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S E R I E S

STUDIES AND PERSPECTIVES

ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

Foreign direct investment in the Caribbean

Trends, determinants and policies

Olaf De Groot
Miguel Pérez Ludeña

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35

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Olaf De Groot
Miguel Pérez Ludeña

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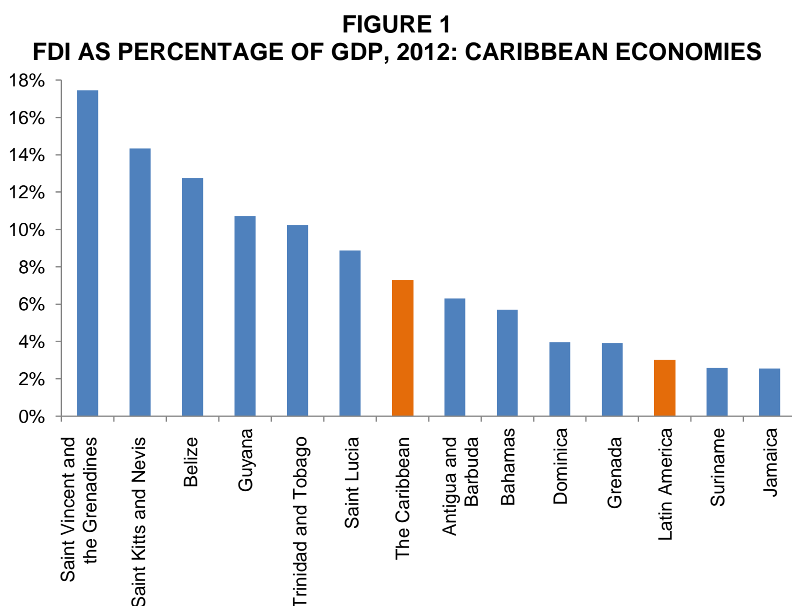
Abstract

The Caribbean receives some of the highest levels of Foreign Direct Investment (FDI) in the world, with many economies having FDI to GDP ratios above 10 per cent in 2012. In the recent past, FDI flows have been particularly volatile, with the financial crisis in 2008 greatly reducing FDI flows to the Caribbean, although they have recovered somewhat recently. One of the distinctive features of Caribbean FDI flows is that they appear to be relatively unprofitable, with FDI income significantly lower than in Latin America. This is possibly due to the sectoral pattern of FDI, which in most Caribbean economies is heavily slanted towards services, particularly tourism. In a small number of economies, natural resources play an important role, which requires relatively large capital outlays and is thus responsible for a large share of investment. While the United States used to be the most important investor in the region, nowadays other players, such as Canada and China, are also taking a keen interest. Finally, the report studies the use of FDI promotion policies. These are more extensive and prevalent in the Caribbean than elsewhere, but the evidence of their effectiveness to improve either FDI flows or the impact of such FDI flows on the local economy, is limited.

Introduction

Foreign direct investment (FDI) is extremely important for the Caribbean. Relative to their size, these economies receive very high levels of FDI flows, which means that a very high percentage of their economic activity is conducted by transnational corporations. The ratio of FDI inflows to GDP in the last year was 7 per cent for the whole sub-region, with many countries above 10 per cent (See Figure1). By comparison, Latin America has a ratio of 3 per cent and other developing regions do not surpass that level. Even compared with other small economies, like the Pacific Island States, the Caribbean countries stand out for receiving very high levels of FDI in relation to the size of their economies.

FIGURE 1
FDI AS PERCENTAGE OF GDP, 2012: CARIBBEAN ECONOMIES

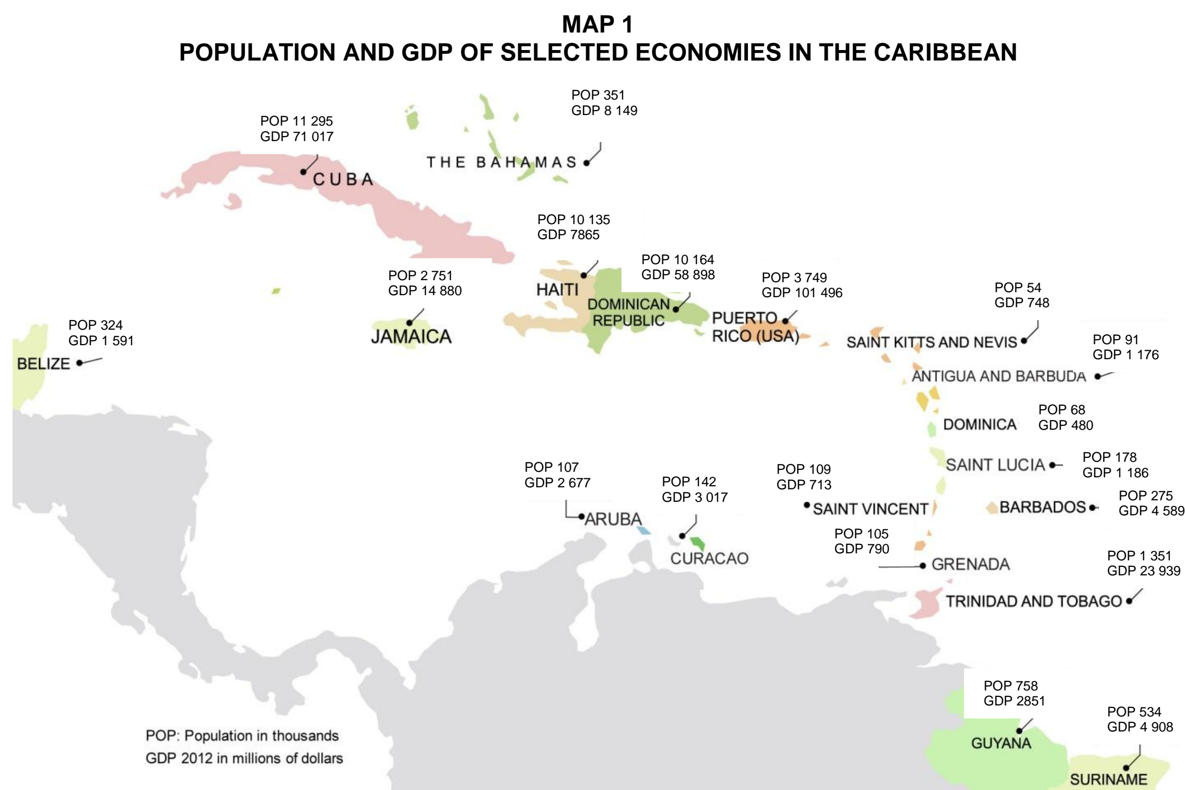


Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources.

The activities of transnational corporations in Trinidad and Tobago or Belize have much more impact for the local economies than they are in Brazil, Mexico or Chile, even if the absolute figures may seem small in comparison. Investment decisions made in Europe, the United States or Asia can have large impacts on the levels of investment, employment or tax receipts in Caribbean countries. Policies designed to maintain or attract FDI are particularly important in these countries in terms of both their potential benefits and their costs.

The Caribbean sub-region covered in this study will comprise the following ECLAC member countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname and Trinidad and Tobago. Some of the largest economies in the Caribbean region, Cuba, Dominican Republic and Haiti (see Figure 2), are not included because of their very different historical circumstances and economic structure.

MAP 1
POPULATION AND GDP OF SELECTED ECONOMIES IN THE CARIBBEAN



Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources.

Note: The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations.

Besides, there are twelve other economies in the Caribbean, which are associate members of ECLAC but not fully independent states. They are: Anguilla, Aruba, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Guadeloupe, Martinique, Montserrat, Puerto Rico, Turks and Caicos Islands and US Virgin Islands. Information about FDI inflows into most of these economies is very incomplete. The Cayman Islands and the British Virgin Islands operate as off-shore financial centers for transnational corporations and as a consequence register huge inflows and outflows of FDI that have no relation to productive activities in those economies. Puerto Rico is the largest economy in this group and attracts large flows of FDI (more than the entire Caribbean region during several recent years), while many others do not register FDI inflows at all.

The Caribbean region, however defined, consists of a blanket of organizations with different identities and jurisdictions. The most advance cooperation exists between the members of the

Organization of Eastern Caribbean States (Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia, as well as the ECLAC associate member states of Anguilla and Montserrat), which share a central bank and a relatively advanced level of cooperation. The primary pan-Caribbean organization is the Caribbean Community (CARICOM), whose membership includes all the Caribbean states we discuss in this report, plus Haiti and Montserrat. The membership of CARIFORUM, which is another entity that could play a role in with respect to FDI includes all the members of CARICOM, except Montserrat, plus the Dominican Republic.

The next section of the document will describe the recent rise and fall of FDI inflows in the region, with particular attention to the effects of the global financial crisis. Section 2 will then describe the most relevant investments sector by sector, grouping them in natural resources, market seeking and export seeking activities. Section 3 will review the policies in place for attracting FDI, which often include very generous incentives for investors. Finally, section 4 summarizes the main conclusions.

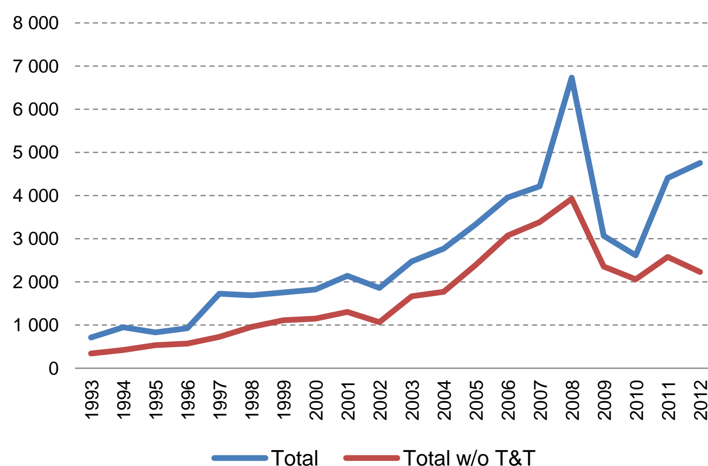
I. The rise and fall of foreign direct investment in the Caribbean

Foreign direct investment flows in Caribbean countries, like anywhere else, are volatile following the economic cycle and local conditions. In this section we will review the aggregate figures and analyze the main determinants of the FDI inflows into the Caribbean. In the next one there will be a more detailed description of FDI in different sectors of the economy.

Like in other developing regions, FDI flows in the Caribbean have been rising steadily since the early 1990s. In 1997 they almost doubled from the previous year to reach 1.7 billion dollars and, after a small dip in 2002, they kept rising until 2008, when they topped 6.7 billion dollars, on the back of several large transactions in some of the largest countries. Internally this rise was determined by rise of internal demand in these countries and some privatization and liberalization programmes in telecoms and electricity. Outside influences were also at play, notably a rise in tourism arrivals and availability of finance for projects, including in real estate development.

