



STRATEGIC REVIEW OF TRINIDAD AND TOBAGO'S TRADE AND INVESTMENT PERFORMANCE

Policy and Strategy Directorate

October, 2009

Table of Contents

List of Tables.....	ii
EXECUTIVE SUMMARY.....	1
INTRODUCTION.....	6
Background.....	6
Assumptions and Limitations.....	6
PART I: TRADE IN NON-ENERGY GOODS.....	8
THE NON-ENERGY DOMESTIC TRADE PERFORMANCE.....	8
Non-Energy Domestic Exports.....	8
Non-Energy Domestic Exports Trends.....	10
Potential Products for Export Growth.....	11
Non-Energy Imports.....	12
Non-Energy Imports Trends.....	13
Non-Energy Domestic Trade Balance.....	14
Trends of the Non-Energy Domestic Trade Balance.....	15
Summary and Conclusions on the Non-Energy Domestic Trade Balance and its Trends.....	16
PERFORMANCE OF CARICOM BILATERALS.....	19
Composition of Trade with CARICOM FTA Partners.....	19
Venezuela.....	19
Colombia.....	22
Dominican Republic.....	24
Costa Rica.....	27
Cuba.....	29
Analysis and Conclusions on CARICOM FTAs.....	31
THE TRADING ENVIRONMENT AND STRATEGIC IMPLICATIONS FOR TRINIDAD AND TOBAGO'S NON-ENERGY EXPORTS.....	32
The Domestic Economic Environment.....	32
Over-reliance on the CARICOM Market.....	32
Composition of GDP and Exports.....	33
Small Size of Exporters and Absence of MNCs.....	35
The Global Economic Crisis.....	35
Preference Erosion.....	36
Shift towards Reciprocal Trading Arrangements.....	37
Part 1 Summary and Conclusions.....	38
PART II: A STRATEGIC REVIEW OF TRINIDAD AND TOBAGO INVESTMENT POSITION.....	39
Background.....	39
Performance of FDI Inflows in Trinidad and Tobago.....	41
Trends.....	42
Performance of Various Sub-sectors in Attracting FDI Inflows.....	43
Petroleum Industries.....	43
Food, Drink and Tobacco.....	43
Chemicals and Non-Metallic.....	43
Assembly Type and related Industries.....	44

Services Contractors, Marketing and Distribution.....	44
Other Sectors	44
Performance of FDI Inflows by Country of Origin.....	45
FDI Inflows in Targeted Sectors	46
Summary Performance.....	47
Global FDI TRENDS	47
Major Sources of FDI Outflows.....	47
Enhancing Trinidad and Tobago’s Attractiveness to FDI.....	53
Major destinations for FDI.....	54
Summary and Conclusions.....	56
APPENDICES	57

List of Tables

Table 1: MAJOR IMPORT MARKETS FOR SELECTED TRINIDAD AND TOBAGO’S NON-ENERGY DOMESTIC EXPORTS (2008).....	8
Table 2: COMPOSITION OF TOP 10 MARKETS FOR DOMESTIC NON-ENERGY EXPORTS (2000 & 2008/TT\$Mn).....	9
Table 3: COMPOSITION OF TOP 10 IMPORT MARKETS FOR NON-ENERGY PRODUCTS (2000 & 2008/TT\$Mn).....	12
Table 4: DOMESTIC TRADE BALANCE SUMMARIZED BY NON – ENERGY AND ENERGY SECTORS (2000 TO 2008/TT\$Mn)	15
Table 5: COMPOSITION OF OUTPUT	33
Table 6: DIRECT INVESTMENT CAPITAL IN PRIVATE SECTOR ENTERPRISES BY SECTOR OF ACTIVITY 2000 – 2007/US\$Mn	41
Table 7: DIRECT FOREIGN INVESTMENT BY COUNTRY OF ORIGIN (2001-2007/US - \$Mn)	45
Table 8: FDI Inflows in Targeted Sectors.....	46
Table 9: Top 20 Sources of FDI Outflows.....	48
Table 10: Inflows of FDI by Host Country and Country of FDI Outflow in Latin America and the Caribbean.....	50

List of Figures

Figure 1: Non-Energy Trade for the period January 2000 to 2008.....	10
Figure 2: Domestic Trade Balances for the period January 2000 to December 2008	16
Figure 3: Trinidad and Tobago - Venezuela Imports, Domestic Exports and Trade Balance, 2000 - 2008.....	21
Figure 4: Trinidad and Tobago - Colombia Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008	23
Figure 5: Trinidad and Tobago - D.R. Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008.....	25
Figure 6: Trinidad and Tobago - Costa Rica Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008	28
Figure 7: Tobago and Tobago - Cuba Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008.....	30

Figure 9: Trends in FDI Inflows 42

EXECUTIVE SUMMARY

Part I: Trade

The purpose of this review is to examine the past and current performance of Trinidad and Tobago's trade and investment position for the period 2000-2008 and to undertake a strategic analysis to inform the thrust of future efforts in improving trade performance and expanding investment inflows in the context of a dynamic global environment.

In relation to Government's Vision 2020 Operational Plan 2007-2010, the Ministry of Trade and Industry has responsibility for Pillar III – "Enabling Competitive Business". Within that responsibility, the Ministry's Trade Policy continues to direct its efforts toward growing and developing the country's non-energy trade, particularly domestic exports of both goods and services. MTI is also entrusted with the responsibility to spearhead diversification of the domestic economy.

Some of the main domestic goods exported within the non-energy sector in 2008 were as follows:

• iron and steel	TT\$4,323.6Mn
• ores and slag	TT\$3,055.4Mn
• beverages	TT\$640.2Mn
• paper and paperboard articles	TT\$468.6Mn
• preparations of cereals	TT\$345.4Mn

Similarly, the major items that contributed to total imports for 2008 were as follows:

• machinery and mechanical appliances	TT\$8,422.8Mn
• articles of iron and steel	TT\$3,494.1Mn
• ores and slag	TT\$2,949.8Mn
• road vehicles	TT\$2,799.9Mn
• iron and steel	TT\$1,398.4Mn

An examination of Trinidad and Tobago's non-energy trade structure shows that domestic exports are generally concentrated in a narrow range of products while imports are spread across a broad spectrum of items.

Trinidad and Tobago's non-energy trade balance has traditionally been in deficit, a situation which needs to be addressed. For instance, the country recorded a deficit of **(TT\$23,198.3Mn)** in non-energy merchandise trade in 2008. During this year, non-energy imports totalled TT\$34,304.5Mn while domestic exports amounted to TT\$11,106.2Mn. Moreover, throughout the trend period, 2000 to 2008, the non-energy trade balance showed a general worsening trend that increased the non-energy deficit.

This finding illustrates that although there was an upward trend in manufactured goods exports during the trend period, this element had been outstripped by more than proportional increases in non-energy imports. While the major non-energy imports represent items that are necessary in driving the economic growth (e.g. machinery), the trade balance was exacerbated by an increasing food import bill, a situation which needs to be remedied via expansion of the domestic agricultural sector and developing regional food production networks.

