

US MIDTERMS: WHY THE CARIBBEAN CANNOT WAIT FOR WASHINGTON

The Caribbean's Economic
Exposure, Political Risks
and Strategic Choices



ECONOMIC
RISKS



POLITICAL
STABILITY



REGIONAL
COHESION



STRATEGIC
OPTIONS

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INDEPENDENT ANALYSIS
STRATEGIC INSIGHTS
A STRONGER CARIBBEAN

US MIDTERMS 2026: WHY THE CARIBBEAN CANNOT WAIT FOR WASHINGTON

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Executive Assessment

The November 3 United States midterm elections could change control of one or both chambers of Congress, but are unlikely to produce an immediate or comprehensive reversal of the economic, security and geopolitical policies reshaping the Caribbean's relationship with Washington. The most plausible planning assumption is substantial policy continuity through the remainder of 2026, followed by selective adjustments, legislative confrontation or negotiated accommodation during 2027–2028.

Four considerations support this assessment. First, elements of American economic nationalism, including industrial protection, immigration enforcement and strategic competition with China, command support beyond the Republican Party. Second, presidential executive authority, veto powers and the federal judiciary constrain the capacity of a changed Congress to reverse established policies. Third, the outgoing Congress remains in office until January 3, 2027, limiting the immediate institutional consequences of the November elections. Fourth, the economic consequences of the Middle East conflict—including energy supply disruptions, maritime insecurity, insurance costs and higher fertiliser and food prices—will not disappear simply because hostilities cease.

The midterm elections may alter Washington's political capacity and willingness to respond to these external shocks, but they will neither determine their occurrence nor control the pace at which their economic consequences dissipate.

January 3, 2027 is therefore the earliest institutional turning point, not a credible date for assuming economic normalisation. Even a Democratic victory in both chambers would leave President Trump in office, with substantial authority to resist legislative reversals. The intervening lame-duck period may also encourage the consolidation of existing policies rather than their modification.

For the Caribbean, these developments coincide with a broader repricing of access to American markets, financial services, migration channels, security cooperation and development partnerships. Some changes involve explicit tariffs, fees or compliance obligations; others arise through tighter policy conditionality, reduced funding predictability or the transfer of commercial and geopolitical risks to smaller economies.

The resulting challenge is cumulative. Higher energy and shipping costs can reinforce imported inflation and fiscal pressures precisely when trade uncertainty, tighter financial conditions and changing cooperation arrangements weaken the region's capacity to respond.

These pressures also have domestic political consequences. Persistent increases in food, electricity and transportation costs may intensify wage demands, industrial disputes, demonstrations and pressure for fiscal relief. At the regional level, increasingly divergent national responses to American policies could accelerate the fragmentation of CARICOM, weakening collective negotiating leverage when it is most needed.

Yet the outlook is not exclusively defensive. The restructuring of international trade, investment and supply chains could create opportunities in specialised manufacturing, agro-processing, business services,

logistics and renewable energy. Capturing these opportunities, however, will depend on institutional quality, infrastructure, skills, regulatory predictability and commercially viable investment projects.

The central recommendation is to plan for continuity, prepare for deterioration and preserve the flexibility to exploit selective opportunities—not to predicate Caribbean economic strategy on an electoral reset in Washington.

1. The Transition Constraint: Why 2027 Matters

The electoral outcome on November 3 will not immediately change the composition of Congress. The outgoing legislature retains its authority until January 3, 2027, creating a period during which substantive policy reversal is politically unlikely, although consequential lame-duck legislation, appointments or executive decisions remain possible.

Even if Democrats secure both chambers, the President retains his veto authority and substantial executive powers. Senate procedures, the federal judiciary and political divisions within the Democratic Party would further limit the scope for immediate reversal. The Supreme Court's 6–3 conservative-appointed majority and the ideological composition of the lower federal courts provide additional institutional continuity, although judicial outcomes cannot be assumed to follow party affiliation in every case.

The durability of the judicial architecture is particularly important. Decisions concerning administrative authority, presidential immunity and regulatory interpretation have altered the institutional environment within which future policy changes will be contested. A change in congressional control does not change the composition of the Supreme Court or automatically reverse its jurisprudence.

The Middle East introduces a separate timetable. The War Powers Resolution's 60-day framework and possible 30-day withdrawal extension apply under specified legal circumstances; they do not automatically commence with an election or congressional change. Even effective congressional intervention would not necessarily produce an immediate American withdrawal, much less a comprehensive cessation of regional hostilities.

