICAN REPUBLIC	GUYANA
UPDATE	Prices rose 70.9% y/y in Nov 2021, official figures indicate, with prices for Transport up +184%, Housing & Utilities up +152%, and Food & Non-Alcoholic Beverages up +107%. The sharp increase is the result of the unification of the two currencies, elimination of food subsidies, and higher prices for oil and fuel. Unofficial figures point to an inflation rate in the thousands. The deficit in power generation capacity also played a role in the weak economic performance. Lack of fuel also posed a challenge – the sugar sector only planted 69% of the area planned. Construction of planned investments were executed at 56% in 2021. Cuba plans to export USD9.5 billion in goods & services in 2022 and import USD10.8 billion. The Government is projecting 2.5 million stopover arrivals in 2022, returning to 2010 levels. The 2022 fiscal deficit is projected to widen by 9% y/y to CUP75.8 billion. More than 500 state enterprises recorded losses in 2021, which the Government attributes to having to charge low prices, but also reflects the losses which were previously hidden under the dual exchange rate regime.	Economic activity expanded 12.5% y/y in Jan-Nov 2021, with broad-based recovery in construction (+25%), local manufacturing (+11%), free zones (+21%), hotels, restaurants & bars (+38%) - all showing strong signs of recovery. Only Public Administration, Education, and Health posted declines. Private sector-led growth provides DomRep with the backdrop for a strong post-pandemic recovery. Credit to the private sector in domestic currency grew 11% y/y in Nov 2021 and is expected to grow 8-10% in 2022. The continued recovery of tourism alongside record remittance levels and robust FDI provided strength to the external sector in 2021. Remittances grew 29% y/y for Jan-Nov 2021 and are expected to have surpassed USD10 billion for 2021. Total exports grew 22% y/y and FDI was expected to reach ~USD3 billion in 2021. International reserves reached USD13 billion - over 6.5 months import cover and USD5.9 billion above the December 2019 level. The exchange rate appreciated roughly 1.5% during 2021 to DOP57.16, vs DOP58.31 in Dec 2020 per USD1.00.	Exxon announced two new oil discoveries on Jan 5, 2022 and affirmed they currently have 3,200 Guyanese workers supporting activities and have made capital outlays of over USD540 million in the country since 2015. Oil & Gas exports totalled USD2.18 billion in Jan-Sept 2021 and raw gold exports amounted to USD616 million. International reserves closed Nov 2021 at USD803 million, the highest level since 2012. The Natural Resource Fund balance stood at USD607.5 million at the end of 2021, with USD357 million from oil profits added in 2021 and USD52 million from royalties. Unemployment was 14.5% in Q3 2021, 18.4% for women and 12% for men. 38% of those unemployed had been out of work for over a year. Labour force participation remains very low in Guyana at 49.6% in Q3 2021. Annual inflation was 5.6% in November, with food prices rising 11% y/y as the main driver. Credit to the private sector grew at a pace of 9.4% y/y in Nov 2021 – loans to the Service Sector grew +15%, Agriculture grew +22%, Manufacturing grew +10%, and Households grew +9%.
TOURISM	Stay-over: 2021: 254,922 (Nov) @ 6.5% of 2019 Cruise pax: 2018: 877,500 +43% y/y (*341,005 from USA)	Stay-over: 2021: 4,265,975 (Nov) @ 73% of 2019 Cruise pax: 2021: 103,448 (Sept) @ 13% of 2019	Stay-over: 2021: 106,428 (Sept) @ 46% of 2019 Cruise pax: n/a
GROWTH	-10.9% (2020) / 2% (2021 est)	-6.7% (2020) / 12% (2021 est)	43.5% (2020) / 21% (2021 est)
RESERVES	n/a	 Source: Central Bank of the Dominican Republic, Marla Dukharan	 Source: Bank of Guyana, Marla Dukharan
OUTLOOK	Government expects growth of 4% in 2022 and ECLAC projects 3.5%. Recovery beyond this is largely contingent on FDI, tourism, investments in agriculture and power generation, and improving international relations / sanctions.	The external sector will continue to see robust activity with the recovery of tourism to continue in 2022. GDP is expected to expand 5.5% in 2022, and then maintain a pace of growth of 5% over the subsequent 3 years.	The World Bank forecasts 49.7% growth in 2022 and 25% in 2023. The IMF forecasts 48.7% growth in 2022, 32% growth in 2023, and 3.7% average in subsequent years.