In 2008, Trinidad and Tobago's top five non-energy export destinations accounted for 86.6% of merchandise exports as follows:

- | | |
|------------------|--------------|
| • USA | 33.1% |
| • CARICOM | 30.1% |
| • Mexico | 6.7% |
| • Canada | 3.4% |
| • Brazil | 2.8% |

On the other hand, Trinidad and Tobago's top ten non-energy import sources for 2008 were USA; E.U.; Brazil; China; Japan; Canada; Mexico; Thailand; South Korea; and CARICOM in that order. These top ten import sources contributed toward 89.2% of this country's total imports.

The composition of trade with the CARICOM-T&T FTA partners; namely Venezuela; Colombia; the Dominican Republic; Costa Rica; and Cuba, recorded a non-energy domestic trade surplus of TT\$72.5Mn in 2008. This comprised domestic exports of TT\$688.1Mn and imports of TT\$615.6Mn representing a contribution of 6.2% and 1.8% toward CARICOM FTA non-energy trade respectively.

A comparative review of this composition illustrates that the CARICOM FTAs play a great role for Trinidad and Tobago's domestic export trade. Hence, there is the need to lock in and expand on the preferential treatment of CARICOM products via these and other trade arrangements, thereby providing increased market access to further promote Trinidad and Tobago's exports. The solution lies in understanding the shifts in the world trade agenda and create innovative solutions for Trinidad and Tobago to become more efficient and improve export competitiveness.

The final section of Part I examine the status and dynamics in the domestic and global environment within which trade takes place. The paper highlights the over-reliance on the CARICOM Market, the small contribution of manufacturing in total GDP, the small size of domestic firms involved in non-energy exports and an absence of MNCs, implications of the global economic crisis, preference erosion in the country's major export markets and the shift from one-way preferential agreements to reciprocal trade agreements with developed countries as some of the major dynamics that need to be taken into consideration in shaping Trinidad and Tobago's trade strategy.

Part II: Investment

The Investment performance reveals that while Trinidad and Tobago has been successful in attracting FDI relative to other CARICOM Members, the level of investment is heavily concentrated in the energy sector. In 2007 for example, FDI inflows in the non-energy sector amounted to barely 8% of the total amount. Moreover, a trend analysis of investment inflows indicates that the highest levels of FDI in all sectors were received in **2004 (US\$998 billion) after which FDI levels exhibited a steady decline. This decline**

is expected to continue in the 2010 due to the impact of the global economic crisis. These factors indicate that the levels of FDI flows into the 10 non-energy sectors which the Government of Trinidad and Tobago has identified for targeted investment and further sectoral growth are not sufficient to attain economic diversification objectives. There is need to expand the level of FDI that goes into the non-energy sector, particularly those targeted to drive diversification of the economy.

The Paper also examined the major sources of FDI for Trinidad and Tobago and the major sources of FDI globally. Focus was also placed on the major FDI sources in sectors that are of interest to Trinidad and Tobago. **In light of this analysis the Paper recommends that future investment attraction strategies, such as the signing of Bilateral Investment Treaties and the mounting of trade and investment missions should take consideration of these major players.**

The emergence of India as a top 4 investment source for Trinidad and Tobago is worth noting. This mirrors India's position as one of the most important players in the global economy and signals an opportunity for Trinidad and Tobago to further deepen cooperation with India via South-South cooperation. Moreover, Trinidad and Tobago and India have shared cultural heritage via the presence of substantial Indian Diasporas in Trinidad and Tobago, a feature which needs to be exploited.

An examination of the global investment trends highlights an increase in the number of developing and transition economies as major recipients for FDI. The analysis also reveals a ranking of factors that determine FDI inflows to such countries. It is notable from this ranking that 'incentives' per say do not play a significant role in attracting FDI in the absence of other locational factors such as access to regional markets, stable and friendly business environment, availability of skilled labour and talents, quality of infrastructure, government effectiveness, presence of suppliers, size of domestic markets, and growth of markets. Efforts in attracting investment should therefore add emphasis on improving these factors via implementing the Single Electronic Window (SEW) for

business and trade facilitation to enhance the business environment and government effectiveness; deepening regional integration to expand the size of the “domestic market”; deepening hemispheric integration to enhance access to big international/hemispheric markets; improving infrastructure for trade (ports, ICTs and dealing with traffic congestion) among other measures.

INTRODUCTION

This report examines Trinidad and Tobago's trade and investment performance in the Non – Energy Domestic Sector over the period January 2000 to December 2008 and presents a strategic analysis to inform the direction of this country's future endeavours in trade and investment within the context of the dynamics of the global environment. This strategic analysis will be evidence-based and will provide guidance on how future efforts to develop Trinidad and Tobago's trade and investment profile should be focused in terms of negotiating investment and trade agreements; business development, promotion and facilitation activities; market access issues; and cooperation at the bilateral and multilateral levels.

Background

The context for this paper considers Government's Vision 2020 Operational Plan 2007-2010 and the responsibility the Ministry of Trade and Industry has with respect to Pillar III – “Enabling Competitive Business”. Within that responsibility, the Ministry's Trade Policy understands the central role of trade and investment in achieving this Vision.

As such, the MTI continues to direct its efforts toward growing and developing the country's non-energy trade, investment and internationalization of business. MTI is also entrusted with the responsibility to spearhead diversification of the domestic economy.

Assumptions and Limitations

For the purpose of this paper, the Energy Sector is defined as Sections 3 and 5 of the Standard International Trade Classification (S.I.T.C.); namely, Mineral Fuels, Lubricants and related materials (**Section 3**) and Chemicals (**Section 5**). By proxy, the Non-Energy Sector is the balance of the S.I.T.C. that includes the following sections: Food and Live Animals; Beverages and Tobacco; Crude Materials (Inedible); Animal & Vegetable Oils,

Fats & Waxes; Manufactured Goods Classified Chiefly by Materials; Machinery & Transport Equipment; Miscellaneous Manufacturing; and Commodities & Transactions.

It should be noted that there are no sanctioned Central Statistical Office (CSO) definitions for the Energy and Non-Energy Sectors. Furthermore, the Ministry of Trade and Industry (MTI) has not put into policy its perspective on the parameters of the Non-Energy Sector, which it seeks to develop.

A major limitation to this classification is that some traditional manufactures such as paints and varnishes; essential oils, perfumery, and cosmetics; soaps, washing preparations, waxes, and candles; and articles of plastics fall under the Chemicals Section (Section 5) of the S.I.T.C. and, therefore, would be reflected as energy products. These products account for about 10% of the exports under Section 5 of the S.I.T.C. Yet, the extraction of this trade is problematic; especially given the complexity in converting trade data from Trinidad and Tobago's certified Harmonized System of Tariffs (H.S. 2007) into the lesser utilized S.I.T.C. (Rev.4) and vice versa.

Additionally, the conversion between these two nomenclatures added a further limitation to the study as the complete correspondence tables were unattainable from the CSO. Nonetheless, a proxy was utilized from the United Nations Statistical Division website (<http://unstats.un.org>) for this purpose.

In Part II, Investment, a major flaw is the overemphasis on FDI at the expense of domestic investment. This is largely due to the paucity of reliable data on domestic investment. In any case, domestic investment plays and will continue to play a major role in economic development and realising economic diversification objectives in Trinidad and Tobago.