The transition should therefore be assessed in five stages:

Period	Political or economic development	Caribbean planning implication
November 3, 2026	Electoral determination	Congressional prospects become clearer, but existing authorities remain in place
November–December 2026	Lame-duck continuity	Limited incentive for major concessions; possible consolidation of existing measures
January 3, 2027	Institutional transition	New congressional majorities, if elected, begin exercising legislative, oversight and confirmation powers
First half of 2027	Policy contestation	Legislative bargaining, executive resistance, litigation and possible military-policy disputes
Throughout 2027–2028	Economic adjustment	Commodity supply restoration, insurance repricing, shipping normalisation and investment responses follow separate timetables

The implication for Caribbean planning is clear: **the earliest plausible institutional change is January 2027; meaningful economic relief could occur considerably later, if at all.**

2. Functional Scenarios for 2027–2028

The following scenarios combine US political outcomes with geopolitical and commercial conditions. They are planning constructs, not statistically estimated probabilities.

Scenario A — Baseline: Constrained Continuity

Democrats gain at least one chamber, but executive authority, legislative divisions and judicial review constrain reversals. American economic nationalism remains influential. Middle East disruption gradually moderates without full commercial normalisation.

For the Caribbean, this would mean continued imported cost pressures, selective US policy adjustments, limited near-term relief and a premium on fiscal and business resilience. Cost-of-living dissatisfaction, wage negotiations and demands for targeted fiscal assistance may persist, although without necessarily escalating into widespread political instability.

Selective nearshoring, renewable energy and business-services investments may proceed where commercial fundamentals are sufficiently competitive.

Scenario B — Adverse: Geopolitical Fragmentation and Prolonged Cost Escalation

Congressional confrontation intensifies, while hostilities or maritime insecurity persist. Iran retains significant leverage over Hormuz passage; war-risk insurance and physical crude premiums remain elevated. Additional trade, migration or financial restrictions compound regional vulnerabilities.

For the Caribbean, the likely consequences include higher inflation, weaker real incomes, deteriorating external balances, fiscal pressures, investment postponement and greater diplomatic fragmentation.

This scenario also carries heightened domestic political risks. Sustained cost-of-living pressures could intensify demonstrations, industrial action, political polarisation and demands for fiscal concessions. Governments may face increasingly difficult choices between maintaining fiscal credibility and responding to immediate social pressures.

Investment decisions could be postponed as risk premiums rise, while competing bilateral arrangements with major powers weaken regional negotiating coherence.

Scenario C — Favourable: Selective Accommodation and Gradual Stabilisation

Congressional bargaining produces limited adjustments to trade, funding or regulatory measures. A credible Middle East settlement permits progressive restoration of secure maritime access, lower insurance costs and improved energy availability.

For the Caribbean, this would mean moderating import-cost inflation, improved investment visibility and opportunities for targeted commercial and diplomatic agreements.

Household pressures may ease, although accumulated price increases would remain embedded in consumer costs. Stronger investment prospects could emerge in logistics, specialised manufacturing, agro-processing, business services and energy-transition projects.

A Republican victory in both chambers would create a fourth political configuration: greater legislative capacity to maintain or extend administration priorities. It would not, however, eliminate independent geopolitical and commodity-market risks. Accordingly, the central planning scenario is defined by policy continuity rather than an assumed Democratic victory.

Scenario Comparison Matrix | November 2026–December 2028

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Dimension	Baseline: Constrained Continuity	Adverse: Prolonged Disruption	Favourable: Selective Stabilisation
US policy	Limited reversal; continued executive influence	Greater confrontation and policy uncertainty	Selective negotiated adjustments
Energy and shipping	Elevated costs gradually moderate	Persistent disruption and high landed costs	Progressive commercial normalisation
Food inflation	Delayed cost pass-through continues	Fertiliser, freight and supply pressures intensify	Inflation moderates, but price levels remain elevated
Domestic politics	Persistent dissatisfaction and wage pressures	Greater risk of demonstrations, industrial disputes and polarisation	Easing pressures, subject to domestic conditions
Investment	Selective projects proceed	Postponements and higher risk premiums	Improved conditions for bankable projects
CARICOM cohesion	Continued divergence, manageable through coordination	Bilateralism and institutional fragmentation intensify	Opportunity for renewed collective engagement

3. The Energy and Shipping Transmission Shock

The Middle East conflict is arguably the most consequential immediate economic risk for the region because its effects extend well beyond the headline price of crude oil.

The World Bank’s October 2026 *Commodity Markets Outlook* projects a 32 per cent increase in global energy prices in 2026, a 14 per cent rise in fertiliser prices and a 10 per cent increase in food commodity prices, followed by a further 7 per cent food-price increase in 2027. Brent crude is projected to average US\$91 per barrel in 2026 and US\$79 in 2027, compared with US\$69 in 2025. Under an adverse scenario, Brent could average US\$105 in 2027, with food commodity prices 12 per cent above the baseline forecast.