The global financial crisis that started in that year had a more pronounced effect in FDI flows in the Caribbean than in other developing regions. The recovery in investor confidence after the crisis has been remarkably different in the Caribbean and in the rest of developing countries. While FDI inflows in Latin America and other developing regions contracted in 2009 but soon started to grow again reaching new records in 2011 and 2010, this has hardly been the case in the Caribbean. Indeed, the rise in FDI inflows in 2011 and 2012 can be credited exclusively to the rise in Trinidad and Tobago (see Figure 2). FDI in that country jumped from 549 million dollars in 2010 to 1.8 billion in 2011, but a change in methodology in that year prevents a comparison between those figures.

FIGURE 2
1993-2012 FDI INFLOWS IN CARIBBEAN ECONOMIES



Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources.

This general trend of increased inflows up to 2008 and a sharp contraction afterwards has taken place in most countries in the region (See Table 1). More prcisely it has been the case for Bahamas, Jamaica and the six countries that belong to the Organization of Eastern Caribbean States (OECS): Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia. As noted before, FDI inflows are still very high in some of these nations compared to the size of GDP. This is particularly the case in Saint Vincent and the Grenadines and Saint Kitts and Nevis. Barbados received higher than ever inflows in 2011. Belize and Guyana have bucked the trend, receiving in 2012 more FDI than they did before the crisis and Trinidad and Tobago has also received substantially more FDI in 2012 than in previous years, although as mentioned above, the change in methodology in 2011 makes direct comparisons impossible.

The common feature of Belize, Guyana and Trinidad and Tobago (together with Suriname) is that they are the countries in the Caribbean with abundant natural resources, be it in the form of land, minerals or hydrocarbons. They are therefore the countries that have been able to benefit from the rise in the prices of commodities and attract more investors interested in the natural resources sector (more detail in the next section). The rest of economies in the Caribbean rely almost exclusively on services and their economies have suffered more from the global financial crisis, especially through a drop in tourism revenues. Suriname's official figures on FDI (which report net divestments through most of the previous decade) included only bauxite mining until 2010 but were expanded to other mining activities and a small part of the services sector in recent years.

Overall, the decline in FDI inflows has been more marked in the Caribbean than anywhere else. In 2009 FDI inflows dropped 33 per cent worldwide and 54per cent in the Caribbean. Moreover, while Latin America, Asia and, to a lesser extent, Africa and Eastern Europe quickly recovered from the crisis and were soon attracting as much FDI as they did before the crisis, the same has not happened in the Caribbean.

TABLE 1
FDI INFLOWS IN CARIBBEAN COUNTRIES 2000-2012: AVERAGE BEFORE AND AFTER CRISIS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua and Barbuda	67	112	80	179	95	238	361	341	161	85	101	68	74
Bahamas	301	144	181	236	529	641	843	887	1 032	753	960	971	465
Barbados	55	87	81	167	127	240	342	476	464	247	290	532	n/a
Belize	30	61	26	42	119	155	117	150	180	113	100	99	195
Dominica	20	21	21	32	27	32	29	48	57	43	25	14	20
Grenada	39	61	57	91	66	73	96	172	141	104	64	45	23
Guyana	67	56	44	26	30	77	102	152	179	164	198	247	294
Jamaica	468	614	481	721	602	682	882	866	1 437	541	228	218	381
Saint Kitts and Nevis	99	90	81	78	63	104	115	141	184	136	119	112	101
Saint Vincent and the Grenadines	38	21	34	55	66	41	110	121	159	111	97	86	126
Saint Lucia	58	63	57	112	81	82	238	277	166	152	127	116	113
Suriname	-97	-27	-74	-76	-37	28	-163	-247	-231	-93	-248	70	70
Trinidad and Tobago	680	835	791	808	998	940	883	830	2801	709	549	1 831	2 527
Total	1 824	2 138	1 860	2 471	2 767	3 333	3 953	4 216	6 728	3 065	2 610	4 409	4 397

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources

The reason for this divergence lies mainly in the poor economic performance of Caribbean countries since 2008. The 13 economies covered in this report contracted by 3.1 per cent in 2009, had negative growth again in 2010 (-0.1 per cent) and grew very modestly in 2011 (0.4 per cent) and 2012 (0.9 per cent). This hides the fact that that in 2012, there was significant variation, with Belize and Guyana growing with 5.3 per cent and 4.8 per cent respectively, and, at the other side of the spectrum, Saint Lucia and Dominica shrinking by 3.0 per cent and 1.5 per cent respectively

Caribbean economies that were dependent on tourism have suffered most. Data from the World Tourism Organization shows that growth in tourism after 2008 has been only 1.1 per cent annually in the Caribbean, compared to 3.3 per cent worldwide. Of course these numbers hide a large amount of variation between countries, which relates to the economic performance of the different economies.

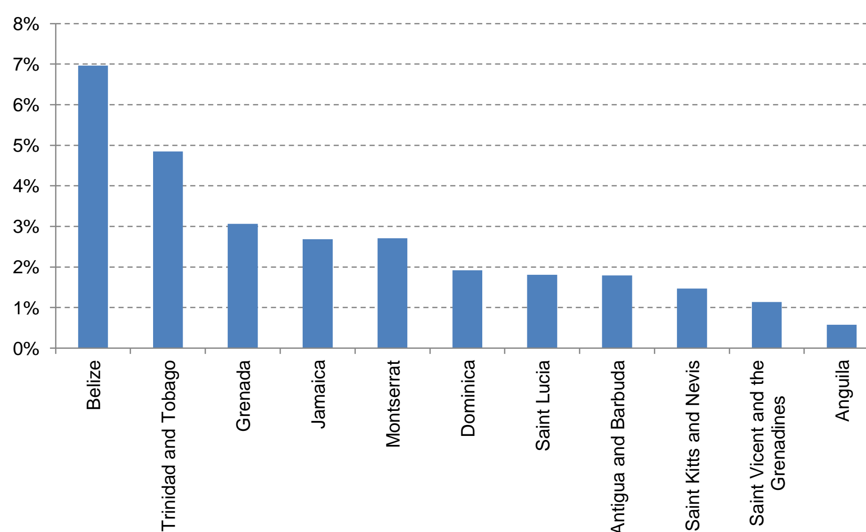
As a consequence of the economic crisis the fiscal position of Caribbean governments worsened. In 2009, the average budget deficit in the Caribbean stood at 4.2 per cent of GDP, including two countries (Antigua and Barbuda) with deficits exceeding 10 per cent of GDP. By 2012, the average budget deficit decreased only minimally to reach 4.0 per cent of GDP. During that period the fiscal balance of five countries worsened (Bahamas, Dominica, Guyana, Saint Kitts and Nevis, Saint Lucia and Suriname), with their average deficit going from 1.3 per cent to 4.9 per cent of GDP. The levels of public debt are unsustainable in several countries. Jamaica and Saint Kitts and Nevis have levels of public debt above 100 per cent of GDP and Grenada and Belize had to restructure their debt recently.[1] Jamaica's budget deficit reached 5.1 per cent of GDP in 2012 and the country had a debt burden of approximately 133 per cent of GDP (CEPAL, 2013), requiring an intervention from the International Monetary Fund in 2012. The macroeconomic environment is thus not conducive to significant Foreign Direct Investment in many Caribbean economies. After all, the fiscal imbalances imply that there will be a need for fiscal consolidation in the future, thus adding a level of uncertainty. Additionally, the fiscal imbalances also lead to the possibility that there will be a sustained economic slump and fewer opportunities of profitable investment.

As a result of poor economic growth, transnational corporations have not made returns in the Caribbean as high as they have done in other developing regions, especially compared with Latin America. Measured by FDI income over FDI stock (as a proxy for profitability of foreign subsidiaries) the Caribbean economies have underperformed compared to Latin America, FDI profitability in the Caribbean has been modest over the past five years. Figure 4 shows the average FDI profitability for countries in the subregion for the period 2007-2011. Belize and Trinidad and Tobago have the highest rates, with 7 per cent and 5per cent respectively and the rest are below 3 per cent. These figures are substantially lower than the average for Latin America which is 7.8 per cent over the same period. They were also substantially lower in the year 2007 just before the financial crisis (6per cent in the Caribbean against 12 per cent in Latin America), suggesting that the profitability gap is not only an outcome of the financial crisis.

Not only is the level of FDI profitability in the Caribbean low compared with Latin America, over the past decade their trends have been divergent. FDI income in Caribbean economies with data grew from almost 1 billion dollars in 2000 to 1.6 billion dollars in 2008, before dropping as a result of the crisis. Over the same period FDI income in Latin America multiplied by five (always at current prices). As it is the case with FDI inflows, Trinidad and Tobago registers a sudden jump in FDI income due to a change in methodology.

1 http://www.ft.com/intl/cms/s/0/f2bcee8a-d299-11e1-abe7-00144feabdc0.html#axzz2b6S4ZNQk.

FIGURE 3
FDI INCOME AS PROPORTION OF FDI STOCK, 2007-2011



Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources

TABLE 2
FDI INCOME OUTFLOWS FROM CARIBBEAN ECONOMIES
(Millions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Anguilla	10	8	7	6	5	4	4	4	11	9	1	1
Antigua and Barbuda	22	26	2	24	25	31	42	44	41	36	33	41
Belize	31	33	33	31	42	35	52	87	107	56	102	40
Dominica	33	19	18	16	22	23	7	13	13	13	8	5
Grenada	28	34	32	26	25	23	22	36	32	55	31	21
Jamaica	290	301	434	326	362	454	376	533	376	232	127	112
Montserrat	3	1	3	1	2	2	2	3	3	3	3	3
Saint Kitts and Nevis	21	23	23	23	20	20	20	23	23	20	18	19
Saint Vincent and the Grenadines	13	11	15	21	25	22	23	20	18	12	11	7
Saint Lucia	33	31	23	32	49	51	34	45	52	35	32	12
Suriname	51	96	37	40	62	45	55	0	0	1	100	266
Trinidad and Tobago	381	374	295	489	271	566	722	664	904	781	627	3 069
Total	916	957	944	1 036	909	1 276	1 359	1 471	1 579	1 255	1 094	3 595

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources

The percentage of FDI income that is repatriated is higher in Caribbean economies than in Latin America, suggesting that the poor business environment acts as a disincentive for reinvestment of profits.

An important point to consider is that many Caribbean economies have increasingly widening trade deficits. For example, the total CARICOM trade deficit, excluding Trinidad and Tobago steadily widened from 1 per cent of GDP in 1994 to 24 per cent of GDP in 2008, before recovering to 10 per cent

of GDP in 2009 (ECLAC 2010). With such large trade deficits, and the associated current account deficits, inflows from other sources are necessary to balance the books, particularly in the case of Caribbean countries, many of which have fixed exchange rates with the US dollar. While remittances may play a significant role here as well, it is certainly the case that having significant inflows of foreign capital in the form of FDI can help the overall balance in the short run.

Whereas in the short run, Balance of Payments problems may be reduced by FDI inflows, in the long run, this is a risky strategy. After all, current FDI flows lead to an outflow of FDI income in the future, particularly in a region like the Caribbean, where reinvestment rates are relatively low and profits are more likely to be repatriated. Only if FDI can lead to a net expansion of exports (either through investments in export-oriented activities or through import substitution) will it have a clear positive effect on the external balance. Unfortunately, export-generating investment opportunities are limited beyond natural resources, and transnational corporations operating in the Caribbean often contribute to the trade imbalance through the import of components. In this they are sometimes assisted by public policies that often waive import duties to investors.