PART I: TRADE IN NON-ENERGY GOODS

1. Part I presents the current trade performance in goods; analyses growth trends and identifies products that demonstrate strong growth potential for the future. This Part also includes a comprehensive examination of dynamics in the trading environment both local and international. This analysis provides insights for strategy.

THE NON-ENERGY DOMESTIC TRADE PERFORMANCE

Non-Energy Domestic Exports

2. Trinidad and Tobago's main non-energy domestic exports over the period 2000 to 2008 were sugars and sugar confectionery (HS 17); preparations of cereals (HS 19); beverages, spirits and vinegar (HS 22); tobacco and manufactured tobacco substitutes (HS 24); ores, slag and ash (HS 26); paper and paperboard articles (HS 48); and iron and steel (HS 72). In 2008, the top twenty non-energy domestic exports amounted to TT\$8.7 billion of total non-energy exports of TT\$11.1 billion. This represents 78.4% of overall non-energy domestic exports (see **Appendix I**).

Table 1: MAJOR IMPORT MARKETS FOR SELECTED TRINIDAD AND TOBAGO'S NON-ENERGY DOMESTIC EXPORTS (2008)

Product Description	Export Destination	Product Description	Export Destination
Preparations of cereals	CARICOM	Paper and paperboard articles	CARICOM
	USA		Dominican Republic
	Dominican Republic		USA
	Puerto Rico		Netherlands Antilles
	Colombia		Puerto Rico
	Canada		Panama
Beverages, Spirits and Vinegar	CARICOM	Iron and Steel	USA
	USA		CARICOM
	Colombia		Canada
	EU		Costa Rica
	Australia		EU
	Canada		Colombia

Source: Central Statistical Office

3. It should be noted that CARICOM, USA, Canada, the D.R., Colombia, and the EU are among the top 10 export destinations for Trinidad and Tobago's non-energy products partners. Overall, Trinidad and Tobago's top 10 export destinations in 2008 accounted for 86.5% of non-energy domestic exports (see Table 2).
4. When compared with 2000, domestic exports data for 2008 shows that the total percentage share of Trinidad and Tobago's top 10 export destinations to total non-energy domestic exports declined slightly from 90.4% to 86.5%. Furthermore, the composition of the top 5 domestic export destinations remained relatively unchanged (considering changes in the rankings).

Table 2: COMPOSITION OF TOP 10 MARKETS FOR DOMESTIC NON-ENERGY EXPORTS (2000 & 2008/TT\$Mn)

Country		Value 2008 (TT\$Mn)	Share 2008 (%)	Country	Value 2000 (TT\$Mn)	Share 2000 (%)
1	USA	3,681.6	33.1	CARICOM	1,922.3	45.2
2	CARICOM	3,341.6	30.1	USA	700.2	16.5
3	Mexico	695.2	6.7	E.U.	293.2	6.9
4	Canada	326.7	3.4	Mexico	272.1	6.4
5	Brazil	314.4	2.8	Canada	232.0	5.5
6	Costa Rica	308.7	2.8	Venezuela	177.3	4.2
7	E.U.	235.0	2.1	D.R.	93.0	2.2
8	South Africa	224.8	2.0	Puerto Rico	55.1	1.3
9	D.R.	211.0	1.9	Martinique	47.9	1.1
10	Indonesia	173.4	1.6	Guadeloupe	46.4	1.1
Total		9,613.2	86.5	Total	3,839.7	90.4

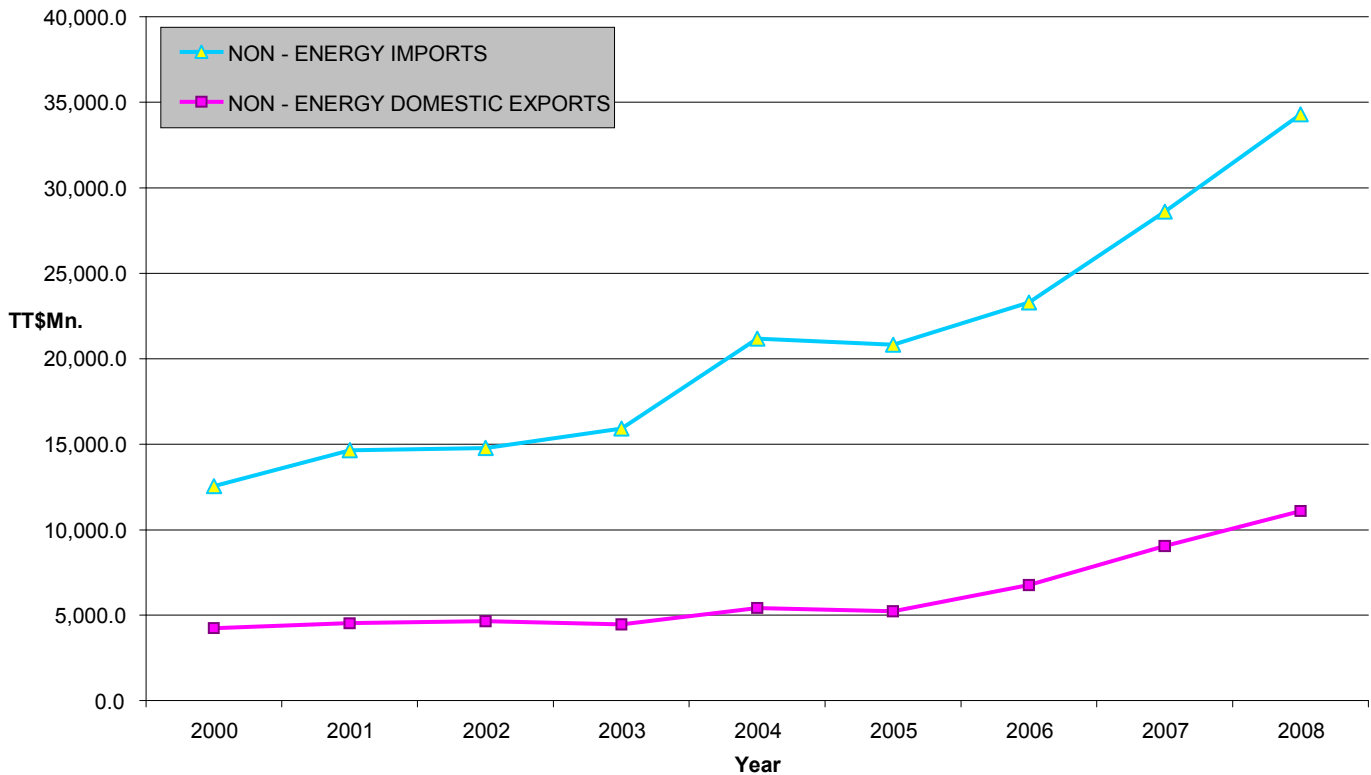
Source: Central Statistical Office

5. Notably, during the period under consideration, domestic exports moved from being concentrated highly on CARICOM to more dispersed trade over numerous trading partners, with the USA becoming increasingly significant. The share of non-energy exports to CARICOM fell from approximately 45% in 2000 to approximately 30% in 2008, while the share of exports to both USA and Mexico increased. Concomitantly, Brazil; Costa Rica; South Africa and Indonesia emerged as part of the top 10 export destinations to the exclusion of Venezuela; Puerto Rico; Martinique; and Guadeloupe.