Brent crude price outlook	US dollars per barrel
2025 comparison	69
2026 forecast	91
2027 baseline forecast	79
2027 adverse scenario	105

Source: World Bank, October 2026 *Commodity Markets Outlook*. Forecasts are conditional on geopolitical developments.

The crucial distinction is between financial benchmark prices and the delivered cost of physical energy. Refiners and importers face crude-grade differentials, freight, financing, war-risk insurance and availability constraints. During periods of extreme market disruption, reported premiums for certain physical crude cargoes over paper-market benchmarks have exceeded **US\$50 per barrel**, illustrating the extent to which benchmark quotations can diverge from the cost of securing actual supplies. These premiums vary by crude grade, location and delivery conditions and should not be interpreted as a uniform global differential. Consequently, falling futures prices may coexist with substantially elevated physical acquisition and landed fuel costs.

Restoring normal passage through the Strait of Hormuz requires several conditions: the cessation or containment of attacks, verification of navigational safety, mine-clearance operations where required, commercially acceptable insurance arrangements and confidence that vessels can transit without coercive clearance or payment requirements.

Iran's reported toll and clearance arrangements create an additional negotiating challenge. A ceasefire would not automatically establish freedom of navigation, nor would an American military withdrawal necessarily resolve Israeli security objectives or the incentives of Iran's leadership.

The process of normalisation must therefore be understood as a sequence rather than a single event: cessation of hostilities, restoration of navigational security, resumption of commercially acceptable shipping arrangements, recovery of physical energy supplies and inventories, and eventual transmission of lower costs to consumers and businesses.

The region should monitor landed fuel and fertiliser costs, maritime insurance, freight rates and actual physical availability, rather than relying exclusively on Brent futures.

4. The Fertiliser–Food Inflation Lag

The Middle East conflict presents a delayed food-price risk that could persist well beyond any cessation of hostilities. The World Bank projects fertiliser prices rising 14 per cent in 2026, alongside increases of 10 per cent in global food commodity prices in 2026 and a further 7 per cent in 2027. Compounded, the projected food commodity increases imply a price level approximately 17.7 per cent above the 2025 base by 2027.

The World Bank's baseline projection envisages fertiliser prices returning approximately to their 2025 level in 2027. However, this assumption warrants particular scrutiny given the scale and likely duration of disruptions to Middle Eastern energy and industrial infrastructure, including damage affecting the Ras Laffan LNG complex in Qatar. Restoring physical production capacity, securing natural gas feedstock, recommissioning damaged facilities and normalising maritime logistics are not instantaneous processes. Consequently, a prolonged period of elevated fertiliser costs remains a credible risk, even if hostilities moderate during 2027. The World Bank's forecast should therefore be treated as a conditional baseline rather than an assured trajectory of price normalisation.

Illustrative global food commodity price index	Index, 2025 = 100
2025	100.0
2026	110.0
2027	117.7
Cumulative increase, 2025–2027	17.7%

Illustrative compounding of successive annual increases. This is not a forecast of Caribbean consumer food inflation.

The transmission operates through several interconnected mechanisms.

First, natural gas is both an energy source and a critical feedstock for nitrogen fertiliser production. Disruptions to gas supply can increase the cost of ammonia and urea, while interruptions to production and export logistics constrain physical availability.

Second, farmers may respond to higher fertiliser prices by reducing application rates, changing crops or postponing planting. These decisions can affect yields and agricultural output in subsequent harvesting periods. The magnitude depends on crop type, soil conditions and the availability of substitutes.

Third, higher diesel, electricity and freight costs compound the fertiliser shock. Farmers face more expensive irrigation, machinery operation, storage and distribution. Food processors and retailers subsequently absorb additional energy and logistics costs.

Fourth, the transmission is delayed. Crops planted using expensive inputs may not reach consumers for several months. Importers and retailers may also hold inventories purchased at earlier prices. Even a rapid decline in international fertiliser prices would therefore not immediately reverse the costs already embedded in agricultural production.

Fifth, the consequences extend to food security. Farmers may reduce output or shift towards crops with lower input requirements, while consumers substitute cheaper products or reduce dietary diversity. The consequences are particularly important for low-income households, which typically allocate a greater proportion of expenditure to food.

For Caribbean economies, where imported food and agricultural inputs represent important sources of external exposure, the implications extend beyond inflation to household purchasing power, food security, fiscal pressures and domestic political stability.