A. Main investor countries in the Caribbean

Official FDI data in the Caribbean does not show the nationality of foreign investors, with a few exceptions (see Table A.3 in the Annex). For the countries that present data the United States and the United Kingdom are the main investors, reflecting their role as the largest economy in the area and as the former colonial power respectively. Over recent years, the dominance of the United States has decreased in Trinidad and Tobago, even after making an exception for 2008, when a Canadian investor invested a sum so large that it has distorted overall regional statistics.

Beyond the official data, major investments from certain countries can be identified. Canadian banks (Royal Bank of Canada and Canadian Imperial Bank of Commerce) for instance have an important presence in many countries, as do Columbus Communications in telecoms. Spain has a strong presence through the investments of Repsol (mainly in Trinidad) and various tourism groups in Jamaica and other European investors.

Both Saint Kitts and Nevis and Saint Lucia have in the past years seen some inflows from other Caribbean economies, suggesting that this has likely been the case in other economies as well, although the disaggregated data is not available. What is known, however, is that in certain sectors, there is a strong geographic concentration of investors. Canada, for example, has a very strong role in banking, as well as in gold and bauxite mining.

A common thread for the countries of which data is available is the lack of investment coming from other Latin American countries. This differs strongly from the rest of Latin America, where cross-Latin investment has increased significantly (CEPAL 2013). Traditionally, this was the case since the (English-speaking) Caribbean has always been more integrated with the United States and its former colonial rulers in Europe than it has been with Latin America. However, increasing the integration between Latin America and the Caribbean would be one way to increase the level of FDI into the Caribbean economies. Only a few examples such as Cemex (Mexico) investments in Jamaica can be found in the countries covered by this report, but they can be expected to grow in the near future, for example by Brazilian investors in Guyana.

Investments from Asian countries are relatively common. Marubeni (Japan) and Kepco (Korea) operate electricity services in Jamaica and in recent years there has been a strong inflow of Chinese investments. The largest operation has been the acquisition of 10 per cent of the gas liquefaction plant in Trinidad and Tobago in 2011 for 850 million dollars by China's sovereign wealth fund. Bosai Minerals is also an important investor in bauxite mining in Guyana. But the most common Chinese investments in the region takes place in infrastructure construction (mostly large public works) often through deals that include financing from Chinese banks and also the introduction of labor from China. The largest of these deals (which are not officially classified as FDI) is the Bahamar tourism project in Bahamas, currently

under construction and which is expected to cost up to 3.5 billion dollars, of which 2.5 billion dollars are a credit from China's Exim Bank.[2]

BOX 1
ASSOCIATE MEMBERS OF ECLAC

Data availability for the Associated Members is unfortunately still limited. The French overseas departments do not publish separate FDI statistics, and neither does the US Virgin Islands. Several of the other economies' authorities do not publish data on the balance of payments or the flows of Foreign Direct Investment. Those that do are primarily small economies with limited in- or outflows. Table 2 represents the most up-to-date information available concerning flows of Foreign Direct investment from the different Associated Members.

Neither the British Virgin Islands, nor the Cayman Islands have published their FDI data for 2012 and in any case, their FDI data are significantly distorted by investments that do not represent productive investments in those territories. [a] Rather, they represent these economies' functions as financial centers. As we are primarily interested in productive investment in the Caribbean, we choose to leave out those two economies.

While Puerto Rico did not previously appear as a separate territory in previous editions of this report, it is in fact the largest recipient of FDI inflow in the Caribbean. This is not surprising, since it is also the largest economy in the Caribbean. For international investors, Puerto Rico is thus an attractive place to invest, particularly since it can act as a bridgehead between the US market and the markets of Latin America and the Caribbean. Until 2008, FDI into Puerto Rico increased rapidly, reaching more than US$ 13 billion. Since then, there has been a steady decrease, but this trend may now be reversed. While the 2012 data is not yet available, some relatively eye-catching investments did take place, primarily in the telecommunications, public utilities and pharmaceutical manufacturing industries. Altogether, it appears likely that FDI into Puerto Rico increased during 2012, but it is unlikely to have reached the heights it did previously. The economy is particularly strong in attracting investment in the pharmaceutical manufacturing industry, testified by Bristol-Myers Scuibb's 2006 and 2012 announcements of investment projects, as well as a 2007 announcement from Eli Lily and Co and a 2012 announcement of Johnson & Johnson.

FDI flows to the Turks and Caicos Islands have been relatively stable over the past few years, and while the 2012 data is not yet available, there is no evidence that suggests that this has changed during the past year. The Bermuda Islands, on the other hand, benefited from several large investments during 2012, including a 196 million USD acquisition of an oil and gas exploration company and two acquisitions of different insurance companies, totaling 492 million USD. The Bermudan economy is much more integrated with the North American economy than it is with the Caribbean economy, so it is not subject to quite the same pressures.

Dutch-speaking Aruba and Curacao both are relatively dependent on tourism in their overall economy and are this largely dependent on the international tides of tourism inflows. In Aruba, the flow of investment was most strongly affected by the 2012 closure of the Valero refinery, which may be refurbished for different means, but still represents a significant divestment. Apart from this temporary drop in FDI, Aruba has been relatively successful in attracting FDI in its tourism sector.

Finally, the two members of the OECS represent only a very small share of international FDI. In Anguilla, FDI inflows reached a peak in 2006 and have been on a decreasing trend since. In 2013, the government has signed a Memorandum of Understanding with AJ Capital from the United States for a 20 million USD hotel investment, which should boost future FDI somewhat. Montserrat continues to receive little in terms of FDI, with the continuing activity of the volcano on the island.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official sources.

[a] During 2007-2011, average annual inflows of FDI in the Cayman Islands were more than 500% of GDP, while in the British Virgin Islands they were around fifty times GDP per year.

Indian companies have a more limited presence than Chinese ones do, but they are important in Trinidad and Tobago and in Guyana, the countries with the highest presence of Indian-descendents among their population. Baroda Bank (present in both of these countries as well as in Bahamas) is probably the largest investor, but there are a number of smaller Indian companies across all sectors.

Intra-Caribbean investments are also limited in scope, despite the liberalization that took place under the Caricom Single Market and Economy, but can be important in certain sectors like agriculture

[2] Belize, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia and (until recently) Dominica are among the 22 countries in the world that maintain full diplomatic relations with Taiwan Province of China and they receive some FDI from Taiwan-based companies. The presence of these countries in the region has spurred diplomatic initiatives by China in other Caribbean countries which often include development aid in the form of loans for infrastructure development. It is through these loans that many Chinese construction companies operate in the Caribbean.

or air transport. Trinidad and Tobago registers the largest FDI outflows in the region (1.3 billion dollars in 2012) and we can presume that some of it is directed to other Caribbean countries. Some companies with a presence across the region are headquartered in Caribbean countries but their capital and management may come from third countries. The most important examples are the telecom operators Digicel (Jamaica-based) and Flow (Barbados), whose founders come from Ireland and Canada respectively.

II. Analysis of FDI by sector

The general trends observed in FDI inflows over the past decade can be best explained analyzing which sectors receive most FDI in the sub-region. This also correctly reflects the fact that the economies in the region consist of two distinct groups: those that are based primarily on the production of goods (mostly natural resources) and those that are service-based. The most important export-oriented services in the region are tourism and Business Process Outsourcing (BPO), including call centers.

Information about FDI disaggregated by sector in the Caribbean is limited. Only Trinidad and Tobago, Jamaica, Belize, Guyana and the OECS countries report, and in most of them the information has important gaps. In most of the Caribbean economies, the majority of investment is in the services sector. This accounts for the majority of investment in the OECS states, as well as in Belize. The two other economies from which data is available (Guyana and Trinidad and Tobago), are primarily driven by investments in natural resources (with 2008 being an exception in Trinidad and Tobago because of a large acquisition in banking).

In Jamaica, Guyana and Belize a majority of FDI is directed to market-seeking services such as telecoms or finance. In Trinidad there is a clear dominance of the oil and gas industry, while in the small economies of the OECS tourism and related activities are the most important. This is shown in more detail in Table A.2 in the Annex. That table also shows that manufacturing plays only a marginal role in the Caribbean. Not in a single country does FDI in manufacturing make up more than 12 per cent of all incoming FDI during the most recent year for which data are available.

Table 3 shows a list of the largest Mergers and Acquisitions (M&As) in the Caribbean since 2001. Some things are immediately visible. Different from project announcements, the majority of M&As are not in sectors related to natural resources. Rather, many of the M&As are in market-seeking activities, such as banking services and public utilities. There are also a good number of operations in oil and gas infrastructure and logistics. This information is discussed in more detail in the different subsections below.

TABLE 3
LARGEST MERGERS AND ACQUISITIONS DURING 2001-2012

Year	Company	Country of origin	Assets acquired	Seller located in	Assets located in	Sector	Amount
2002	Canadian Imperial Bank of Commerce	Canada	Barclays banking assets	United Kingdom	Caribbean	Banking	609
2006	K-Two Holdco Ltd	United States	Kerzner International	Bahamas	Bahamas and global	Tourism	3 635
2006	Canadian Imperial Bank of Commerce	Canada	First Caribbean International Bank (39 %)	United Kingdom	Barbados and Caribbean	Banking	999
2006	Regal Forest Holding	El Salvador	Courts assets in Caribbean	United Kingdom	Caribbean	Banking	609
2007	Marubeni	Japan	Jamaica Public Services (80%) and more	United States	Jamaica, Bahamas, Trinidad and Tobago, Curacao	Utilities	1 082
2008	Royal Bank of Canada	Canada	RBTT Financial Holdings	Trinidad and Tobago	English-speaking Caribbean	Banking	2 235
2008	First Reserve Corporation	United States	Bahamas Oil refining Corporation	Venezuela (Bolivarian Republic of)	Bahamas	Oil infrastructure	900
2009	Abu Dhabi National Energy	United Arab Emirates	Jamaica Public Service (80%) and more	Japan	Jamaica, Bahamas, Trinidad and Tobago, Curacao	Utilities	320
2011	Buckeye	United States	Vopak Terminals Bahamas	United States	Bahamas	Oil infrastructure	1 982
2011	HNA Group	China	GE SeaCo	United States and Barbados	Barbados	Logistics	1 049
2011	China Investement Corporation	China	Gas liquefaction plant (10%)	France	Trinidad and Tobago	Oil and gas	850

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Thomson Reuters.

A. Investments in natural resources

In four of the countries in the Caribbean, the economy is primarily driven by natural resources and FDI reflects this. Guyana and Suriname are large players in gold and bauxite, Belize is driven primarily by agriculture and oil and Trinidad and Tobago is a major oil and gas producer. Some other economies do export agricultural products as well, but only on a small scale, while Jamaica has bauxite production too.