Non-Energy Domestic Exports Trends

6. Non – energy domestic exports increased consistently over the trend period by 161.3% from TT\$4,249.9Mn in 2000 to TT\$11,106.2Mn in 2008 with the largest expansion occurring between 2006 and 2007, an increase of 33.8%. Exports of metal ores and scrap (HS 26), namely copper ores were a major contributor to this increase.

Figure 1: Non-Energy Trade for the period January 2000 to 2008



Source: Central Statistical Office

7. Generally, the major products that have shown the greatest growth rate since 2000 were from the chapters of paper and paperboard articles (HS 48) and ores, slag and ash (HS 26). Examples of these items are namely, toilet or facial tissue stock and iron ores and concentrates respectively.

Potential Products for Export Growth

8. This Paper examines not only current performance but also attempts to use current trends to identify products which are lucrative for expanding exports in the future. In this respect, the Paper examines the fastest growing export items during the period 2004-2008. The analysis also examines base levels and derived products which have shown phenomenal growth but whose values are too small to impact total exports in a significant manner. For instance, lead and articles thereof (HS 78) showed an average annual growth rate of 78% between 2004 and 2008 and 171% between 2007 and 2008, yet the value exported in 2008 was US\$76,000. The results indicated that the following ten items as most promising export products from Trinidad and Tobago for the future:

- i. paper and paperboard articles (HS 48)
- ii. ores, slag and ash (mainly scrap metal) (HS 26)
- iii. milling products, malt, starches, wheat gluten (HS 11)
- iv. tobacco and manufactured tobacco substitutes (HS 24)
- v. plastics and articles thereof (HS 39)
- vi. cereals (HS 10)
- vii. beverages, spirits and vinegar (HS 22)
- viii. ships, boats and other floating structures (HS 89)
- ix. cocoa and cocoa preparations (HS 18)
- x. articles of iron and steel (HS 73)

9. Similarly, export markets were analysed and data shows that the most significant emerging export destinations for Trinidad and Tobago's non-energy exports since 2000 are as follows:-

- i. Guatemala
- ii. Indonesia, (solely exports of iron & steel directly reduced)
- iii. Colombia
- iv. Costa Rica

10. These markets have emerged as top ten destinations for non-energy exports and have replaced Venezuela, Puerto Rico, Martinique and Guadeloupe in that category. The emergence of Guatemala, Colombia and Costa Rica into the top ten export destinations is indicative of Trinidad and Tobago's (and by extension CARICOM's) bilateral trade agreements and increasing levels of interest from the local business community to deepen trade ties with Central American countries.

11. Other fast growing non-energy export markets for Trinidad and Tobago since 2000 are Nicaragua; Argentina; and El Salvador. Collectively, the major merchandise exported to these countries is iron & steel (HS 72).

Non-Energy Imports

12. Trinidad and Tobago's main non-energy imports are cereals (HS 10); miscellaneous edible preparations (HS 21); ores, slag and ash (HS 26); iron and steel (HS 72); articles of iron and steel (HS 73); electrical machinery and mechanical appliances (HS 84); electrical and electronic equipment (HS 85); vehicles (HS 87); and ships, boats and floating structures (HS 89). In 2008, the top twenty non-energy merchandise imports totalled TT\$10.6 billion, representing 30.9% of total non-energy imports (see Appendix II).

Table 3: COMPOSITION OF TOP 10 IMPORT MARKETS FOR NON-ENERGY PRODUCTS (2000 & 2008/TT\$Mn)

Country		Value 2008 (TT\$Mn)	Share 2008 (%)	Country	Value 2000 (TT\$Mn)	Share 2000 (%)
1	USA	12,179.8	35.5	USA	6,454.5	51.4
2	E.U.	6,408.0	18.7	E.U.	1,998.0	15.9
3	Brazil	3,006.5	8.8	Japan	676.3	6.3
4	China	2,915.1	8.5	Canada	487.5	3.9
5	Japan	2,003.1	5.8	Brazil	432.5	3.4
6	Canada	1,554.2	4.5	China	314.7	2.5
7	Mexico	819.5	2.4	CARICOM	310.9	2.5
8	Thailand	604.1	1.8	Venezuela	227.4	1.8
9	S. Korea	562.2	1.6	Mexico	206.8	1.6
10	CARICOM	552.7	1.6	S. Korea	155.7	1.2
Total		30,605.3	89.2	Total	11,264.3	90.5

Source: Central Statistical Office

13. The top ten import sources for 2008 are illustrated in Table 3. A comparative analysis of this data, with the same period for 2000 revealed variations in the composition of Trinidad and Tobago's major non-energy import sources.
14. Although, the top five import sources remained largely the same, the concentration of imports from the USA shifted to Asian (China and Japan) and Latin American (Brazil and Mexico) markets. In 2000, half of Trinidad and Tobago's non-energy imports originated from USA but by 2008 USA contributed a smaller amount of 35.5% to total non-energy imports.

Non-Energy Imports Trends

15. The emergence of China to become Trinidad and Tobago's fourth largest import source for non-energy products is worth noting. This reflects China's increasing prominence in global manufacturing exports. In 2000 imports from China were valued at TT\$314.7Mn translating into a 2.5% share in total non-energy imports. By 2008 imports from China had expanded to TT\$2,915.1Mn, a growth of approximately 800%.
16. The main non-energy imports from China were iron and steel, articles of iron and steel, electrical and electronic equipment (mainly colour televisions), machinery, furniture (wooden, metal), vehicles (diesel powered trucks and buses), plastics and articles thereof, footwear, gaiters and the like, rubber and articles thereof, ceramic products and a plethora of other manufactured goods including beverages, spirits and vinegar. It would be important to determine the impact that these imports have on local manufacturing sectors.
17. Over the period 2000 to 2008, non-energy imports exhibited an overall increasing trend of approximately 173% or 19% per annum. The largest expansion occurred between 2003 and 2004 representing an increase of 32.9%. A comparative trend analysis of non-energy imports for 2006 to 2007 showed a 22.8% increase (from

TT\$23,301.7Mn in 2006 to TT\$28,605.9Mn in 2007). Machinery and Transport Equipment (Section 7 of the S.I.T.C.) and Manufacturing (Sections 1, 6, & 8 of the S.I.T.C.) Sectors were both the largest contributors to non – energy imports for the trend period, contributing 42.4% and 32.1% respectively in 2008.

18. Although the composition of non-energy imports over the trend period remained relatively unchanged, there was an overall increase in the imported value of these merchandise items. One particular example is the increasing food import bill. The food import bill averaged 7.4% of total imports over the trend period 2000 to 2008.
19. One of the fastest growing import sources for Trinidad and Tobago over the trend period was Peru. Examples of the merchandise imported from this country are ores, slag and ash (HS 26); articles of plastics (HS 39); and miscellaneous manufactured articles (HS 96).
20. Additionally, the trend data revealed a decline in non-energy imports from Trinidad and Tobago's traditional sources of USA and CARICOM, expanding and deepening trade with Asian markets to include Singapore; Malaysia; and India as some of the faster growing non-energy import sources.

