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## World

Peace talks on Syria were held in Vienna on the 30<sup>th</sup> of October without the presence of the Syrian Rebels or the incumbent government. Present were: the U.S, Russia, Iran, Saudi Arabia and other Gulf member states. During the meeting they agreed on 3 key points: 1. Credible, inclusive, non-sectarian governance followed by a new constitution 2. New elections that involve all Syrians, including members of the diaspora and of all ethnicities 3. Improved access to humanitarian aid for Syrians in and outside the country. U.S. Secretary of State John Kerry and Russian Minister of foreign affairs Sergei Lavrov continue to disagree on the of Al-Bashar Assad. Surprisingly, it is the Gulf anti-Assad States that took the toughest stance against Assad in that he must go and that he cannot be part of any political process. Iran and Russia prefer for the Syrian elections to dictate whether Assad must go. The negotiations are anything but easy as it is hard to find common ground between the countries involved<sup>ii</sup>.

Bitcoin has many bad connotations to it, such as drug dealers, hitmen, and its heavily fluctuated price. However, the technology behind it can change how the economy of the world works. A system that anyone can inspect, but no-one controls, not even central banks. If someone tries to commit fraud in the system, it would be easily and immediately detectable because the “checks and balances” will not match. However, it is not evident how the issue of compliance can be solved with Bitcoins. Recently, the EU did recognize Bitcoin as a currency. The future will tell when and how Bitcoin or a technology like it will disrupt the way the economy of the world works.

Just before peace talks, the White House had decided to send specialized ground troops to Syria to advise rebels in their fight against ISIS. The U.S. government is careful to send more ground troops. One of the reasons for this is because should an American soldier get killed by Russian troops (by mistake)<sup>i</sup>, a World War III could break out in the Middle East, a scenario which

<sup>i</sup> It is not unusual for Russian air forces to make mistakes as their attacks are often not precise.

is best avoided. Obama is also not very keen on sending troops to the Middle East. It was against his campaign promises to not have all soldiers in Iraq deployed back home by the end of next year.

One of the worst<sup>2</sup> environmental disasters of the 21<sup>st</sup> century is happening right now in Indonesia. 4.2 million acres of forest in Indonesia has been destroyed by fire over the period of 3 weeks and the fire is still ongoing.

People are dying and already 500,000 people are seriously getting ill from all the poisonous clouds covering the country<sup>iii</sup>. The clouds reached Malaysia, the Philippines, Thailand, and other neighboring South-East Asia countries. Endangered species such as Orangutans, clouded

Have you ever wonder what the top two havens are for money laundering and tax dodging? Germany and Luxembourg! Yes, very shocking. These two countries “offer a diverse menu of options for concealing ownership and laundering money” according to Eurodad’s ‘Fifty Shades of Tax Dodging’ report. The EU passed a provision for countries to comply with a comprehensive register of beneficial owners, so now Germany will have to start complying. All in all, the EU countries are not as transparent as we would like to believe. <http://www.eurodad.org/fiftyshadesoftaxdodging>

leopards, Sumatran tigers, and many more animals are fleeing their homes that are being destroyed, not taking into account those who have died. We are losing a rich ecological ground. Every year forests are intentionally burned for the production of timber and palm oil as this is the easiest and cheapest way to clear the ground<sup>iv</sup>. In an extreme El Niño year, like this one, precaution should have been taken by companies to prevent this from happening, but that never happened and so now the forest has released more carbon dioxide in the air than Germany would in a whole year, and it is still ongoing. The regional price tag of this disaster is estimated at more than \$14 billion<sup>v</sup>, this price tag does not include social costs, deaths, and it is not the most recent. Solving this problem for the future is rather complicated as lax laws in Indonesia do permit the burning of forests (in certain areas)<sup>vi</sup>. Mostly Western consumers are putting pressure on companies to purchase sustainable palm oil by boycotting the companies’ products and by use of other awareness campaigns (Greenpeace has had palm oil on its list for years).

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<sup>2</sup> Soon it could be named the worst environmental disaster of this century.

## Box I. Elections

**Guatemala** just elected a Comedian for President, Mr. Jimmy Morales. His major plan is to tackle government corruption and overall corruption. He wants every child to have a smartphone, and teachers to wear GPS trackers so that they can control that the teachers actually show up to work. The success of his presidency will ultimately depend on what kind of people he chooses to work with, technocrats or buddies?