Barbados, Belize and Suriname all produce petroleum on a small scale, with Barbados producing 1.00 thousands of barrels a day (tbd), Belize 3.24 tbd and Suriname 15.83 tbd, according to the US Energy Information Agency. While these are small amounts in a global context, these are not insignificant for the local economy, particularly in the case of Suriname. Furthermore, these burgeoning petroleum industries are associated with extensive exploration plans, which require significant

investments. In each of these countries, government-controlled entities are actively participating in the oil exploration attempts, but once more oil is struck, it is likely that further FDI is required. In Suriname, during 2012, two new foreign investors signed contracts with state-owned Staatsolie: Apache Corporation and Tullow Oil. There are important exploration efforts in other countries in the Caribbean, notably in Guyana (where Repsol opened an affiliate in 2012), as well as in Barbados.

In Trinidad and Tobago, 81.73 tbd is produced and the country already has significant proven reserves of petroleum (730 million barrels according to the US Energy Information Agency). As a result, the oil and gas sector now contributes some 45per cent of GDP in Trinidad and Tobago. Trinidad and Tobago has become less diversified since the boom in gas production. There are two state-owned companies operating (Petrotrin and NGC) but the majority of production is carried out by transnational corporations. Many large international companies operate in the country, some of them since the 1940s, but the largest investors are BP, BG, BHP (all from the United Kingdom) and Repsol (Spain). These companies sign production-sharing contracts with the Government, which are negotiated case-by-case. Since mining and oil exploration tend to be highly capital intensive, they contribute significantly to FDI inflows. As a result more than 90 per cent of FDI inflows in Trinidad are in the oil industry (except in 2008).

The government of Trinidad and Tobago is aware of the risk of become too dependent on oil and gas exports and is thus eager to diversify. Other than promoting investments in other sectors, one key strategy is to transform Trinidad and Tobago in a center for services in the oil and gas industry worldwide, rather than only a location for oil and gas extraction. As part of this strategy the Government is pushing for Petrotrin and NGC to invest in projects abroad, notably in Africa.

Mining is particularly important in Guyana and Suriname, and also plays a minor role in Jamaica. In Guyana, the largest companies are Bosai Minerals (from China) and Rusal (Russia), both extracting bauxite for the production of aluminum. Gold mining is usually carried out through small-scale operations, mostly by local or Brazilian companies, but recent explorations may lead to larger investments. In Suriname, the bauxite industry used to be very important, but it has lost importance to both gold and petroleum. In the gold-mining industry, however, Canada's Iamgold has invested significantly in the country, as did other players in the global gold industry. Analysis by the Economist Intelligence Unit shows that an influx of some 1-1.5 billion USD is expected during 2013-16, including the expansion of the Gross Rosebel goldmine (95per cent owned by Iamgold) and the development of the Merian gold mine (in a joint venture between two US-based corporations). Jamaica produces bauxite and limestone since 1952. Rusal and Cemex (from Mexico) are the major companies, but in recent years, however, there has not been much new investment and the industry's contribution to FDI is relatively small. However, the government is hoping to revitalize the industry in the future. In 2013, Nippon Light Metals has opened an exploratory US$ 3 million project searching for rare earths as well. If the test mine is going to be successful, this may prove to be a booster for future FDI in the mining sector.

In addition to these capital intensive exploration investments, some economies have been able to attract investment in the more downstream activities of processing such resources. This has been the case in Suriname, Trinidad and Tobago and Jamaica. These activities are also capital-intensive and thus impact even stronger on the FDI balance sheets of the economies in question. Since such plants are considered to be manufacturing, we discuss them in more detail below.

Agriculture is a sector that receives relatively little FDI in any country (ECLAC 2013) but where investments can have large impacts on the production structure and livelihoods of rural populations. Belize and Guyana have received some FDI for agriculture projects mostly for production of rice and sugar. These investments typically come from neighboring countries: Trinidad and Barbados in Guyana and Central American countries in the case of Belize. Investors from Asia are also showing an interest in large projects for sugar and palm oil, mostly in Guyana and in Suriname. In 2007 Complant Sugar from China bought assets in Jamaica for 92 million dollars in sugar production, including a lease 30,000 ha for 50 years. In Belize, 79.1 per cent of the formerly fully state-owned Belize Sugar Industry (BSI) was sold in 2012 to American Sugar Refining. This is an investment that both affects agriculture, as well as food manufacturing, and involved a total of US$ 100 million. Indeed, productivity in the sugar industry has improved, which

augurs well for its sustainability. The final important agricultural sector is logging, which in Guyana is also a sector with foreign investors, although very little information is available.

B. Investments in market seeking activities

Investments in market seeking activities concern investments by companies that want to make use of the customer base in the Caribbean. While the individual economies may be relatively small, more and more companies consider the region as a whole and are thus able to target the larger consumer base altogether. These market seeking investments are mostly limited to a small number of sectors however. They include banking, utilities, telecommunications and retail.

Banking is one of the most active sectors in the Caribbean, with several large international players active in the pan-Caribbean market. The three largest banks in the English-speaking Caribbean are all controlled by Canadian banks, in fact. As argued in popular media(The Economist 2008), this is due to the fact that Canadians are viewed as less threatening than either the United Kingdom, or the United States. More specifically, Canadian Imperial Bank of Commerce (CIBC) operates under the name of CIBC FirstCaribbean International Bank, which combined CIBC's existing assets with those of Barclays in 2002 originally. In 2006, CIBC extended its hold over the operation, which by then became among the largest banks in the region. It has operations in seventeen jurisdictions throughout the English- and Dutch-speaking Caribbean. Royal Bank of Canada (RBC) participated in one of the largest M&As of recent years when it took over RBTT Financial Holdings in 2008 for US$ 2,235 million. RBTT Financial Holdings has operations in nine jurisdictions, including Trinidad and Tobago, where it was originally founded and since 2004, in Barbados, where it acquired the Caribbean Commercial Bank. The third Canadian bank active in the Caribbean is Scotiabank, which is very active in Latin America as well. Since 1970, it has expanded to an active presence in nearly all jurisdictions, through autonomous expansion, as well as M&As. Other international banks play smaller roles: Bank of Baroda from India has had a presence in Guyana since 1965, and has recently also invested in the Bahamas and in Trinidad and Tobago, hoping to serve the Indian expatriate communities in those areas.

Surprisingly, beyond consumer banking, the financial industry is less prominent the countries we cover in this report than it is in other countries, such as those in Latin America. The Caribbean's reputation for off-shore financial activities does not do the region justice.

Off-shore financial activities are highly prominent in certain associated member states (Bermuda, British Virgin Islands, Cayman Islands), but not in the economies covered in this report. In the few countries that present FDI data by sector, financial services do not receive a particularly large share of FDI inflows, suggesting that foreign financial institutions do not use these countries as a base to serve customers in third countries. Having said that, many of the economies in the Caribbean have been criticized for a perceived lack of financial transparency. However, most economies have made significant progress in compliance. The OECD (2012) reports on compliance with the overall standards of financial transparency presents an analysis for ten Caribbean member states, as well as eight associate members. Table 4 describes how many of the required standards are implemented in different economies (columns). It also shows the OECD's finding on whether the elements are sufficiently implemented or whether they are "in place, but need improvement". Interestingly enough, some of the worst performers from the Caribbean are not in fact those generally recognized as off-shore financial centers, but rather economies in which a lack of institutional capacity can be blamed for the absence of sufficient checks and balances.

TABLE 4
ANALYSIS OF OECD (2012) CONCERNING FINANCIAL TRANSPARENCY, ANALYZING NINE MEASURES OF TRANSPARENCY

	All in place	Missing one	Missing two or more
Complete		Antigua and Barbuda	
1-2 elements need improvement	Saint Kitts and Nevis *Bermuda* *Cayman Islands* *Turks and Caicos Islands*	Saint Vincent and the Grenadines *Anguilla* *British Virgin Islands* *Montserrat*	Trinidad and Tobago
3-4 elements need improvement	*Curacao*	Grenada Saint Lucia	Dominica Jamaica
5 or more elements need improvement	Barbados *Aruba*		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from OECD (2012).

Note: Economies in cursive print are associate member states.

Electricity services (both generation and distribution) in every Caribbean economy are delivered by a single company that operates as a monopoly. For this reason the State normally maintains control of the company and in some cases (Guyana, Suriname, Saint Kitts and Nevis) is the only owner. In most countries however there is a degree of private participation, most of the times with a foreign company.

The largest acquisitions in the sector took place in Jamaica, who privatized 80 per cent of Jamaica Public Services Ltd (JPS) in 2001 to Southern Co of the United States for an estimated US$ 200 million. This company sold this in 2007, together with other assets in Bahamas and Trinidad and Tobago to Marubeni of Japan for US$ 1,082. Today JPS is 40 per cent owned by Marubeni, 40per cent by KEPCO of Korea and 20per cent by the Government. Marubeni also owns 39per cent of the only electricity generator in Trinidad and Tobago (the Government has 51per cent and BP 10per cent). Emera from Canada is another important player, controlling the electricity supply in Barbados and Grand Bahama island. Indirectly through its subsidiary in Barbados, they also own stakes in Saint Lucia and Dominica, illustrating the importance of cross-caribbean investments. Fortis from Canada is the main owner of the power company in Belize, and also owns the service in Cayman Islands.

Foreign companies have maintained the service but have not managed to change the structure of generation (too reliant on expensive liquid fuels) and therefore electricity remains expensive in Caribbean economies, with the exception of gas-rich Trinidad and Tobago. Jamaica has rates of 25 cents of dollar per Kwh, Guyana 29 cents and in Barbados they reach 36 cents.[3] As a comparison, rates average around 8 cents in South America and 16 cents in Central America. Natural conditions of these countries (small, isolated and with few hydroelectric resources) are challenging for delivering cheap electricity. However, the push towards new renewable energy sources which has been observed in Latin America and which could partially alleviate the reliance on diesel generators has failed to materialize in the Caribbean. The most ambitious projects have been in geothermal energy (see Box 2).

[3] Data refers to industrial rates including taxes in 2010. Source: OLADE.

BOX 2
AMBITIOUS GEOTHERMAL PLANS FAIL TO MATERIALIZE

The island of Nevis consumes a maximum of 10 megawatts (MW) of energy annually, for which it spends $12 million on diesel for its power station. But explorations have suggested a huge geothermal reservoir capable of producing up to 500 MW of constant base-load power year-round. In February 2007 West Indies Power (WIP), a company based in Saint Kitts with North American, Caribbean and European shareholders, was awarded the contract to develop a 10MW plant that could radically transform electricity generation from a constant drag on the balance of payments and public accounts into an export opportunity and a source of competitiveness for the economy of Saint Kitts and Nevis. Unfortunately, construction has not started yet.

The project faced several obstacles, including the financial crisis of 2008 that dried up financing. Costs turned out to be substantially higher than initially estimated. Typical costs in other countries for this type of plant are in the range of $1,080 to $1,889 per kilowatt of capacity, but the most recent estimates put the Nevis plant at $6,470 per kilowatt of capacity. Political opposition in Saint Kitts and Nevis accuses the Government of mishandling the project and of awarding the contract without a publicly disclosed bidding process. "The details of the contracts with WIP have not been made public despite considerable clamor for them by the opposition and the press," argues Mark Brantley, deputy leader of the Concerned Citizens Movement. The delicate fiscal situation in Saint Kitts and Nevis forced to Government to withdraw the guarantee that had awarded to the project, at the request of the IMF, making it even harder to secure the financing needed.