A moderation from 10 per cent food commodity inflation in 2026 to 7 per cent in 2027 would mean that prices are rising more slowly, not that they are returning to earlier levels. The domestic outcome depends additionally on exchange rates, import duties, transport costs, distribution margins and competition within food markets.

The economic risk is not merely that food becomes more expensive. It is that higher production costs, delayed supply responses and weaker purchasing power reinforce one another over successive agricultural cycles.

5. Caribbean Exposure and Likely Economic Effects

Functional area	Most plausible regional effect through 2027	Principal exposure
Trade and tariffs	Continued market-access uncertainty, rules-of-origin compliance and possible sector-specific restrictions	Exporters, manufacturers, agro-processors
Energy	Elevated electricity and transport costs; delayed pass-through of global price reductions	Energy-importing economies, utilities, households
Shipping	Higher freight, insurance and inventory financing costs	Importers, distributors, ports, tourism suppliers
Climate adaptation	Uncertainty over US funding, technical cooperation and disaster resilience programmes	Climate-vulnerable and highly indebted states
Investment	More selective capital allocation and higher uncertainty premiums, alongside possible nearshoring opportunities	Infrastructure, tourism, manufacturing, energy
Remittances and migration	Exposure to migration enforcement, transfer costs and migrant labour-market conditions	Remittance-dependent households and economies
Security	Increased emphasis on US strategic priorities, border controls and maritime surveillance	Governments, ports, security institutions
Functional cooperation	Greater selectivity and possible funding disruption across public health, education, disaster preparedness and technical assistance	Regional institutions and public agencies

The cumulative effect matters more than any single transmission channel. An economy experiencing higher electricity costs, more expensive freight and weaker tourism purchasing power may face simultaneous pressures on business profitability, consumer prices, tax revenue and foreign-exchange demand.

The same external shock can also generate different national outcomes. Hydrocarbon exporters may benefit from stronger export prices while facing higher imported food, shipping and infrastructure costs.

The relevant measure is therefore the net national exposure, not simply whether a country produces oil or gas.

6. Quantifying the Region's Exposure

Three indicators demonstrate why developments in the United States have disproportionate implications for Caribbean economies.

Exposure indicator	Reported measure	Reference period
US share of Caribbean visitor arrivals	48.4%	First half of 2026
Jamaica remittances as a share of GDP	16.3%	2025
Haiti remittances sourced from the United States	62.8%	2025 estimate

The tourism dependence is particularly important. The Caribbean Tourism Organization reported approximately 9.18 million US arrivals during the first half of 2026, with growth of only 1.6 per cent. Higher airfares, fuel costs or weaker American discretionary spending could therefore affect regional tourism receipts even without a recession.

Remittance exposure is similarly concentrated. IDB estimates place the US share of remittance inflows at 84.5 per cent for the Dominican Republic, 62.8 per cent for Haiti, 61.0 per cent for Jamaica and 57.7 per cent for Trinidad and Tobago in 2025. These figures describe the origin of remittances, not their share of national GDP.

Indicative Remittance Sensitivity

The following illustrates the arithmetic of a reduction in total remittance receipts, holding GDP constant. It is not a forecast of an immigration-policy effect.

Economy	Remittances/GDP	GDP-equivalent impact of 5% fall in total remittances
Jamaica (2025)	16.3%	0.82%
Haiti (2024)	16.9%	0.85%
Saint Vincent and the Grenadines (2025)	7.0%	0.35%
Dominica (2025)	5.5%	0.28%

Calculated from World Bank remittances-to-GDP indicators, using the latest reported years. These are equivalent reductions in external receipts relative to GDP, not estimated reductions in GDP itself.

A more complete assessment must also quantify country-specific merchandise exports to the US, effective tariff treatment, petroleum and fertiliser import bills, tourism receipts and externally financed public programmes. Those exposures should not be inferred from regional averages.

7. Country and Subregional Exposure Scenarios

Economy or grouping	Baseline implication	Adverse-scenario vulnerability
Jamaica	Continued tourism and remittance inflows, but pressure from energy, shipping and import costs	Weaker US consumer spending, migration restrictions and elevated fuel prices compound recovery, fiscal and social pressures
OECS	Tourism remains central; high import dependence sustains exposure to fuel and freight costs	Imported inflation, disaster-recovery financing constraints, weaker tourism margins and pressures for consumer relief
Guyana	Stronger oil prices may support export earnings and public revenue	Shipping disruptions, investment delays and oil-market volatility complicate fiscal and production planning
Trinidad and Tobago	Potential price benefits depend on gas availability and production performance	Persistent production constraints, industrial feedstock pressures and geopolitical uncertainty limit gains
The Bahamas and Barbados	Tourism demand and high-value services remain important sources of foreign exchange	Weaker US discretionary spending, aviation costs and climate-related financing pressures
Belize and Suriname	Selective trade, investment and commodity opportunities	External financing constraints, import-cost pressures and concentration risks
Haiti	Remittances and external security and humanitarian cooperation remain essential	Immigration restrictions, reduced assistance and persistent insecurity intensify household and institutional vulnerability