**Canada** elected a 43 year old young man named Justin Trudeau as Prime Minister. The consensus in Canada is that anyone is better than former Prime Minister Mr. Harper and it was unanimously decided that Mr. Trudeau is the best anti-Harper. Mr. Trudeau promised to run deficits on a temporary basis to spend \$46 billion on infrastructure over ten years. While Mr. Harper was reluctant to act on climate change, Mr. Trudeau wants to reach agreements to reduce greenhouse-gas emissions. The new Prime Minister wants to legalize marijuana and take in 25,000 Syrian refugees this year still, (which is not very ambitious but far more than Mr. Harper would have allowed). Mr. Trudeau is an ex-teacher who had never worked in the government, so he will probably give power back to government offices, power that the former Prime Minister concentrated around his own office. But perhaps though, Mr. Trudeau's lack of experience is refreshing. He promised to have equal representation of females in the government, and he delivered; 15 out of 30 ministers are female. When he was asked why it was important to him to have equal representation, he simply said "Because it's 2015". He appointed Maryam Monsef, an Afghanistan-born woman, as minister of Democratic institutions. And he appointed Jody Wilson-Raybould, a native woman, as minister of Justice. Both are a first for Canada and we certainly celebrate Mr. Trudeau's inclusive government.

**Venezuela** has an upcoming election on the 6<sup>th</sup> of December. Incumbent president Mr. Maduro is claiming that he will not surrender his powers under any circumstances amid speculation that the parliamentary elections will be rigged anyway with all capable opposition leaders incarcerated. A prosecutor, Franklin Nieves, who helped put Leopoldo Lopez behind bars fled the country with his family and released a video in which he confesses that all evidence against Mr. Lopez is fabricated. Mr. Lopez was the most promising political rival of Mr. Maduro and now he has been sentenced for 14 years. To make matters worse, Brazil decided not to help monitor the elections in Venezuela because Mr. Maduro vetoed not have the appointed Brazilian delegate to lead the process. It is now unclear who and which South American country will lead the monitoring process.

### **Latin America**

The situation in Venezuela is one that Aruba needs to constantly monitor as the spillover effects to the Aruban economy is evident. While it is understandable that people's behavior can alter negatively in dire circumstances, it is not acceptable that the Aruban people now feel unsafe in their own country. While supermarkets are largely empty in Venezuela, President Maduro is keen on blaming Colombia and western countries for their economic problems. The constant low oil prices are also devastating the economy even further, especially when the president keeps exchanging oil for food. The Bolivar has depreciated so much that not even thieves want it anymore<sup>vii</sup>, everybody wants U.S. dollars. A year ago the \$1 was good for a 100 Bolivares, now the same dollar buys you 820 Bolivares according to DolarToday.com. The DolarToday website keeps track of the black market rate of the Bolivar and

Venezuelans use the site or its app to apply the rate. The government of Venezuela is now blaming this website for the excessive depreciation of the Bolivar. Mr. Maduro is in fact suing the Miami based website<sup>viii</sup> because he believes the website is intentionally letting the Bolivar depreciate faster.

Despite the economic situation in Venezuela, China is lending \$5 billion to Venezuela<sup>ix</sup>. This money is intended to be invested in oil. But, what does China stand to gain from this deal? In development finance projects, Chinese companies will receive Venezuelan contracts, with the Venezuelan government taking all risks for its account. Venezuela is already greatly indebted to the Chinese government. The deal is meant to help Venezuela be able to repay them back, and China's government is now first in line ahead of all other creditors for repayment.

A new startup company, Jet, wants to win over the market from Amazon. This is very ambitious. Their business model is based on offering customers a guaranteed 15% lower price than anywhere else online, and this is calculated in real time at check out. The retail website is based on a membership fee. Four months after receiving \$225 million dollars in investment at a \$600 million dollar valuation, the company is running out of cash! Marketing is just that expensive.

On a positive note, McDonald's decided to start selling fries again in Venezuela. The bad news is, is that it costs between \$79 and \$126 for a regular or large fries using the official exchange rate<sup>x</sup>. Using the black market rate it only costs between \$0.64 and \$1.15, but then again, the minimum wage using the black market rate is about \$13 per month. By that calculation the McDonald's fries have become a luxury good in Venezuela.