	JAMAICA	SURINAME	TRINIDAD & TOBAGO
UPDATE	The economy grew 5.8% y/y in Q3 2021: Agriculture +7.3%, Manufacturing +4.6%, Transport, Storage & Communication +8.8%, Hotels & Restaurants +115%. Growth in Construction activity was weak, up 4.4%. Mining & Quarrying contracted 30%. Economic activity expanded 3.9% for Jan-Sept 2021, with the most robust recovery from Hotels & Restaurants +24% and Construction +10%. Remittance inflows grew 22.6% y/y to USD2.9 billion in Jan-Oct 2021, a historical high. Inflation was 7.8% in November 2021, outside of the Bank of Jamaica's 4-6% target range and is expected to reach 8-10% before returning to the target in Q3 2022. The BoJ increased its policy rate by 50 basis points in December to 2.50% with further policy rate increases likely in 2022. The exchange rate fluctuated in both directions throughout 2021, ending the year with a depreciation of 6.9%. Net Int'l Reserves reached ~USD4 billion in Dec, an all-time high, providing cover for 33 weeks goods and services imports.	The IMF approved a new 36-month EFF arrangement in December. The contraction in economic activity slowed to -2.9% y/y in August 2021, mainly impacted by Construction -20.5%, Agriculture -5.6% y/y, Manufacturing -5.5%, Hotels & Restaurants -24%, Transport, Storage & Communication -16%. Mining posted 3.3% growth. Gold production negatively impacted Mfg as Rosebel faced challenges with low grade ore, bad weather and a COVID outbreak. The SRD lost 34% of its value in 2021, and the exchange rate reached SRD21.68:USD1 in December. Foreign currency reserves grew 43% y/y in Nov to USD660 million (incl IMF SRD allocation of USD175 million). Usable reserves were around 2 months' imports cover. Though foreign debt grew 1.4% in USD terms, the depreciation of the currency made the impact in SRD terms a 93% y/y increase. Overall debt in SRD terms rose 54% y/y. Prices rose 63.3% y/y in Nov led by Food prices +68% and Housing & Utilities +116% impacted by the SRD depreciation.	Real GDP for H1 2021 was 9.5% below H1 2019, with severe contractions in Transport & Storage -31%, Mfg -13%, Construction -12%, and Accommodations & Food Service -23%. Finance & Insurance grew 5.9%. The energy sector was severely impacted with Natural Gas Exploration & Extraction down 27%, Condensate Extraction down 6%, Petroleum Support Services down 10%, and Manufacturing of Petrochemicals down 7.7%. For Jan-Nov 2021, LNG production fell 37% y/y. Natural gas production Jan-Aug 2021 was down 20% y/y to an average of 2,614 mcf/d. Oil production from Jan-Aug averaged 59 kbpd - half the level the country was producing in 2008. Foreign reserves fell 4% y/y in Nov 2021 to USD6.86 billion with the current level sustained by increased external debt and withdrawals from the Heritage & Stabilization Fund. Excluding the impact of these two factors, external reserves would have been at USD1.7 billion in June 2021, just over 2 months of import cover.
TOURISM	Stay-over: 2021: 1,088,969 (Oct) @50% of 2019 Cruise pax: 2021: 16,237 (Oct) @ 1.3% of 2019	n/a	Stay-over: 2021: 18,825 (Oct) @ 5.8% of 2019 Cruise pax: 2021: 0
GROWTH	-10% (2020) / +4.6% (2021 est)	-15.9% (2020) / -3.5% (2021)	-7.4 (2020) / -2% (2021 est)
RESERVES	 Source: Bank of Jamaica, Marla Dukharan	 Source: Centrale Bank van Suriname, Marla Dukharan	 Source: Central Bank of Trinidad and Tobago, Marla Dukharan
OUTLOOK	The EPOC finds BOJ forecasts for growth of 2-4% in FY 2022/23 to be reasonable as the tourism recovery strengthens, which could return the economy to pre-COVID levels in FY2022/2023. The IMF forecasts 2.7% growth in 2022, then averaging 2% to 2026.	For 2021, the National Planning Office expects a further contraction of 1.9%. The Govt has agreed on a program with the IMF as a debt / balance of payments crisis is underway. The IMF is projecting only 0.7% growth for 2021 and 1.5% growth in 2022.	The IMF forecasts growth of only 5.4% in 2022 and 2% in 2023, then averaging 1.6% to 2026. We also expect a balance of payments crisis to develop this year, absent significant reforms and economic recovery.