The challenges for turning Saint Kitts and Nevis into a renewable electricity star are often observed in many other investment projects across the Caribbean. The first one is a complete reliance on outside financing, worsened by the fiscal crisis of most Governments, which made these economies particularly vulnerable to the global financial crisis. Second are the very high construction and operating costs that particularly affect the smallest Caribbean economies. Poor governance in projects that require public-private coordination can also add uncertainty and raise costs. Finally, the very small domestic market demands a scheme for exporting electricity in order to reach the desired scale. This will require not only a submarine cable to Puerto Rico or the Virgin Islands, but also an off-take agreement with customers in those economies.

Source: ECLAC based on Joe Jackson; "Island Blues: A Caribbean Country's Troubled Experiment with Geothermal Power" TIME, 6 February 2012. http://science.time.com/2012/02/06/island-blues-a-caribbean-countrys-troubled-experiment-with-geothermal-power/#ixzz2cA3G69Pn.

In telecommunications, the story of the Caribbean is focused on three companies in particular: Digicel, Cable & Wireless and Columbus Communications. The three are originally foreign companies (Ireland, UK and Canada respectively) who now operate exclusively in the Caribbean. Digicel, originally founded by Denis O'Brien in 2001 in Jamaica has expanded aggressively, taking over operations in newly liberalizing jurisdictions. It now operates in more than twenty jurisdictions in the Caribbean. It has invested greatly in this pan-Caribbean network, building a trusted network in diverse, and sometimes challenging, locations (See Box 3). The second large pan-Caribbean operator is LIME, owned by Cable & Wireless of Great Britain. Cable & Wireless used to be the standard-bearer in most of the English-speaking Caribbean and its Caribbean operations were renamed LIME in 2008. It operates in 14 jurisdictions and invests to keep up its coverage throughout the Caribbean: in 2011, it purchased 51per cent of Bahamas Telecom for US$ 210 million and it announced large investment projects in the Bahamas, Barbados, the Cayman Islands and Jamaica. Finally, Columbus Communications, operating under the brand name of Flow, offers digital cable television, broadband Internet and digital landline services in Trinidad and Tobago, Jamaica, Barbados, Grenada and Curaçao and as Karib Cable in St. Lucia, St. Vincent & the Grenadines and Antigua. América Móvil is one of the two main operators in Latin America has operations in Puerto Rico. It had large operations in Jamaica as well, but these were sold to Digicel 2011 in exchange for Digicel's operations in Honduras and El Salvador. Investments by these companies over the past decade have dramatically improved telecom services in the region, enabling the appearance of the BPO industry, among other benefits. Nevertheless, the expansion of telecom services has not been transformative in terms of facilitating higher value added services for export.

The largest foreign operator in retail across the Caribbean is Unicomer from El Salvador, which in 2006 bought the retail chain Courts (Table 3). This relatively rare example of investment from Latin America to the Caribbean was part of the build-up of a network of retail outlets. Similarly, in 2011, Walmart announced a US$ 200 million expansion of its Puertorican operations, where it already was the country's largest private employer. In 2005, KFC announced a large roll-out of store upgrades in Jamaica, investing up to US$ 250 million.

Other market-seeking investment comes from, for example, the airline industry. Caribbean Airlines is the largest airline of the region and the flag carrier of Trinidad and Tobago, as well as Guyana. In 2011, it acquired the airplanes and routes of Air Jamaica, making Caribbean Airlines the flag carrier of Jamaica as well. Other Caribbean airlines have smaller operations, and limited investment abroad.

There are also transnational corporations in manufacturing for the local market. Among the largest investors is Cemex, which owns 20 per cent of Trinidad Cement, the leading cement producer in the Caribbean with a presence in Trinidad and Tobago, Jamaica, Barbados, Anguilla and Guyana. In food and beverages, Swiss food manufacturer Nestlé has plants in Jamaica and Trinidad and Tobago, from where it produces for other Caribbean countries as well.

BOX 3
MAKING BIG MONEY IN SMALL PLACES

Digicel was established in April 2001 by Jamaican-based Irish entrepreneur Denis O'Brien. It used the opportunity created by the Jamaican government to start a mobile telephony network in the newly liberalizing country. This was greatly successful and the company was quickly able to challenge the previous monopolist Cable & Wireless for domination. At this moment, the company has a 70per cent market share in its home market, partly thanks to the takeover of América Móvil's operations in 2011.

After Jamaica, the company expanded quickly to become a truly Pan-Caribbean giant. In 2003, Digicel started operations in Aruba, Grenada, Saint Lucia and Saint Vincent and the Grenadines. The expansion of Digicel followed the wave of liberalization in the Caribbean and has increased competition in the markets where it has operated. In 2004, the company entered Barbados and the Cayman Islands and in 2005, it expanded to Anguilla, the Bermuda Islands and Saint Kitts and Nevis. While each of these economies is small, Digicel was able to combine all these operations to become large enough to be able to enjoy the economies of scale enjoyed in larger markets. However, telecommunications costs remain relatively high, thereby acting as a disincentive to the development of value added services.

2006 was the most important year in Digicel's existence, with expansion into eleven Caribbean economies, including Haiti and Trinidad and Tobago. But even more importantly, it started investing outside the immediate region as well. It expanded into El Salvador by purchasing an unrelated mobile phone operator called Digicel Holdings. This was the start of an expansion into Central America with subsequent investments in Honduras and Panama, although many of these investments were later sold to América Móvil. On top of the Central American expansion, 2006 was also the year during which Digicel started operations as Digicel Pacific. In this expansion, Digicel used its knowledge of operating in small economies to build up networks in six different pacific economies.

Finally, in 2007 and 2008, Digicel also made further investments in Suriname and the British Virgin Islands respectively. In 2012, the company acquired its main competitor in Haiti for US$ 97 million, making Haiti its most important market at this moment. It is also attempting to obtain operating permission in two countries that are larger than any of its current operations: Guatemala and Myanmar.

Through its expansion both within and beyond the Caribbean, as well as its pan-Caribbean view, Digicel is an exemplary trans-Caribbean corporation. It also proves that, when operationalized successfully, the Caribbean can truly work as a single market that can, in some aspects, be even more integrated than, say, the European Union.

Source: Data compiled by authors.

C. Investments in export-oriented activities

1. Manufacturing

Export-oriented manufacturing activities in the Caribbean are very limited due to high energy costs in all countries except Trinidad and Tobago and limitations in transport infrastructure. For these reasons, Caribbean countries covered in this report have not developed export-processing operations in any relevant scale as has been the case in Mexico, Central America or the Dominican Republic, despite competitive wages in many countries (minimum salary in Jamaica is 200 dollars a month).

Most of the manufacturing investments take place in processing of natural resources, although the most ambitious projects, such as aluminum smelters, have failed to materialize. Cemex produces limestone aggregate in Jamaica for exporting to other subsidiaries in the group. Complant Sugar (from China) operates sugar production facilities in Jamaica integrated within the sugar cane plantations. ArcelorMittal (the largest steel maker in the world based in Luxembourg) has a fully integrated mini-

mill in Trinidad and Tobago to produce billets and a wide range of medium to high quality grades of wire rods, with a total capacity of 2.7 million tons. Taking advantage of the very low price of gas, it is a competitive plant, exporting 90 per cent of its production through its own dedicated port.

It is important to note though that for specific economies, the impact of a single investment can be large, even if it does not feature prominently in the region's list of largest investments. After all, the economies in the region are relatively small and can thus be strongly influenced by such investments. A good example is Green Tropics Limited 2012 investment announcement in Belize. The Spanish company is proposing to invest in a plant to manufacture sugar and confectionary products and its investment will make up a significant portion of FDI inflows into Belize.

2. Tourism

Tourism is the economic mainstay in most of the economies in the region, which is why the global economic downturn, which has hit tourism hard, has been relatively tough on the region. Investments in the tourism sector, particularly for new projects, do not tend to be recorded as very large, when compared to, for example, investments in either natural resource extraction or natural resource processing. However, in recent years, several of the Caribbean economies have received significant tourism-related investments. With respect to announced projects, Jamaica has received the greatest portion of investment, with two 100 million dollar investment announcements in 2004 and five others of significant size in other years. In the Bahamas, four projects of significant size were announced and two recent ones were in Saint Lucia. Finally, Antigua, Belize and Saint Kitts and Nevis received one each recently. In many of these smaller economies, such announcements basically make up the majority of inflows of FDI in a significant period. Of course, if one compares the size of investments to the size of the economies, one can see that the impact of a single investment in one of the smaller economies can be much greater than the impact of all the investments in Jamaica put together.

The M&A situation has been a bit different in the region. In fact, among large M&As in the region in recent years, only two involve tourism businesses, and interestingly enough, it was the same one. In 2004, Kerzner International of the Bahamas was taken over in part by the Istithmar Group of United Arab Emirates and in 2006 the entire group was sold to K-two Holdco Ltd of the United States in the largest Leveraged Buy-Out (LBO) to ever take place in the Caribbean.

In Barbados, a Central Bank of Barbados report concerning the first quarter of 2012 mentions that the economy should benefit from investments in several tourism related projects, namely the Four Seasons, the Merricks Resort and Port Ferdinand. Port Ferdinand, which was started in 2009 and scheduled to be completed in 2015 appears to be on schedule still, whereas for the Merricks Resort, it is unclear whether construction is still continuing. The Four Seasons hotel chain was of the largest investments has recently come to Barbados. With significant financial support from the Barbadian government, a new resort was supposed to be built. However, after the financial crisis, the project was abandoned in 2011. During 2012, the Interamerican Development Bank (IDB) has stepped up with an additional loan that should see the project reinitiated during 2013. The Barbadian National Insurance Scheme (NIS), part of the government, also appears to be committed to invest in the project. The exact impact of this project on total FDI in Barbados is unclear, since FDI data concerning 2012 has not yet been released.

3. BPO

Telecommunications services in most Caribbean countries have improved dramatically over the past decade, mostly thanks to high investments by transnational corporations. This has allowed the development of business processing outsourcing (BPO) sector in many economies.

Considering the limitations for developing export-oriented manufacturing in Caribbean economies, BPO represents a unique opportunity for these countries to diversify from either natural resources or tourism. Caribbean economies have some advantages that they are trying to exploit, such as a relatively cheap and educated workforce, English language and a common time-zone with the United States.

Not all BPO activities are developed by foreign investors and there is no official data on FDI in this sector. Investment cannot be very high because of low capital intensity, but some estimates about employment give indication of the importance of the industry. In both Trinidad and Tobago and Guyana, the government estimates there are 3,000 direct jobs in BPO, and Jamaica also comes close to that figure. Most investors are foreign. While aggregated data is difficult to collect, examples include the 2006 announcement by Verizon and the 2003 announcement of National Assets Recovery Services (NARS) to establish customer care centers in Jamaica.

The level of sophistication in BPO operations (and therefore the value added for the economy) varies widely. In Guyana most BPO operations are call centers (the largest one employs 1,500 people), while in Trinidad and Tobago or Jamaica they process human resources and financial operations and have the objective to move up the value chain into legal, medical and animation activities.

BPO is a very volatile industry with few barriers to entry and exit, where most companies are in constant search of lower costs. Nevertheless the possibilities for job creation in relatively high-skilled activities have motivated Governments to provide very generous incentives. Most BPO operations in the Caribbean are entirely exempted from income tax.