In 2012 Peru has taken over Colombia as the biggest cocaine exporter in the world. The Minister of Defense has now opened an investigation based on allegations that the military is turning a blind eye to smuggler planes heading to Bolivia<sup>xi</sup>. More than one ton of cocaine is reaching Bolivia every day through this route. The military allegedly takes bribery money to let the cocaine smuggling go unhindered. Most of the airplanes land with money and take-off with cocaine from an area in Peru which is still largely influenced by the rebel group the Shining Path, a group the government led everyone to believe was destroyed many years ago<sup>xii</sup>. It has taken Peru many years and 70,000 deaths before they were able to capture the former leader and weaken the rebel group, it must not let the group regain power as this will make Peru (or parts of it) unsafe which will inevitably drive away tourism and other foreign businesses, which will hurt the country's economy.

Mexico's Supreme Court has taken an important step on the 4<sup>th</sup> of November to allow growing of marijuana for recreational use<sup>xiii</sup>. This is a step towards possibly legalizing or decriminalizing marijuana use in the future. Mexico is known for its drug cartels that have friends in the police force. This is an important step to at the very least, reduce the street value of marijuana, making it less profitable for dealers.

Puerto Rico is on the verge on bankruptcy as it is running out of cash<sup>xiv</sup>, except that Puerto Rico cannot file for bankruptcy to restructure its loans by law, nor can it appeal to international financial institutions for help the way a country like Greece could<sup>xv</sup>. Puerto Rico is not a country, not a State, but a territory of the United States. The best solution for Puerto Rico in their moment of crisis is to have Congress approve a change in the law that would allow Puerto Rico to go file for bankruptcy as the

country is running out of cash. Puerto Rico has already closed some schools, and the unemployment rate is increasing<sup>xvi</sup>. By December the government will not be able to pay out any salaries.

But how did Puerto Rico get itself in this mess, a debt worth \$72 billion that needs to be repaid by the end of this year? Constitutionally, the territory can only be indebted by 15% of the average government's tax revenue of the previous 2 years<sup>xvii</sup>. What happened was that the new commonwealth government of Puerto Rico submitted budgets that increased spending year after year since 2013. On top of that the government always exceeded its spending budget (especially due to high wages of public servants), even when tax revenues were lower than projected. This highlights the importance for a government to present a credible budget in a timely manner and adhere to it. The government of Aruba should especially take notice of this as running out of cash is simply disastrous for a small island economy. While Aruba does have access to international financial institutions, it will not come cheap and a situation like this is certain to seriously affect the Aruban economy, Government services and social and physical infrastructure. Puerto Rico was able to exceed this constitutional 15% limit by issuing bonds in 2006 (COFINA) that were backed by sales-tax revenues, but not guaranteed by the constitution. Thus, instead of introducing necessary reforms, and curb back on government spending, the government had these bonds issued and thus had its debt spiral out of control. The COFINA bonds were downgraded to Ca by Moody's in July 2015 (junk status) which makes them unwanted<sup>xviii</sup>. Aruba, in comparison has a rating of BBB- (Fitch, which is equivalent to Baa1 of Moody's). If Fitch<sup>3</sup> degrades Aruba's rating once more, then the bonds will reach junk-status, although not to the extent of COFINA.

## Peace Talk Progress Colombia

Colombia faces a tough process moving forward with the peace negotiations with the FARC. The FARC guerrillas have committed heinous crimes, but so have the paramilitaries and the Ejército. A lot of people who joined these movements were poor and joined as children with the promise of a better life while fighting for a cause. They were all forced to commit crimes or else be killed themselves. The war was very complicated and as such it is very difficult to place blame. Below is a link of a video by The Economist depicting a few personal stories that describe what the war was like from all sides.

The talks are slowly progressing. While the primary concern is to end human suffering, Colombia's economic progress will also benefit greatly as result from this deal. Agreements have been made regarding land reform, political participation, illegal drug use, and transitional justice. However, the final signatures of the final deal will mark the date on which all these agreements will be honored.

A delegation from Northern Ireland recently flew to Cuba to give support to the talks by sharing their own experiences. The 1998 Good Friday Agreement between Northern Ireland, The Republic of Ireland and the United Kingdom also handled civil and cultural rights, decommissioning of weapons, justice and policing. Thus, much insight and knowledge can be gained by the Colombians from the Irish.

<https://www.youtube.com/watch?v=LBclWjF4KWY>

Source<sup>xix</sup>

<sup>3</sup> S&P rating is BBB+ and the rating can drop twice more before reaching junk-status.