Non-Energy Domestic Trade Balance

21. Trinidad and Tobago's merchandise trade is largely dominated by energy exports, which accounted for 86.5% of total domestic exports in 2008. Domestic exports have expanded by 329.9% over the last nine (9) years from TT\$26.4 billion in 2000 to TT\$113.5 billion in 2008. Over the same period imports have grown from TT\$20.9 billion to TT\$60.0 billion, representing a 187.1% nominal growth.
22. **Throughout the trend period, the country had enjoyed overall trade surpluses with an overall increase in value of approximately 870%. However, while the overall trade balance has primarily been positive, disaggregated data shows that**

the non-energy domestic trade balance has always been in deficit throughout the period 2000 to 2008 as illustrated in Table 4 below.

Table 4: DOMESTIC TRADE BALANCE SUMMARIZED BY NON – ENERGY AND ENERGY SECTORS (2000 TO 2008/TT\$Mn)

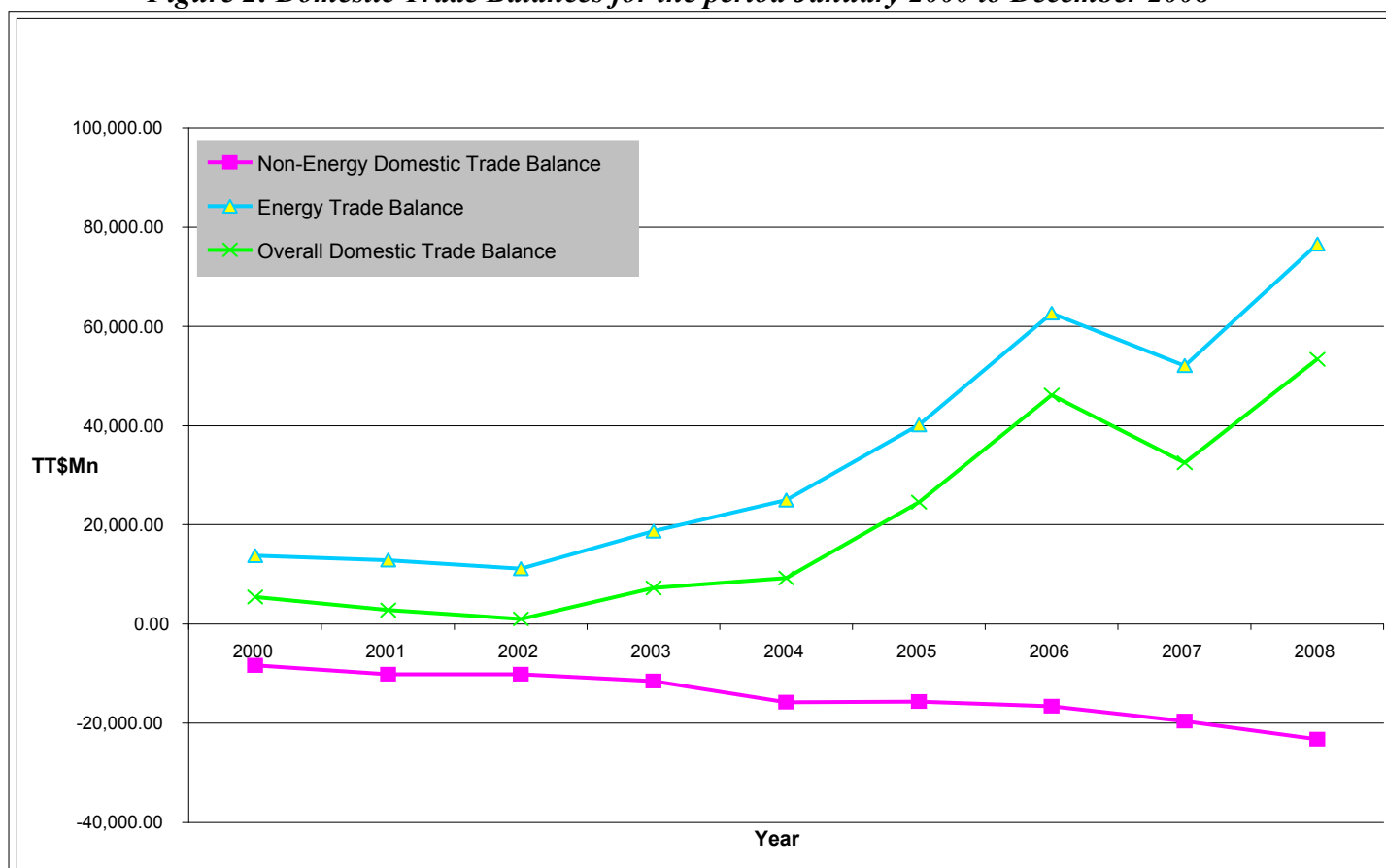
YEAR	NON-ENERGY SECTOR TRADE BALANCE	ENERGY SECTOR TRADE BALANCE	DOMESTIC TRADE BALANCE
2000	(8,305.5)	13,805.7	5,500.2
2001	(10,121.3)	12,926.5	2,805.2
2002	(10,140.6)	11,212.6	1,072.0
2003	(11,466.0)	18,760.3	7,294.3
2004	(15,746.2)	25,040.9	9,294.7
2005	(15,586.3)	40,177.3	24,591.0
2006	(16,531.9)	62,713.4	46,181.5
2007	(19,544.3)	52,100.7	32,556.4
2008	(23,198.3)	76,630.9	53,432.6

Source: Central Statistical Office

Trends of the Non-Energy Domestic Trade Balance

23. As illustrated in **Figure 2**, the non-energy domestic trade balance exhibited an overall downward trend. During the period 2000 to 2008, the non-energy domestic trade deficit worsened by TT\$14,892.8Mn or 179.3%. This decline does not imply a reduction in non-energy exports. Rather, it was due to the fact that increases in non-energy imports outstripped the increases in non-energy domestic exports throughout the trend period. More specifically, Trinidad and Tobago's growing economy is characterized by an expanding local Manufacturing Sector coupled with a booming Construction Sector.

Figure 2: Domestic Trade Balances for the period January 2000 to December 2008



Source: Central Statistical Office

Summary and Conclusions on the Non-Energy Domestic Trade Balance and its Trends

24. Overall, the trend in Trinidad and Tobago's trade indicates that total non-energy imports outstripped non-energy domestic exports creating a non-energy trade deficit. However, there were some non-energy industries that recorded domestic trade surpluses given their robust exports. In 2008, these included:

- i. beverages, spirits and vinegar;
- ii. tobacco and manufactured tobacco substitutes;
- iii. iron and steel; and
- iv. articles of iron and steel

25. These products were also among the fastest growing non-energy exports between 2004 and 2008. Other products that showed fast growth during that period are as follows:

- i. Milling products;
- ii. Plastics and articles thereof;
- iii. Cereals;
- iv. Electrical and electronic equipment;
- v. Cocoa and cocoa preparations; and
- vi. Ores, slag and ash (scrap metal)

26. These products therefore have potential to contribute substantially to the expansion of non-energy exports in the short to medium term and needs to be supported to develop further. In fact, “beverages, spirits and vinegar” are an integral part of the “Food and Beverage” Sector which is one of the “Seven Sectors”¹ earmarked for growth and development as part of Government’s diversification initiative. Cereals, Milling Products, Cocoa and Cocoa preparations Plastics and articles thereof also forms part of the Printing and Packaging Industry and therefore fall under the Seven Sectors.