III. Policies promoting FDI in the Caribbean

As noted above, the level of incoming Foreign Direct Investment (FDI) in the Caribbean is relatively high compared to other regions. Caribbean nations have an average FDI-to-GDP ratio of 7.3 per cent, compared to 3.0 per cent in the rest of Latin America. Small economies generally tend to have somewhat larger FDI ratios in general, and the region in particular has clearly done an excellent job in attracting significant amounts of FDI. Economies like Cayman Islands and the British Virgin Islands attract huge inflows due to their status as off-shore financial centers but are not considered in this analysis.

At the same time Caribbean countries provide some very generous incentives for investment, both financial and non-financial. While it is difficult to exactly quantify the size of FDI incentives, the policies in place in the region appear to be significantly more generous than those in other regions in world, possibly as a compensation for the high costs of doing business .

At first instance, one could conclude that the provision of these incentives has thus been very successful in attracting FDI. However, one cannot assume causality between these facts without further research. It may also be reasonable to assume that the region has other strong points and that the incentives provided are not the key reason for the high levels of investment. More importantly, even if causality between incentives and FDI income could be proven, it is important to question what the impact is of this FDI. After all, the positive impact of FDI is not proven beyond doubt (Carkovic and Levine 2002). Even if it were, one should still question whether the level of incoming FDI warrants the very generous FDI incentives from the region. It should be noted that such cost-benefit analysis in public policy can be very challenging and that further research is certainly required.

A. FDI promotion policies in the Caribbean

Bartels and De Crombrugghe (2009, p.2) argue that FDI Promotion Policies (PPs) are "…meant, at best, to shape – or even distort the economic environment of the host country in order to attract and retain higher levels of value-adding FDI". FDI PPs can include a range of different measures, but they can be separated into four different types:

- There are those policies that focus on improving the overall business climate, benefiting both domestic and foreign producers. Examples of such policies include reducing bureaucratic

hurdles in setting up a business, improving the judiciary by guaranteeing property rights or increasing the level of security in regions that require so.

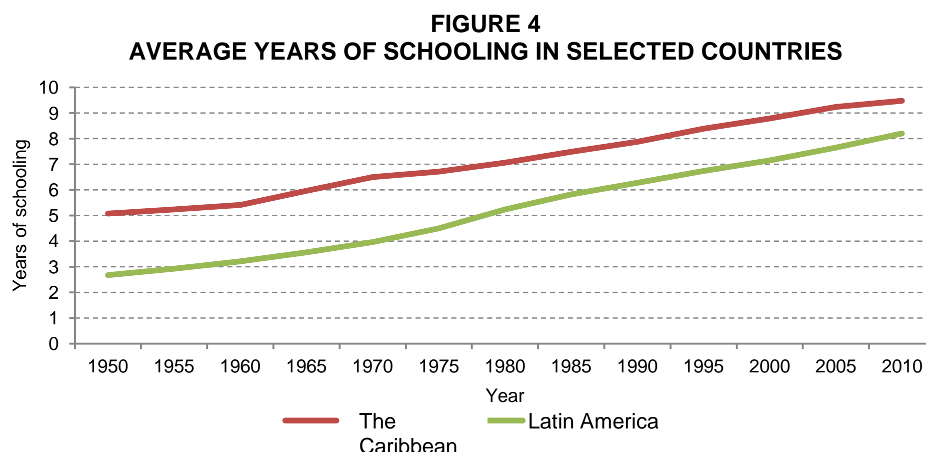
- Policies that focus on removing or reducing the challenges specific to foreign investors. For example, this may refer to liberalizing migration policies for foreign workers, guarantee non-discrimination in (government) procurement between domestic and foreign suppliers or concluding Double Taxation Agreements (DTAs) with other countries.
- Active investment promotion by an Investment Promotion Agency (IPA), which focuses on resolving informational asymmetries between foreign investors and domestic ones. Examples of this include the opening of trade offices in foreign countries, aimed to provide (marketing) information to potential investors, but also to assist potential investors in overcoming the challenges of investing in a new area.
- Finally, a range of policies is available that use financial measures to stimulate FDI. These primarily concern different types of tax holiday or exemptions from import and export duties. However, financially costly measures can also include generous grants or subsidies for the initiation or continuation of certain investments.

The first of these (improving the overall business climate) is likely to have the strongest impact on economic growth, since it stimulates both domestic and foreign investment. This method has long been used in the Caribbean, where many economies have very low corporate and income tax rates (there is no income tax in economies such as Anguilla and the Bahamas), but these have rarely moved beyond the realm of financial incentives. According to the World Bank's 2013 *Doing Business* report, most Caribbean economies do not rank strongly on the Ease of Doing Business. Only Santa Lucia (53rd) appears in the top 60. While not many perform as badly as Suriname (164th), the Caribbean performance according to this measure is middling at best. The reduction of bureaucratic hurdles and improvements in judicial efficiency are lagging compared to the rest of the world. Evidence for this has recently come from two different economies. In one example, the Kittitian government has ignored repeated rulings that some of its expropriations have been unlawful, leading the United States' State Department to issue a warning to potential investors. Similarly, the Caribbean Court of Justice is set to rule on the legality of Belize's nationalization of a controlling stake in Belize Telemedia Ltd.

Despite the shortcomings in business environment, the region continued to attract investment because of its strong comparative advantages. In surveys, investors suggest that the Caribbean location (close to the United States), natural resources (including 'natural beauty' used in tourism) and its English speaking labor force are all strong points for the region (CAIPA 2013).

Investors' impressions are corroborated by the data, for example on education achievement. The average number of years of education of the population over 15 in the Caribbean, at 9.48 years, exceeds those of Latin America at 8.21 years during the year 2010 (Barro and Lee 2012). Figure 5 shows, however that Latin America is catching up. While in 1950, the Caribbean population had spent 61per cent longer in education (2.40 years difference), by 2010 this decreased to a mere 15.5per cent difference (equivalent to 1.27 years). As a result, it is questionable whether this comparative advantage will continue to exist in the future.

FIGURE 4
AVERAGE YEARS OF SCHOOLING IN SELECTED COUNTRIES



Source: ECLAC on basis of Barro and Lee (2012).

Note: The Caribbean countries in the dataset are Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago.

Looking at governance indicators (Kaufmann, Kraay, and Mastruzzi 2009), the region also does somewhat better than Latin America and the Caribbean as a whole. Table 4 shows some averages from 2000 and 2011 across three different regions for the six categorical indicators. It can be seen that the Caribbean outranks the rest of Latin America consistently across the entire governance spectrum. However, it should be noted that the Caribbean levels of governance quality do not yet approach North American levels, except for its performance with respect to Political Stability. Two important things are required to qualify these numbers. First, one should look at the trends over time and second, one should recognize that there is a significant variability within the region as well as between regions.

On the first concern, it should be a significant worry that the Caribbean has significantly worsened its performance when it comes to two of the most important governance measures: regulatory quality and the rule of law. With respect to the first, there is a downward trend visible in other regions as well, but indicators on the rule of law are mostly stable in other regions, whereas the Caribbean worsens from a level of 0.49 in 2000 to 0.31 in 2011. To compensate for these trends, however, the controls on corruption have made a large jump in the Caribbean at the same time as it has worsened in, for example, North America. Finally, government effectiveness has improved in the Caribbean, although there is room for further improvement.

Within the region, the variation, both in levels and in trends is quite large. The best-performing economy, with respect to governance indicators, is Barbados, which in 2011 ranked highest in four out of six categories and in fact, exceeding the United States in four out of six categories as well. The primary concern is a strong downward slide on regulatory quality, where its score decreased from 1.26 to 0.61 between 2000 and 2011. Another good performer is the Bahamas, although its performance has dimmed significantly between 2000 and 2011. In both regulatory quality and the rule of law, it suffered decreases of more than 0.60 and it did not realize improvements in any specific indicator. In contrast, three economies have made large steps forward with respect to governance and now perform similarly well as the Bahamas: Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. All three have made very significant gains in government effectiveness and controls on corruption, in particular, while standing ground on most other indicators. Since these two indicators are amongst the most important with respect to business climate, it should be clear that these three economies have substantially improved their attractiveness as investment destinations.

Finally, there are some economies whose governance levels are closer to the levels found elsewhere in Latin America. Suriname's score on control of corruption has decreased from a reasonable 0.39 to very weak -0.36. In 2011, Guyana's performance is the worst in the region with respect to regulatory quality, control of corruption, voice and accountability and political stability. Only six countries in the Western Hemisphere perform worse than Guyana when it comes to the all-important regulatory quality indicator. Belize has gone from fairly middling to the second-worst governed

economy in the Caribbean, between 2000 and 2011, with both its government effectiveness and rule of law indicators being the worst in the region. The country has receded on all indicators, averaging a 0.29.

TABLE 5
KAUFMANN GOVERNANCE INDICATORS FOR DIFFERENT REGIONS IN 2000 AND 2011

Indicator	North America		Latin America		The Caribbean	
	2000	2011	2000	2011	2000	2011
Regulatory Quality	1.57	1.51	0.02	-0.15	0.36	0.18
Rule of Law	1.48	1.50	-0.52	-0.51	0.49	0.31
Control of Corruption	1.76	1.51	-0.33	-0.26	0.35	0.55
Government Effectiveness	1.65	1.42	-0.27	-0.26	0.32	0.47
Voice and Accountability	1.27	1.20	-0.06	-0.03	0.83	0.77
Political Stability/ Absence of Violence	0.92	0.86	-0.24	-0.29	0.51	0.60

Source: Economic Commission for Latin America and the Caribbean on basis of Kaufmann, Kraay, and Mastruzzi 2009.

Note: The scales for each of the indicators are between -2.5 and 2.5.

The second type of FDI PP relates to foreign investors specifically. In 1994, the members of CARICOM (with the exception of Suriname) signed a Double Taxation Agreement (DTA) between all its members. For the thirteen jurisdiction that levy income tax, they had an average of seven DTAs on June 1, 2012 (UNCTAD 2013), varying from none in Saint Vincent and the Grenadines to 20 on Barbados. Although most countries have concluded DTAs with their primary investment partners (USA, UK, Netherlands), further strengthening the network of DTAs could provide additional incentives for investors to consider certain investment locations. With respect to migrant workers and non-discrimination clauses in government procurement, the region still has a way to go. Only Belize, and some associate members, such as Curaçao and Sint Maarten, has specific regulations that allow foreign investors to benefit from eased migration restrictions. Similarly, few of the region's governments provide equal opportunities to foreign and domestic companies in government procurement. Volosin (2012) compares procurement procedures through Latin America and the Caribbean. She finds that in the Caribbean, only 38 per cent of countries stipulate competitive processes as a fixed rule, while elsewhere in Latin America, some 58 per cent countries do so. Suriname stands out as a negative example, where the president has the discretion to entirely circumvent public tenders. Furthermore, the evaluation criteria in public procurement are not or insufficiently described in ten out of thirteen Caribbean countries, and in merely five out of nineteen other countries. The Caribbean positive exceptions are Antigua and Barbuda, Grenada and Jamaica.