The principal analytical conclusion is that there is no single Caribbean outcome. Hydrocarbon production, tourism concentration, remittance dependence, fiscal space, exchange-rate arrangements and access to external financing create markedly different national risk profiles.

Nevertheless, several vulnerabilities are common: imported inflation, limited economic diversification, dependence on external transport networks and relatively weak bargaining power in international commercial relationships.

8. Strategic Risk Monitor

Risk dimension	Indicative rating	Principal monitoring indicators
Energy and shipping	Very High	Hormuz security, physical crude premiums, war-risk insurance and LNG availability
Trade and market access	High	Tariff rulings, exemptions, rules of origin and new compliance requirements
Climate and development finance	High	US appropriations, programme cancellations and resilience funding
Security and diplomacy	High	New cooperation conditions, maritime operations and bilateral agreements
Remittances and migration	High	Enforcement changes, remittance fees and US migrant employment
Domestic political stability	High	Real household purchasing power, wage demands, industrial disputes and fiscal pressures
CARICOM institutional fragmentation	High	Divergent diplomatic positions, bilateral arrangements and implementation of regional commitments
Investment and financial access	Elevated	Correspondent banking, capital costs and new investment commitments

CBR indicative monitoring priorities, 28 October 2026. Relative exposure judgments, not statistically calibrated risk probabilities. Ratings reflect regional-level assessments; national exposures will differ.

9. Domestic Political Stability and Social Cohesion

The economic consequences of the US policy environment and Middle East conflict may increasingly be transmitted through domestic political systems. Persistent increases in food, electricity, transportation and housing-related costs can erode household purchasing power, intensify wage demands and increase pressure on governments to provide fiscal relief. Where such pressures coincide with weak economic growth, limited fiscal space or declining confidence in public institutions, the potential for demonstrations, industrial action and political confrontation increases.

The causal sequence is important:

External economic shock → domestic inflation and declining purchasing power → wage demands, demonstrations and fiscal pressures → policy reversals, institutional strain and potential governance instability.

The risks are likely to be differentiated. Highly import-dependent economies with limited fiscal buffers may confront difficult choices between consumer subsidies and fiscal sustainability. Tourism-dependent economies could experience tensions between aggregate sectoral performance and household living standards. Energy-producing economies may face public demands for a greater domestic share of windfall revenues, even where production constraints limit fiscal gains.

The consequences extend beyond electoral politics. Prolonged social tensions can delay investment decisions, disrupt transport and commerce, weaken fiscal discipline and increase the political costs of necessary economic adjustments.

Governments may face simultaneous demands for lower taxes, higher wages, subsidised utilities and greater social protection precisely when their fiscal capacity is deteriorating. Where fiscal concessions are financed through additional borrowing or deferred investment, immediate political relief may increase longer-term economic vulnerability.

The principal risk is that **externally generated cost pressures become domestically contested distributional decisions**. Governments may be held politically accountable for price increases they did not originate but are nevertheless expected to mitigate.

This is not an argument that demonstrations or political instability are inevitable. The probability and severity will depend on domestic inflation, real wages, unemployment, fiscal buffers, public trust and the responsiveness of political institutions.

Domestic political stability should therefore be monitored through changes in real household purchasing power, wage settlements, industrial disputes, public demonstrations, consumer subsidy commitments and the capacity of governments to maintain credible fiscal and social-protection arrangements.

The relevant distinction is between the probability of unrest and its potential severity. Elevated food and energy prices increase the conditions under which protests may occur, but do not establish that demonstrations or instability will follow.

10. Investment and Nearshoring: Opportunities Within the Disruption

The restructuring of American trade and industrial policy may create selective opportunities for Caribbean economies, particularly where firms seek geographically closer suppliers, diversified production locations and more resilient logistics networks. Potential areas include specialised manufacturing, agro-processing, business services, regional distribution, renewable energy and selected energy-related investments.

These opportunities should not be overstated. American economic nationalism can encourage domestic production rather than Caribbean nearshoring, while higher energy costs, infrastructure constraints, limited market scale and regulatory uncertainty may weaken the region's competitive position.