27. The high concentration of domestic exports on a limited range of products² illustrates the need to widen the range of merchandise exports. On the other hand, non-energy imports are less concentrated, with the top twenty imported products for 2007 contributing 28.7% of the total.

28. The obvious solution to reducing Trinidad and Tobago’s non-energy domestic trade deficit and generating a non-energy domestic trade surplus lies in expanding non-energy domestic exports and reducing non-energy imports. However, there is a caveat with respect to the latter because the most significant non-energy imports for Trinidad

¹ To accelerate the diversification process, the Government has identified seven priority sectors development. These are: Food and Beverage, Printing and Packaging, Merchant Marine, Film, Music and Entertainment, Fish and Fish Processing, and Yachting. Later three more sectors namely Financial Services, Tourism, Information and Communication Technologies (ICT), were added to the list.

² The top twenty domestic exports for 2008 totalling approximately 78.4%

and Tobago are essential to supporting the industrial growth needs of the economy, e.g. machinery, electrical equipment and transport equipment.

29. This notwithstanding, Trinidad and Tobago can lessen its non-energy trade deficit via reduction in imports of such items as food products. This requires the concomitant expansion of the domestic agricultural sector as well finding innovative ways of sourcing cheaper food items (e.g. through regional productions arrangements with countries such as Guyana and Belize which possesses excess arable land and comparatively cheap labour).
30. It may be concluded therefore that the diversification initiatives being spearheaded by the Ministry of Trade and Industry needs to be given added impetus for Trinidad and Tobago to significantly expand her non-energy exports and reduce the worsening non-energy trade deficit. Attention should also be placed on expanding the agricultural sector in order to reduce the food import bill thereby reducing the non-energy deficit. Thirdly, Trinidad and Tobago's trade policy should identify strategies for encouraging the expansion of non-energy exports.
31. With respect to trade policy, an examination of Trinidad and Tobago's current domestic export markets, via its CARICOM FTAs, is instructive. A number of bilateral trade agreements have been signed between Trinidad and Tobago and, by extension, CARICOM and several Latin American partners, namely, Venezuela, Colombia, the Dominican Republic, Costa Rica and Cuba. The performance of such trade agreements should be evaluated and corrective action taken where necessary especially in the development of market access to stimulate exports of Trinidad and Tobago non-energy products to such markets.

PERFORMANCE OF CARICOM BILATERALS

Composition of Trade with CARICOM FTA Partners

32. Exports to CARICOM FTAs (usually called “bilaterals”) were valued at TT\$688.1Mn while imports amounted to TT\$615.6Mn, translating into a non-energy domestic trade surplus of TT\$72.5Mn in 2008. Non-energy domestic exports to CARICOM FTAs represented a contribution of 6.2% to Trinidad and Tobago’s total domestic non-energy exports. On the other hand, non-energy imports from these bilaterals accounted for 1.8% of the total non-energy import bill (see **Appendix III**).
33. **This composition illustrates the level of involvement that these bilaterals play in Trinidad and Tobago’s overseas trade. Firstly, total CARICOM FTA trade recorded a surplus in 2008 (TT\$72.5Mn), which countered the overall domestic trade deficit of (TT\$23,198.3Mn) that year. Although this was not displayed over the period, the trend data illustrates that the bilaterals’ contribution to the non-energy deficit is comparatively small. For example, despite the fact that total CARICOM FTA trade recorded a trade deficit for 2007 (TT\$118.1Mn); this value was negligible (0.6%) when compared to the total non-energy domestic trade deficit, which stood at (TT\$19,544.3Mn).**
34. Furthermore, when the contribution of non-energy domestic exports to CARICOM FTAs (6.2%) is compared with the same for non-energy imports (1.8%), it is clear that the CARICOM FTAs play a greater role for Trinidad and Tobago’s domestic export trade. This suggests that potential exists for further expansion of domestic exports to these markets via increased export promotion and development and addressing existing impediments to export.

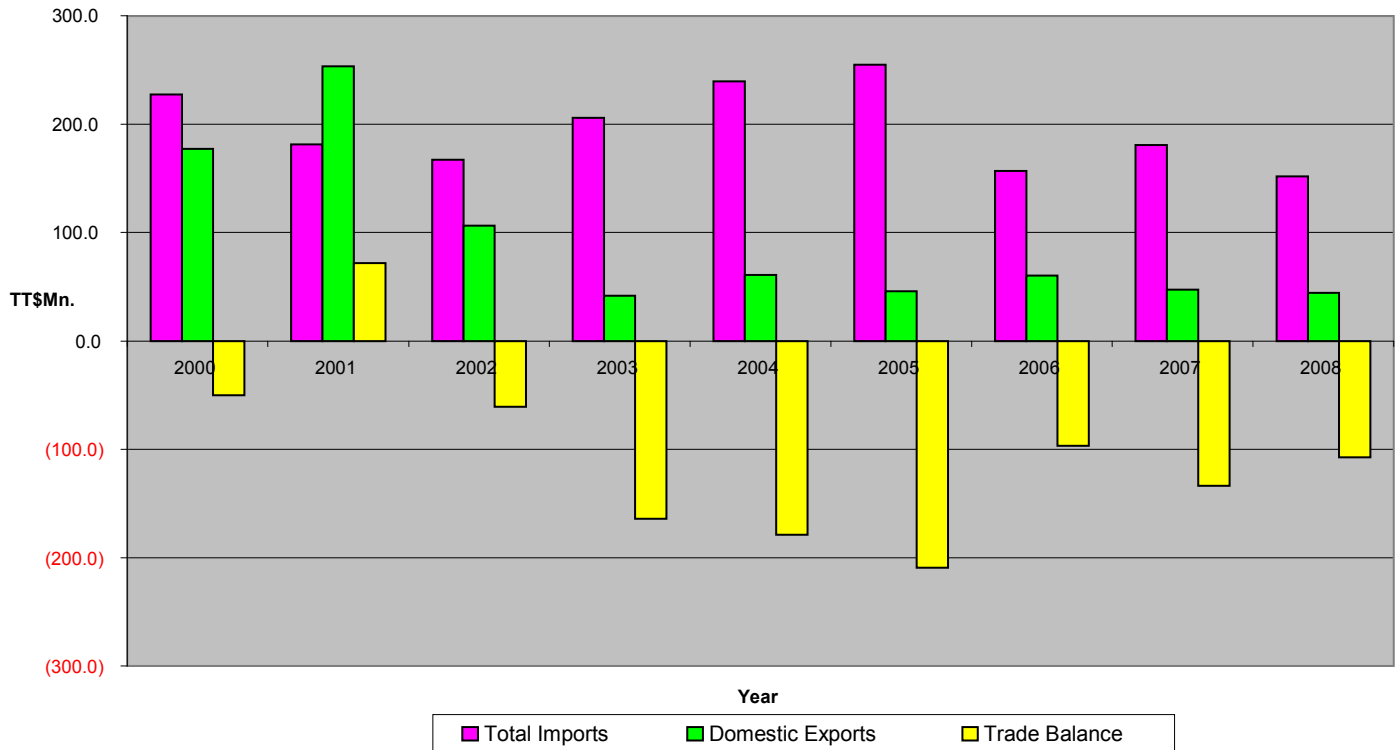
Venezuela

35. Trinidad and Tobago signed a *Partial Scope Agreement on Trade and Investment* with Venezuela in 1992. Over the trend period of 2000 to 2008 non-energy domestic export trade with Venezuela fluctuated slightly culminating with a decline of 6.1% in