## Caribbean

The government of Curaçao is making changes to reduce the costs of the government apparatus and the social insurances. At the same time the government is trying to stimulate economic growth, the combination of reducing costs while stimulating the economy is not easy, yet Curaçao experienced a real GDP growth of 0.4%. The percentage is small, but it is much better than the 1.3% contraction in real GDP growth that Curaçao experienced in the second quarter of 2014<sup>xx</sup>. From the quarterly report it is evident that the government consumption decreased with 0.4%. The economic growth is attributed to the growth in private consumption of 0.4%. Government increased on the other hand while private investment declined. The commercial banks increased both their deposit and lending rates during the second quarter of 2015. The weighted average interest rate (12-month deposit) increased from 1.9% to 2.1% (Central Bank of Curaçao and Sint Maarten). The weighted average rate of mortgages increased from 6.6% to 6.7%, and time loans increased from 6.5% to 7.2% at the end of June 2015.

Sint Maarten has experienced an economic contraction of 0.6% in the second quarter of 2015 due to a decline in public and private demand and public and private investment.

Bonaire's visitor's arrival has increased with 5% the first half of 2015 compared to the first half of 2014. More than 50% of the visitors in Bonaire are Dutch of whom 29% live in the Netherlands or Europe, and 25% live abroad<sup>xxi</sup>. Another big market for Bonaire is the U.S. where 23% of Bonaire's visitors originate from. Saba also saw an increase of 4% in the number of arrivals while Sint-Eustatius experienced zero growth.

Curaçao is facing a tough time with the pollution of the refinery of Isla. Dutch Minister of foreign affairs, Mr. Plasterk, told the government of Curaçao that the Dutch government is willing to help them solve this problem if Curaçao sends in a formal request for their help<sup>xxii</sup>. If the government of Curaçao does nothing, the refinery can continue to pollute the same way it does now beyond the year 2019. Environmental groups urge the government of Curaçao to ask the Netherlands for help<sup>xxiii</sup>, but the government is reluctant to do so. Curaçao also has plans to dismantle the entire refinery and create a Green Town ([www.greentowncuracao.com](http://www.greentowncuracao.com)), but now it is not clear what the plans regarding the refinery's future are. It is not strange, as on Aruba the citizens are also waiting to see what will happen to their refinery.

In other news, on Friday November 6<sup>th</sup>, Marylin Moses, a member of parliament in Curaçao, withdrew her support for the coalition of the government by becoming an independent parliament member<sup>xxiv</sup>. With that a new coalition needs to be formed<sup>xxv</sup>, however this was not feasible so the government had to resign after just one month in office<sup>xxvi</sup>. Elections are likely to take place next year, but the timing is yet unknown.

## Box 2. Tourism Aruba

The ATA monthly stay-over statistics show a 15.7% increase in stay-over visitors in September 2015 compared to September 2014. On a year-to-date basis we can note an increase of 14.9% of stay-over visitors. Visitors from Venezuela alone increased with 20.4% in June 2015 compared to June 2014. Note that a great number of visitors from Venezuela are using Aruba as a hub to travel to the U.S. or to Europe and stay for just 1 night. Venezuelans who are using “other accommodations” to stay other than hotels have increased from 61.2% in June 2014 to 74.3% in June 2015.

Cruise passengers have increased with 12.3% in June 2015 compared to the same period the previous year. However, over the first half of 2015, the number of cruise passengers fell by 15.8%. The number of cruise passengers is predicted to decline with 5% to 10% overall in 2015 compared to 2014. This number can rise to up to 15% if certain cruise calls which have been scheduled get cancelled.

**Table I: Tourism Statistics**

Tourism Statistics 2015	Aruba		Curaçao	
	August	September	August	September
ADR	\$208.79	\$174.55	\$139.00	\$143.00
Revpar	\$165.25	\$124.49	\$99.00	\$100.00
Occupancy rate	79%	71%	71%	70%
Monthly stay-over visitors	111,471	97,263	39,885	39,907
Growth 2014/15	9%	15%	-2%	6%
Growth YTD	15%	15%	4%	4%
Monthly stay-over nights	752,859	616,236	329,102	297,274
Growth 2014/15	6%	6%	4%	-7%
Growth YTD	10%	10%	1%	-2%
Average length of stay	6.8	6.3	8.3	7.4
Visitors from Venezuela growth 2014/15	13%	31%	-16%	-9%
Cruise passengers	23,282	24,372	20,356	26,878
Cruise calls	10	13	11	12

Source: Curacao Hospitality & Tourism Association, Aruba Tourism Authority, Aruba Hotel And Tourism Association, and Aruba Ports Authority



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Aruba Hotel and Tourism Association

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