Improving these non-financial features of FDI PPs could go some way in helping to stimulate investment in, for example, infrastructure, which has benefits that are particularly likely to spill over into rest of the economy. Non-financial FDI PPs have the added benefit that they are less costly than financial ones. One example of an unorthodox method of attracting FDI in the Caribbean is the Citizenship by Investment (CbI) program. First pioneered by Saint Kitts and Nevis in 1984, and later adopted by both Dominica and Antigua and Barbuda, these programs require relatively small investments (or donations) and provide the investor with citizenship in the target country.[4] While unorthodox, this is another cost-effective way to attract investment, as long as it does not attract critical scrutiny from other countries. This has been the case, for example, for some of the small economies that function as financial centers that are home to significant off-shore activities (i.e. British Virgin Islands, Cayman Islands, etc). These economies have attracted more scrutiny recently from both the United States and the European Union and may suffer the negative consequences thereof. If CbI programs are also considered as ways of avoiding taxes or foreign jurisdictions, this strategy may backfire. Moreover,

[4] In St Kitts and Nevis, a 200,000USD donation to the Sugar Industry Diversification Fund, or a 400,000USD investment in real estate are required. Antigua and Barbuda suggests a 400,000USD real estate investment or a 200,000 development fund investment, while Dominica requires a mere 100,000USD investment.

CbI could attract the criminal underworld who use the programme as a front for money laundering and other illegal activities.

The third type of FDI PP concerns the role played by Investment Promotion Agencies (IPAs). This is a challenging aspect of FDI PP, since many of the economies involved are relatively small and can thus neither afford large information campaigns, nor sufficient staff of sufficient capacity. This is unfortunate, since the literature (e.g. Harding and Javorcik 2011) argues that the use of IPAs may be the most cost-efficient way of increasing FDI. CARIFORUM has taken one approach in this that could be considered as a blueprint for similar regions. In 2007, it created the Caribbean Association of Investment Promotion Agencies (CAIPA): a single agent that promotes the interests of all its nineteen members. They promote these interests through two primary channels: First, with this combination, they can build capacity more effectively, through the organization of trainings and the common purchase of important inputs (e.g. informational databases). Second, CAIPA takes a global approach to promote the region as a whole, counting on the fact that organizations often choose a region before settling on a specific country. This way, the local IPAs do not have to target their activities as broadly, but primarily focus on corporations that have already shown an interest in the region. Unfortunately, like in other regions, there is little self-reflection on behalf of the agencies, when it comes to analyzing their own effectiveness. Apart from some of the limited academic literature, there is thus not much information available on the impact that IPAs truly have on attracting FDI. The fact of the matter remains that many of the economies are too small to be able to sustain IPAs with sufficient capacity to fulfill all the duties that are fulfilled by IPAs in more developed countries.

The fourth, and most important, channel when it comes to FDI PPs concerns financial incentives. Here, Caribbean governments are very active. Among the most typical financial incentives are the following:

- Income taxes: all economies provide some relief of income taxes (except for the Bahamas, which does not charge income taxes), but do so under very different regimes, with a full 15 year exemption being most common. While some economies limit these exemptions to specific sectors and others (e.g. Belize) allow exemptions only in special Free Zones, in other economies, these exemptions are provided without reservation.

- Dividend taxation: in those economies that have any sort of withholding tax on dividends, most also provide an exemption for foreign investors, although this is usually limited to the first ten to twenty years after investing.

- Duties on imported materials: nearly all economies provide some sort of reduction or exemption for imported goods and materials required in a new investment. OECS members, in particular, are prone to provide full exemptions without time limitation. Some economies have very specific regulations that may benefit specific individuals or businesses when it comes to importing vehicle. In Jamaica for example, there is a tax exemption for the import of agricultural vehicles.

- Property taxes: the regimes with respect to property taxes differ very much between the different economies. For example, in Guyana, no property tax concessions are available. On the other hand, in many of the OECS member states, investors are eligible for a full 15-year exemption.

- Other financial incentives: in addition to what is mentioned above, there are several other regulations in specific countries aimed to make economies more attractive to foreign investors. Where they are in place, foreign investors are often exempted from exchange controls, and stamp duties on land purchases are also often reduced or exempted. Some of the economies in the region also provide specific training grants or R&D subsidies (e.g. Jamaica, Grenada), or even subsidies for the renting of office space (Barbados). Accelerated depreciation allowances are also offered to investors.

It is clear that the incentives made available in the region are very generous, which is made worse by the fact that conditions for qualifying for these incentives are often not strict. While in certain countries, they are sector-specific (often focusing on tourism, manufacturing or agriculture), only a few of the economies have strict qualifying regulations. Barbados, for example, requires external sources of

finance, while the Belize requires employment creation, skill transfer and the earning of foreign exchange for the country to be eligible for any subsidies. Many governments do state their "preferences" with regards to foreign investment, but these are not necessarily hard requirements. Most governments have stated goals regarding the creation of employment and/or the generation of foreign exchange for the economy.

Many Caribbean countries provide complete tax holiday for investors in export-oriented activities. The BPO industry is practically exempted from any income tax. Even the extractive industries, which in most other countries are subject to stricter tax regulations often including royalties, are benefiting from incentives in the Caribbean. Bauxite mining in Jamaica is benefiting from tax advantages. Guyana levies a modest royalty (5per cent) on gold mining and none on bauxite. The only important exception is the oil industry in Trinidad and Tobago, in which private companies (mostly foreign) enter into sharing contracts with the Government, which are negotiated case by case and which provides the Government with substantive revenue.

Beyond the generous tax exemptions formalized in the law, Governments add discretionary waivers to individual companies. As a result there is often a great deal of uncertainty about the kinds of incentives available to investors and significant flexibility with decision makers that does not necessarily benefit the effectiveness of the incentive schemes. Increasing the amount of transparency in the allocation of financial incentives should be a goal in itself since it would also lead to a more efficient distribution of scarce resources (Goyal and Chai 2008). The Government of Jamaica, for example, is taking a step in this direction through the Omnibus Tax Incentive Act, currently under discussion, that will replace all the existing tax incentives and to prevent further discretionary waivers. Despite liberal incentives, FDI in the region has often shifted to locations outside the region when incentives expire.

B. Impact of FDI promotion policies

An interesting question is whether the generosity of the fiscal regimes actually benefits the economies in question. Policymakers often believe (rightly or wrongly) that without these incentives, investment would quickly dry up. However, when investors are asked, the fiscal incentives do not rank highly among the top reasons for investing in the region (CAIPA 2013). Rather, they are attracted by its strategic location, educated and English-speaking work force or the availability of a relatively large pan-Caribbean market. At this moment, there is little hard evidence about the impact of the generous incentives given by Caribbean governments on FDI and economic growth. Rather, one should expect that policies to strengthen the overall investment climate would have more success, and it would benefit both domestic investors and foreign ones alike.

Goyal and Chai (2008) are among the few academics that have approached the question of tax incentives in the Caribbean. In this case, they analyzed the regime in place in the OECS states. According to the authors, countries forgo some 9½ to 16 per cent of annual GDP in tax incentives, without much noticeable impact. They authors believe that investors are in fact not very price sensitive at all, and that the removal of generous financial subsidies yields a potential revenue of 7-13 per cent of GDP. One critical note concerning the research is that it only addresses firms outside the all-important tourism sector. Assuming that the results are held at face value, it is hard to conceive of potential spillover benefits from FDI that are worth such a significant amount value in the economies in question.

This situation is made worse by the stressed public finances in most Caribbean countries . CEPAL (2013) reports that the average budget deficit reached 4.0 per cent of GDP in 2012, with four countries on deficits exceeding five per cent of GDP (Bahamas, Barbados and Saint Lucia have deficits between 5 and 7 per cent of GDP, while Dominica has a deficit of 9.9 per cent of GDP in 2012). The total value of the national debt increased to 106per cent and 133per cent respectively in Barbados and Jamaica, which further increases economies' vulnerability. At a time when many Caribbean countries are reducing fiscal deficits, the incentives awarded to foreign investors have to come from higher taxes to other constituencies. These raise costs of doing business in the economy and may even push many local companies into the informal economy. And the cost of incentives to local economies can go beyond

fiscal accounts: the extensive use of import tax waivers for foreign investors has reduced the incentives for local sourcing, reducing the potential benefits to local companies from FDI.

The doubtful success of FDI PPs is corroborated by the findings of Klemm and Van Parys (2012), who study FDI incentives in Africa and Latin America and the Caribbean. They find that although FDI incentives do increase the level of FDI, this comes mostly at the expense of domestic investment. In other words, increases in Foreign Direct Investment crowd out domestic investment. One could argue that FDI may have larger spillovers and is thus more desirable than domestic investment, but the evidence for that is flimsy at best. While on basis of a meta-study, Havranek and Irsova (2011) find that there are vertical spillovers of FDI on a domestic economy, (Aitken and Harrison 1999)) find a barely significant effect on basis of a plant-level panel data analysis from Venezuela. Carkovic and Levine (2002) try to combine these different viewpoints in a common estimator and find that indeed, there is little evidence of positive spillovers of FDI on the domestic economy. Craigwell (2006) approaches the Dutch- and English-speaking Caribbean in particular and concludes that while increased FDI is associated with increases in employment, it is not clear whether these are worth the size of the incentives currently on offer.

In effect, what one can see in the region, is that tax competition is leading to a race-to-the-bottom, in which tax advantages offered by one jurisdiction are matched by other ones, in order to continue to be equally competitive. Klemm and Van Parys (2012) analyze this form of strategic interaction in rates of taxation and they find that this is particularly strong in Latin America and the Caribbean. At CARICOM there are currently proposals for harmonization of incentives that, if they are approved, will set up common caps for incentives to reduce the burden of financial FDI PPs without negatively affecting the level of overall FDI. This could go a long way in addressing the challenge that in the Caribbean region, the costs of attracting FDI may well be larger than the benefits derived from such investments. This is also the point made by Bird (2000), who points out that the question as to "[w]hy so many governments opt for incentives in the absence of any solid evidence that they produce economically significant results remains a puzzle to many economists" (p.201). He believes that with (admittedly challenging) tax coordination across the region, overall welfare could in fact be increased. The World Economic Forum (2013, p.8) describes investment subsidies as "a coordination failure among governments [that] are, like most subsidies, inefficient". Additionally, they argue that that it diverts attention away from the truly hard decision that may improve the overall business climate. As such, governments should try and avoid the use of extensive financial incentives.

IV. Conclusions and the way ahead

The economic crisis has affected the Caribbean more than most other developing regions. This has been reflected in the level of FDI inflows: while Latin America and most other developing countries quickly recovered the level of FDI that they were attracting before the crisis, economies in the Caribbean covered in this report received substantially less inflows in 2011 or 2012 than in 2008. Because transnational corporations are responsible for a large share of investment, exports or formal employment, diminished FDI inflows can have a high impact on the capacity of these countries to grow and develop.

In order to attract FDI, Caribbean economies face the typical challenges of small economies. First they have a small domestic market which is not of great interest to most transnational corporations seeking access to local markets. In the manufacturing sector they suffer from relative high costs in certain key inputs for manufacturing activities like transport or energy, a situation which is also strongly related to their size and their condition as islands. Finally, small countries face more pressingly the challenges of excessive specialization in one single industry. This is the case of oil and gas in Trinidad and Tobago, or tourism in Barbados or Bahamas.