2008 from TT\$47.5Mn in the previous year. In fact, despite the benefits and opportunities of signing this Agreement with Venezuela, Trinidad and Tobago's domestic export trade had an overall decline of 74.8% from TT\$177.3Mn in 2000 to TT\$44.6Mn in 2008. The major non-energy domestic export products to Venezuela for 2008 were electrical machinery and mechanical appliances (HS 84), namely air conditioning units and parts. These products are afforded duty-free access under the Agreement.

36. Other products that are granted duty-free access under this Agreement are prepared foodstuffs (HS 17 – 21); tobacco and manufactured tobacco substitutes (HS 24); paper and paperboard articles (HS 48); iron and steel and articles of iron and steel (HS 72 and 73); and electrical and electronic equipment (HS 85). Trinidad and Tobago manufactures and exports the majority of the above-mentioned products. Yet, domestic exports of these products to Venezuela have declined over the trend period becoming negligible by 2004. In fact, there was virtually no export trade for these items in 2007 and 2008.
37. With respect to imports, under this Partial Scope Agreement, Venezuelan exports must pay MFN duties at the CARICOM borders. The intention, inter alia, is to create a relatively less competitive product price thereby protecting CARICOM manufacturers of similar products. Trinidad and Tobago's non-energy imports from Venezuela exhibited an overall declining trend marked with fluctuations over the period 2000 – 2008. The major non-energy imported items, for 2008, were iron and steel and articles of iron and steel (HS 72 and 73). **Appendix IV** contains a list of Trinidad and Tobago's top ten non-energy merchandise import and domestic export trade with Venezuela for 2008.
38. Trinidad and Tobago has continuously recorded deficits in its non-energy trade with Venezuela over the trend period with the exception of 2001 when a surplus of TT\$72.0Mn was realized.

Figure 3: Trinidad and Tobago - Venezuela Imports, Domestic Exports and Trade Balance, 2000 - 2008



Source: Central Statistical Office

39. It may be concluded that, in general, the Venezuelan manufactured products are more competitive when compared to the manufactures of Trinidad and Tobago; this is evidenced by the increasing exports from Venezuela into Trinidad and Tobago, despite the fact that the partial scope agreement is non-reciprocal in favour on Trinidad and Tobago. At the same time, Trinidad and Tobago exporters have not been successful in penetrating the Venezuelan market, a situation which needs to be remedied. Exporters have cited layers of non-tariff barriers, strenuous labelling requirements and difficulties in obtaining payment for exports due to rigid international exchange regime in Venezuela as some of the impediments in accessing the Venezuelans market.

Colombia

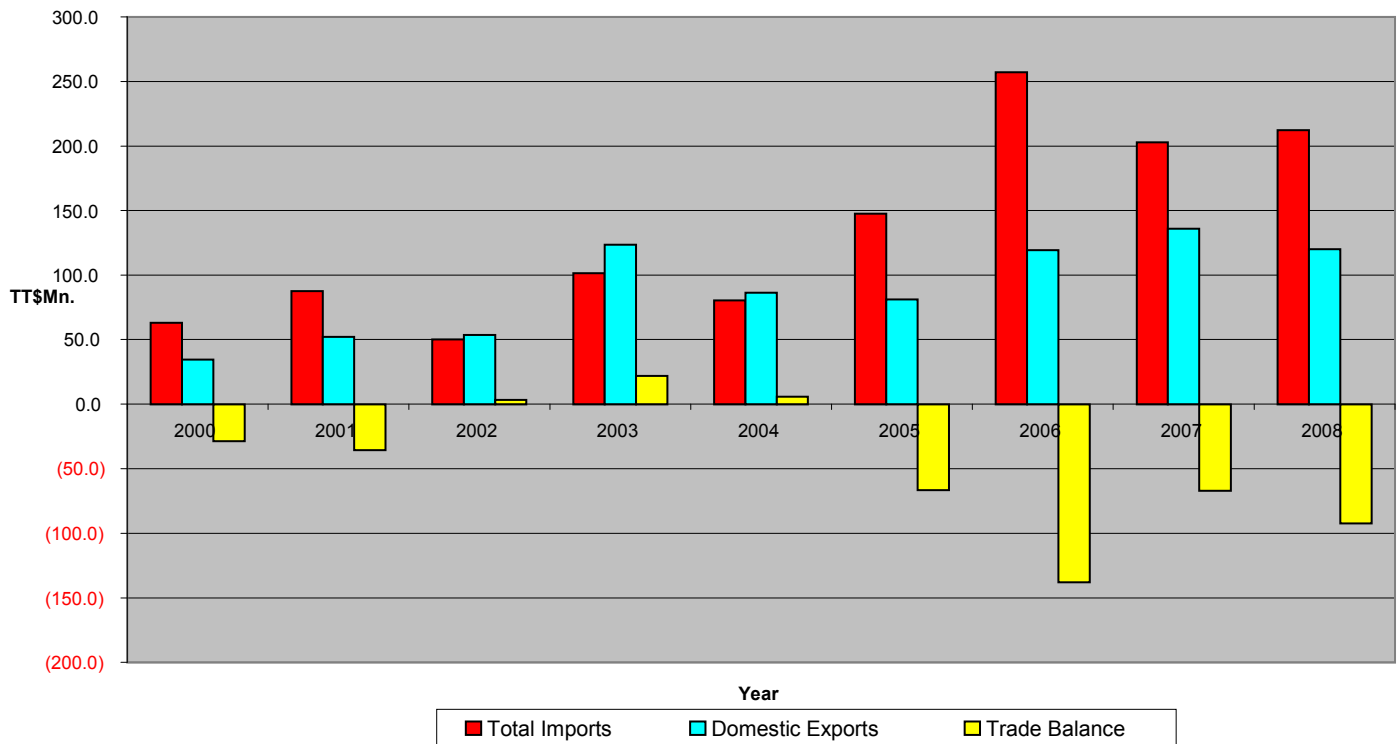
40. Non-energy domestic export trade with Colombia had increased significantly since the signing of the *Agreement on Trade, Economic and Technical Cooperation between Colombia and CARICOM* in 1994. However, domestic exports had shown tremendous growth only in the latter years after several years of stagnation and fluctuation. By December 2007, domestic exports had expanded by 13.9% from TT\$119.4Mn in the previous year. However, non-energy domestic exports contracted by 11.6% from TT\$136.0Mn to TT\$120.2Mn. The main non-energy domestic exports to Colombia in 2008 were preparations of cereals (HS 19); beverages, spirit and vinegar (HS 22); and iron and steel (HS 72). However, these items (with exception for a few iron and steel products) are not on the Agreement's duty-free treatment list. In fact, the majority of the tariff lines listed for preferential treatment is from the energy sector.