The critical determinant will be the capacity to assemble bankable investment projects supported by reliable infrastructure, skilled labour, predictable regulation and commercially viable market access. Regional cooperation could improve the economics of investment by aggregating demand, reducing logistical fragmentation and developing shared production and service platforms.

Selective Opportunity Matrix

Opportunity	Caribbean potential	Principal condition
Advanced business services	Financial services, professional services, digital operations and specialised outsourcing	Skills, reliable connectivity, cybersecurity and competitive operating costs
Agro-processing	Regional food production, value addition and selected exports	Reliable inputs, sanitary standards, logistics and scale
Logistics and distribution	Warehousing, transshipment, inventory management and regional distribution	Port efficiency, customs modernisation and competitive shipping costs
Renewable energy	Solar, wind, storage, grid modernisation and efficiency investments	Bankable projects, credible regulation and affordable financing
Specialised manufacturing	Medical products, packaging, selected assembly and niche industrial activities	Rules of origin, market access, productivity and infrastructure
Energy and petrochemicals	Hydrocarbon investment, gas processing and downstream industries	Reliable feedstock, production capacity and market conditions

The opportunities are differentiated. Jamaica, the Dominican Republic and Trinidad and Tobago possess different industrial and services capabilities; Guyana and Suriname have distinct resource-based opportunities; smaller OECS economies may be better positioned for specialised services, renewable energy and regional value chains than large-scale manufacturing.

Nor should geographical proximity be regarded as sufficient. Nearshoring investment is sensitive to total delivered cost, regulatory predictability, infrastructure reliability, workforce capabilities and the credibility of investment incentives.

Fiscal concessions cannot compensate indefinitely for weak project preparation, high operating costs and dysfunctional institutional arrangements.

The strategic opportunity is not simply to attract investment displaced by geopolitical disruption, but to position Caribbean economies within supply chains being redesigned for resilience, proximity and strategic security.

Investment opportunity capture should be measured through actual project commitments, financing closure, implementation, export earnings and employment creation rather than investment announcements alone.

11. Diplomatic Cohesion and the Fragmentation of CARICOM

The changing relationship between the United States and the Caribbean is exposing a potentially deeper vulnerability: the increasing fragmentation of CARICOM's diplomatic and strategic posture. Differences in national economic structures, security priorities, political calculations and external dependencies have always existed within the Community. The concern is whether these differences are now becoming sufficiently pronounced to undermine its capacity to develop and sustain common positions on matters of fundamental regional interest.

The October 28 United Nations General Assembly vote on the US embargo against Cuba provides a revealing illustration. Of CARICOM's 14 independent Member States, seven supported the resolution, Trinidad and Tobago opposed it alongside the United States, three abstained and three did not vote. This departure from the Community's traditionally coordinated position is significant, particularly given the longstanding regional consensus surrounding relations with Cuba. Although the voting pattern does not establish external coercion, it demonstrates the extent to which national diplomatic calculations can diverge on an issue previously associated with regional solidarity.

The implications extend beyond Cuba. American policies affecting trade, tariffs, immigration, maritime security, energy, investment and development cooperation create different incentives across CARICOM economies. Energy exporters, tourism-dependent states, countries reliant on remittances and governments confronting acute security challenges do not necessarily perceive the same risks or opportunities. These differences can encourage bilateral accommodation, particularly where immediate national benefits appear more tangible than the uncertain returns from collective negotiation.

The danger is that CARICOM could increasingly become a collection of states negotiating separately with major powers while retaining the institutional appearance of a coordinated regional community.

Such fragmentation would carry economic consequences. It could weaken collective bargaining over market access, reduce the effectiveness of coordinated responses to external shocks, complicate regional investment and infrastructure initiatives, and diminish the Community's influence in international financial and diplomatic institutions. It could also undermine functional cooperation in areas where shared institutions, pooled technical capacity and coordinated procurement offer demonstrable economies of scale.

The consequences would be particularly serious for smaller Member States whose individual negotiating capacity is limited. Bilateral arrangements may deliver immediate advantages to particular countries while weakening the collective leverage necessary to secure more favourable terms for the wider region.

However, divergent diplomatic positions should not automatically be interpreted as evidence of institutional failure. CARICOM is not a supranational political union, and Member States retain sovereign authority over foreign policy. The more relevant test is whether the Community can preserve agreed strategic objectives, coordinate positions where collective action adds value, and prevent bilateral commitments from undermining existing regional obligations.

The central institutional question is therefore whether CARICOM can reconcile legitimate national differences with the collective discipline required to protect regional economic and strategic interests.