Still, compared to the size of their economies, the level of FDI is high. This is in part because of the rise in FDI in extractive industries (oil and gas in Trinidad and Tobago, bauxite in Jamaica and Guyana, gold in Suriname) Furthermore, the pan-Caribbean market continues to attract market-seeking investment, particularly in banking, utilities and telecommunications. Finally, the Caribbean region still has some very strong advantages in tourism and other export-oriented businesses. It is for that reason that many firms in the Business Process Outsourcing sector are investing in the region: to make use of the highly educated and English-speaking population that is close to the United States.

The Caribbean needs to integrate FDI into its wider development strategy. This would provide a framework for determining what kind of FDI the region wants to attract based on its comparative advantage and where the region wants to position itself in global value chains and production networks.

The region needs to rethink its industrial policy in order to promote the sectors and activities that can best advance its development. For instance it needs to explore the scope for negotiating technology transfer, incentivizing spillovers and promoting joint ventures with domestic firms. Moreover, the incentives provided to FDI should be focus in part on encouraging upgrading of production and technology transfer.

Caribbean countries should reflect now if the FDI that they receive is promoting the economic development they are pursuing and if it is a cost-effective way of doing that. On the first part, it will be worth considering whether the current patterns of FDI are not pushing some countries towards an excessive specialization in one single industry.

On the second aspect, the current FDI promotion policies will need to be reassessed. Currently, the investment incentives of several of the governments in the region are very generous, without there being sufficient evidence of the need of such policies to attract FDI. A serious assessment of the effectiveness of current subsidies and tax waivers would help to determine which types of FDI (specific industries or activities) are worth the effort in terms of their development impact on the local economy. As it is, international businesses are the ones benefiting most from the competition between governments. Efforts should be made to harmonize as far as possible the incentives offered to FDI and domestic investors to prevent crowding out of the latter.

Closer coordination between Caribbean countries in their FDI promotion policies will also be crucial. The current movement within CARICOM to try and limit the race to the bottom when it comes to financial incentives should thus be encouraged and considered as a way to improve the region's tax base without negatively affecting FDI inflows. Governments should agree on a limitation of financial incentives on specific types of investments for which all countries are competing against each other such as tourism or BPOs. This may reduce the fiscal cost of attracting FDI, without reducing the benefits derived from it. There can also be much to gain from sharing certain FDI promotion services and from exchanging information and experiences among countries. This supports the arguments put forward by the World Economic Forum (2013) when they argue that a collaborative effort is required in order to help governments to avoid the coordination failure that is inherent to the provision of FDI subsidies.

On top of that, the focus on financial incentives distracts from the other methods available to governments. Rather than reducing taxes for foreign investors, they should improve the overall business climate by improving infrastructure, promoting education and improve institutional quality. This way, governments can stimulate both domestic and foreign investors alike. In addition this could boost reinvestment in the region, instead of repatriation of most of the profits and dividends overseas.

A final recommendation that can help to stimulate economic growth in the region is to continue on its path towards economic integration. Already, investors consider the Caribbean as one single market up to a degree. Reducing trade and investment barriers between the different economies in the Caribbean can help this image, thus inducing corporations in terms of market-seeking investment. A strong CARICOM could lead this process of integration, but only if it is fully supported by its members.

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Annexes

Annex 1

FDI by industry

TABLE A.1
BELIZE

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture, Hunting, forestry, and fishing	0	0	2	1	1	12	7	9	2	1	2
Mining and quarrying	0	0	0	3	7	0	1	28	5	12	25
Electricity, gas and water supply	25	0	5	16	24	4	5	3	5	2	0
Trade and repair	3	3	3	4	3	0	2	2	1	0	0
Hotels and restaurants	15	5	10	26	58	49	47	71	27	29	40
Transport, storage and communications	0	0	4	39	33	2	0	0	0	0	0
Financial intermediation	13	10	12	21	19	25	30	21	23	16	-2
Real estate activities	2	3	3	6	4	11	25	30	42	36	27
Miscellaneous	4	5	4	5	10	14	34	16	9	5	5
Total	61.2	25.6	41.9	120.1	157.8	116.6	150.3	179.9	112.5	100.8	98.4

TABLE A.2
GUYANA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agro, Forestry, Fishing	10	5	11	3	10	7	23	18	15	17	20	23
Energy	0	0	0	0	0	0	7	15	8	13	14	15
Mining and Quarrying	16	5	9	7	37	54	42	54	42	64	75	85
Manufacturing & Distribution	3	7	0	0	0	1	5	12	8	16	30	44
Tourism and Hospitality	0	0	0	0	0	0	5	14	13	16	25	33
Transport and Telecoms	10	16	6	20	30	41	51	48	64	54	67	80
Others	17	11	0	0	0	0	19	17	14	18	17	14
Total	56.0	43.6	26.1	30.0	76.8	102.4	152.4	178.0	164.0	198.0	246.8	293.7

TABLE A.3
JAMAICA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural/manufacturing/distribution	23	13	88	44	119	41	47	75	23	10	22	17
Information tech/communication	113	52	106	18	55	58	165	257	137	83	86	69
Minerals and chemicals	16	0	31	10	13	12	5	2	0	1	6	8
Insurance	0	0	11	10	0	0	0	0	0	0	0	0
Tourism	24	49	114	115	107	186	197	196	155	72	7	6
Mining	84	108	150	57	112	336	217	74	31	20	29	56
Other	5	11	63	170	76	118	59	714	33	-18	22	20
Subtotal	264	233	563	424	481	750	689	1319	379	168	174	176
Retained earnings	116	162	158	178	202	132	177	118	162	60	46	53
Divestment	234	84	0	0	0	0	0	0	0	0	0	0
Total	613.9	478.8	720.7	601.6	682.5	882.2	866.5	1436.6	540.9	227.7	218.2	228.8

TABLE A.4
TRINIDAD AND TOBAGO

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Petroleum industries	816.3	738.2	738.5	913.4	857.2	794.9	763.4	588.8	646.9	501.0	1673.3
Mining, exploration and production, refineries, petrochemicals	787.2	694.8	710.3	867.2	813.0	735	710.6	532.5	610.2	470.8	1655.4
Services contractors, marketing and distribution	29.1	43.4	28.2	46.2	44.2	59.4	52.8	56.3	36.7	30.2	17.9
Food, beverage and tobacco	-18.1	3.6	4.8	5.8	4.3	6.8	9.7	7.3	5.0	4.4	64.9
Chemicals and non-metallic minerals	-0.3	1.5	1.9	2.3	1.4	2.3	2.2	1.6	1.6	1.2	3.4
Assembly type and related industries	5.5	8.1	5.3	8.7	9.6	7.2	9.1	7.1	6.3	4.9	0.0
Distribution	0.5	-0.7	2.2	2.7	2.6	2.9	2.7	2.0	2.1	1.6	38.9
All other sectors	31.0	40.0	55.6	65.2	64.6	68.6	42.9	2194.0	47.2	36.3	50.4
Total	834.9	790.7	808.3	998.1	939.7	882.7	830.0	2800.8	709.1	549.4	1830.9

Annex 2

FDI by components

TABLE A.5
FDI BY COMPONENTS
(Millions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua and Barbuda												
Capital contributions	35	38	66	55	221	335	328	149	78	96	61	66
Inter-company loans	52	19	91	14	-13	15	-2	-2	-2	-4	-1	-1
Reinvested earnings	12	8	9	11	13	9	12	12	5	5	5	5
Bahamas												
Capital contributions	144	181	292	529	641	843	887	1032	753	960	971	575
Inter-company loans	0	0	0	0	0	0	0	0	0	0	0	0
Reinvested earnings	0	0	0	0	0	0	0	0	0	0	0	0
Barbados												
Capital contributions	73	68	130	98	192	265	420	339	140	222	381	
Inter-company loans	3	3	26	16	26	49	24	80	94	41	176	
Reinvested earnings	10	10	11	13	22	28	32	45	13	27	-25	
Belize												
Capital contributions	48	16	-34	77	88	98	100	141	80	80	103	197
Inter-company loans	0	0	11	13	21	-15	13	8	6	2	0	0
Reinvested earnings	13	9	12	21	19	25	30	21	23	15	-8	-4
Dominica												
Capital contributions	9	8	12	4	5	5	28	39	24	9	5	5
Inter-company loans	-3	0	7	5	-3	16	2	9	12	12	7	8
Reinvested earnings	12	13	13	17	16	5	10	9	6	3	2	2

Table A.5 concluded

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Grenada												
Capital contributions	22	37	75	52	54	71	131	128	97	56	39	27
Inter-company loans	16	1	5	1	5	6	10	-5	0	0	-2	-2
Reinvested earnings	21	17	9	13	11	12	15	12	5	5	5	5
Saint Kitts and Nevis												
Capital contributions	0	0	0	0	0	0	41	78	49	40	29	0
Inter-company loans	0	0	0	0	0	0	94	100	83	75	78	0
Reinvested earnings	0	0	0	0	0	0	2	2	2	2	4	0
Saint Lucia												
Capital contributions	9	12	14	56	53	220	254	135	135	109	96	92
Inter-company loans	16	9	16	22	25	11	15	11	3	4	5	6
Reinvested earnings	33	31	76	-1	0	3	3	16	8	8	11	11
Saint Vincent and the Grenadines												
Capital contributions	0	0	0	0	0	0	56	66	58	59	70	119
Inter-company loans	0	0	0	0	0	0	46	76	42	32	9	2
Reinvested earnings	0	0	0	0	0	0	11	9	2	4	4	4
Suriname												
Capital contributions	0	0	0	0	0	0	0	0	0	0	0	
Inter-company loans	-27	-74	-76	-37	28	-163	-247	-231	-93	-248	-51	
Reinvested earnings											121	
Trinidad and Tobago												
Capital contributions					664	497	554	2322	426	309	0	
Inter-company loans					-16	-20	-21	-16	-12	-11	0	
Reinvested earnings					292	406	297	495	296	251	0	

Annex 3

FDI by country of origin

TABLE A.6
FDI BY COUNTRY OF ORIGIN
(Millions of dollars)

	2005	2006	2007	2008	2009	2010	2011
Dominica							
Caribbean	0	0	9	8	6	4	2
Taiwan Province of China	0	0	2	2	1	1	1
St Kitts and Nevis							
United States of America	15	0	10	16	10	8	6
United Kingdom	0	0	4	8	5	4	3
Caribbean	2	0	0	0	0	0	0
Santa Lucia							
United Kingdom			28	0	0	0	0
United States of America			0	20	14	13	12
Italy			9	0	0	0	0
Caribbean			22	0	0	0	0
St Vincent and the Grenadines							
United Kingdom	14	50	74	73	66	61	72
Trinidad and Tobago							
United States of America	694	627	574	403	469	363	
United Kingdom	165	150	159	146	152	118	
Canada	1	3	3	2,194	4	3	
Germany	41	38	43	30	32	25	
Japan	0	0	0	0	0	1	
India	16	27	21	16	17	13	

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