Without that capacity, the repricing of the Caribbean's relationship with the United States could accelerate a process in which the region becomes progressively more exposed to external influence while simultaneously weakening its own capacity to negotiate collectively.

Four Dimensions of Regional Fragmentation

Dimension	Evidence to examine	Strategic consequence
Diplomatic divergence	Differences in UN voting, foreign-policy positions and responses to external pressure	Weaker credibility of common regional positions
Economic fragmentation	Competing bilateral trade, investment and energy arrangements	Reduced collective negotiating leverage and possible regulatory divergence
Security divergence	Different external security partnerships, military cooperation and maritime-security priorities	Difficulty sustaining a coherent regional security framework
Institutional fragmentation	Delays in implementing Community decisions, inconsistent compliance and weakening commitment to regional institutions	Reduced effectiveness of CARICOM's functional and economic integration agenda

This framework distinguishes observable disagreements from evidence of more systemic deterioration in regional cohesion.

The Fragmentation Cycle

There is also a potentially self-reinforcing dynamic.

As external pressures intensify, national governments may prioritise bilateral arrangements to protect immediate domestic interests. Those arrangements may weaken collective bargaining capacity, making future regional negotiations less effective. Reduced confidence in collective solutions could then encourage further bilateralism.

The result is a possible **fragmentation cycle**, in which the very external pressures that should encourage deeper regional cooperation instead accelerate institutional divergence.

This is particularly relevant to the domestic political dimension. Governments facing demonstrations, cost-of-living pressures, fiscal constraints or electoral uncertainty may have less political latitude to prioritise regional commitments whose benefits are diffuse or longer term.

The most consequential risk may not be that CARICOM Member States disagree on particular diplomatic questions, but that increasingly divergent national responses to external economic and geopolitical pressures erode the Community's capacity for collective action. At a time when the Caribbean requires greater negotiating leverage, shared institutional capacity and coordinated economic adjustment, fragmentation could become an additional source of vulnerability rather than merely a symptom of existing differences.

12. Operational Priorities and Decision Triggers

A functional scenario assessment must identify not only what could happen but also which developments should trigger a change in policy or business strategy.

Indicator	Development requiring attention	Recommended response
US congressional control	January 3 transition followed by material changes in appropriations, legislation or oversight	Reassess programme and market-access exposure
Physical energy prices	Sustained increases in landed petroleum or LNG costs beyond budget assumptions	Update fiscal, utility and business cost forecasts
Hormuz maritime security	Continued attacks, restricted transit, unresolved mine threats or coercive clearance requirements	Review supply diversification, insurance and inventories
Shipping insurance	War-risk premiums remain elevated despite easing benchmark crude prices	Recalculate delivered import costs and procurement strategies
Fertiliser and food prices	Sustained input-cost increases, reduced planting or delayed food-price pass-through	Monitor agricultural production, food security and household affordability
US tourism demand	Declining bookings, airlift, average visitor expenditure or forward reservations	Adjust marketing, pricing and source-market diversification
Remittances	Persistent reductions in US-origin inflows or increased transfer costs	Strengthen household-support and financial-access measures
Climate and development assistance	Funding suspensions, programme closures or revised eligibility requirements	Secure alternative financing and continuity arrangements
Trade policy	New tariffs, changed exemptions, restrictive rules of origin or compliance requirements	Activate exporter support and coordinated trade negotiations
Domestic political stability	Sustained deterioration in real purchasing power, rising industrial disputes or escalating demonstrations	Strengthen targeted relief, social dialogue and fiscal-risk management
Investment opportunity capture	New nearshoring enquiries, project commitments, financing decisions or implementation delays	Accelerate bankable project preparation and remove binding competitiveness constraints
Regional fragmentation	Divergent bilateral commitments affecting common CARICOM interests	Convene issue-specific regional consultations and protect agreed regional obligations

Applying the Monitoring Framework: Trinidad and Tobago's FY2027 Budget

The monitoring framework can be operationalised using the assumptions embedded in national budgets. Trinidad and Tobago's FY2027 Budget, for example, assumes oil at US\$77 per barrel and natural gas at US\$5.00/MMBtu, underpinning projected revenue of TT\$59.7 billion and a fiscal deficit of TT\$3.6 billion, equivalent to 2.1 per cent of GDP. Sustained deviations between these assumptions and realised prices, production volumes and actual revenue collections would provide early indications of emerging fiscal risks. The October 2026 EIA projection of US\$3.16/MMBtu for Henry Hub natural gas in 2027 illustrates potential pricing divergence, although contractual arrangements and benchmark differences must be recognised. For energy-importing economies, the corresponding monitoring priority is the extent to which actual fuel acquisition costs exceed budget assumptions. In both cases, the critical measure is the transmission of international market conditions into national fiscal and external balances.

Recommended Implementation Sequence

November 2026–January 2027: Finance ministries, central banks, trade agencies and major private-sector organisations should update exposure assessments, using the existing policy environment as the baseline. Regional institutions should establish a common monitoring framework for US policy, energy, fertiliser, food, freight and financing developments. Governments should also assess the distributional consequences of persistent price pressures and identify credible, fiscally sustainable mechanisms for protecting vulnerable households.

First half of 2027: Governments should conduct targeted negotiations on trade, security, financial access and development cooperation while protecting the continuity of vulnerable programmes. Energy-importing economies should reassess procurement arrangements, electricity-cost projections and strategic fuel resilience. Agricultural authorities should monitor fertiliser availability, planting decisions and food-supply vulnerabilities. CARICOM should examine areas where bilateral arrangements risk undermining collective interests.

Second half of 2027–2028: The priority should shift towards structural adjustments: renewable energy deployment, logistics improvements, export diversification, stronger investment pipelines, climate-resilience financing and more effective regional coordination. Investment promotion should concentrate on commercially credible opportunities supported by bankable projects, rather than relying predominantly on fiscal incentives or expressions of investor interest.

13. Strategic Conclusions

The Caribbean faces a period in which political events may move faster than the economic conditions they are expected to influence.

The November 3 midterms could change congressional leadership, but the new Congress will not convene until January 3, 2027. Thereafter, executive authority, presidential veto powers, judicial constraints and the political popularity of certain existing policies will continue to limit the scope for substantive reversal.

At the same time, Middle East instability presents risks that lie largely beyond congressional control. Even a credible cessation of hostilities would not immediately eliminate physical energy shortages, depleted inventories, maritime insurance premiums, shipping constraints or the accumulated effects of higher fertiliser and food costs.

For the Caribbean, the principal danger is therefore not any single adverse development. It is the interaction of multiple pressures across trade, energy, climate adaptation, investment, remittances, security, shipping and functional cooperation.

These pressures will also test domestic political institutions. Persistent cost-of-living increases may generate demands for wage adjustments, subsidies and fiscal concessions, while raising the potential for demonstrations and industrial disputes. Governments must balance immediate social protection with the preservation of fiscal credibility and investment confidence.

At the regional level, increasingly divergent national responses to external pressures could weaken CARICOM's capacity for collective action. The danger is that the Community becomes progressively more exposed to external influence while simultaneously losing the negotiating leverage that regional cooperation was intended to provide.

Yet geopolitical restructuring also creates selective opportunities. Caribbean economies capable of improving infrastructure, institutional performance, skills, project preparation and regulatory predictability may capture investment in services, logistics, agro-processing, renewable energy and specialised manufacturing.

Four conclusions follow.

First, a change in American congressional control should not be treated as a substitute for regional economic adjustment.

Second, Caribbean governments must differentiate between risks that can be negotiated, risks that can be mitigated and external shocks that must be absorbed.

Third, domestic political stability and social cohesion must be recognised as integral components of economic resilience, particularly where persistent inflation and fiscal constraints create difficult distributional choices.

Fourth, regional cooperation must be assessed according to its capacity to lower costs, strengthen bargaining power, preserve access to essential markets and services, and support commercially viable investment opportunities.

The Caribbean's challenge following the US midterms will extend beyond managing higher external costs and changing American policies. Governments must also confront the domestic political consequences of persistent cost-of-living pressures, protect social cohesion and preserve fiscal credibility while positioning their economies to capture investment opportunities arising from the restructuring of international trade and supply chains. The capacity to achieve these objectives will depend less on the outcome of the November elections than on the quality of domestic institutions, the effectiveness of regional cooperation and the speed with which credible economic adjustments are implemented.

The November 3 elections may change the political balance in Washington. They are unlikely to restore the economic status quo that preceded the current administration or the Middle East conflict. For the Caribbean, the imperative is to prepare for the relationship that is emerging, rather than wait for the restoration of one that may no longer exist.

Methodological Note

This briefing distinguishes reported developments and published forecasts from CBR's qualitative scenario judgments. The scenarios are conditional analytical constructs, not statistically estimated probabilities. Country impacts are directional pending detailed national trade, energy, fiscal and financial sensitivity modelling. The illustrative remittance and food-price calculations describe exposure and compounding, not direct forecasts of GDP or domestic consumer inflation. Political instability risks are assessed as conditional vulnerabilities rather than predictions of demonstrations or unrest.

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