41. Thus, this overall expansion in domestic exports is not the outcome of trade creation via the effective utilization of this Trade Agreement. This market penetration is the direct result of the effective competitiveness of Trinidad and Tobago's export manufacturing sector. However, the increase in the volume of non-energy domestic exports was not paralleled with a development of the domestic export product mix; that is, the structure of merchandise exported to Colombia remained largely unchanged over the trend period. A list of Trinidad and Tobago's top ten non-energy domestic export and import merchandise trade with Colombia for 2008 is attached at **Appendix V**.

42. Colombia's export trade to Trinidad and Tobago also fluctuated over the trend period with an overall increasing trend. By the end of the trend period non-energy imports from Colombia grew by 235.7% from TT\$63.3Mn in 2000. Generally, some of Trinidad and Tobago's major non-energy imports from Colombia for the period January to December 2007 were oil and fats (HS 15); paper and paperboard articles (HS 48); and articles of iron or steel (HS 73). These products are not afforded duty-free treatment under this Agreement and are subjected to the CARICOM Common

External Tariff (C.E.T) upon importation into Trinidad and Tobago. Nonetheless, during the period 2000 to 2008, the composition of these imports remained largely unchanged.

Figure 4: Trinidad and Tobago - Colombia Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008



Source: Central Statistical Office

43. For the exception of 2002, 2003 and 2004 Trinidad and Tobago recorded non-energy domestic trade deficits throughout the trend period. Specifically, the average trade deficit between 2000 and 2008 amounted to TT\$44.0Mn per annum, with the highest deficit being recorded in 2006 (TT\$137.7Mn). It could be stated that Trinidad and Tobago may not be fully benefitting from this FTA with Colombia in its present form.

44. Firstly, because the bilateral is biased towards energy products, the majority of the Trinidad and Tobago's non-energy domestic exports currently face MFN rates upon entry into Colombia. Secondly, there may be cheaper import sources for Trinidad and Tobago to utilize outside of Colombia; especially given that the structure of non-energy imports from this Country has remained unchanged over the last ten years. It is recommended, that CARICOM should renegotiate the bilateral with Colombia to widen this Region's duty-free exportable offer to include more non-energy merchandise.

Dominican Republic

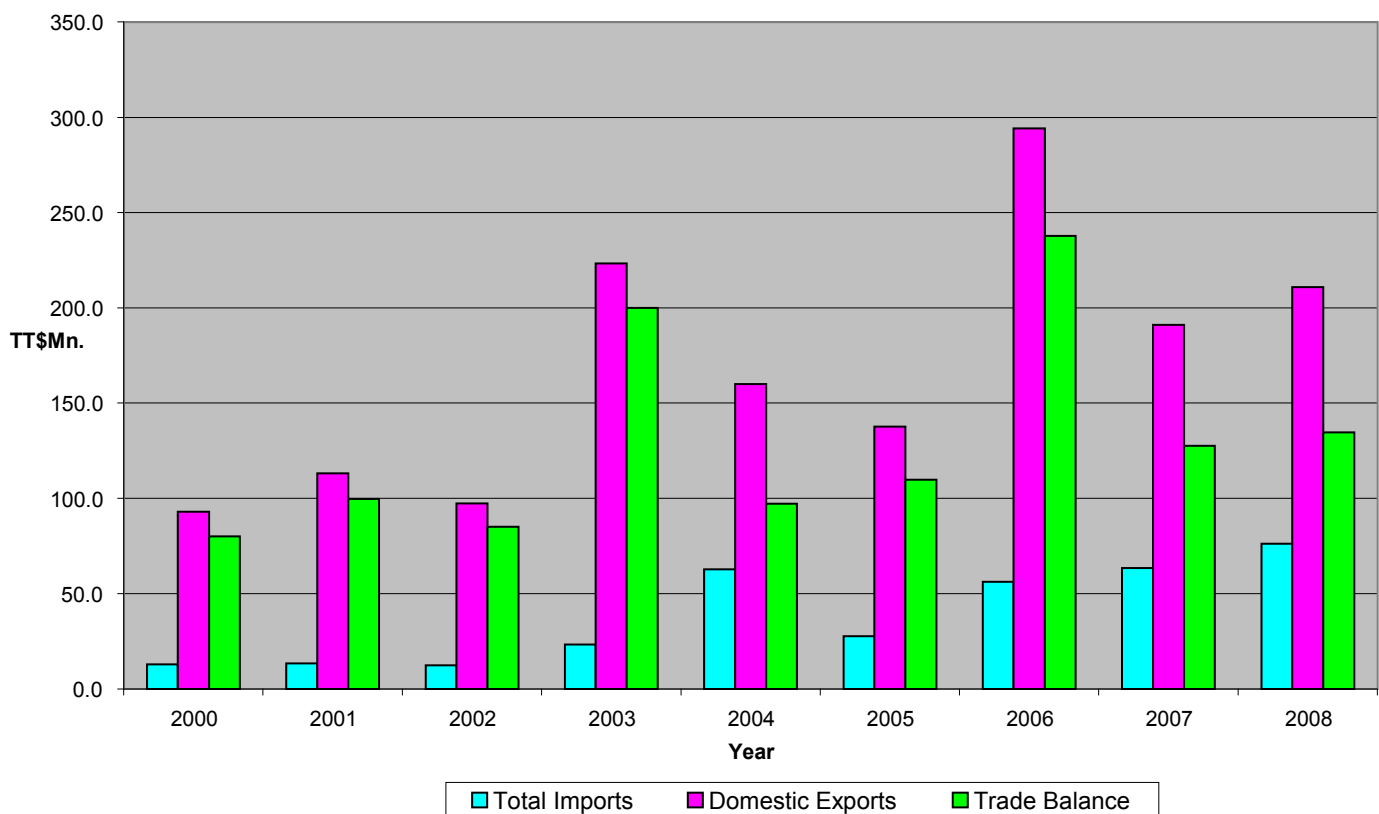
45. Since Trinidad and Tobago enacted the Agreement establishing the *Free Trade Area between CARICOM and the Dominican Republic* in 2001, non-energy domestic exports to the D.R. have displayed a generally increasing growth rate. The largest expansion recorded was between 2002 and 2003 (one year after the enactment of the Agreement); a 129.0% increase from TT\$97.5Mn to TT\$223.3Mn. Over the trend period, 2000 to 2008, non-energy domestic exports expanded by 126.9%.

46. The major non-energy merchandise exports to the D.R. in 2008 were prepared foodstuffs (HS 17 – 21); beverages, spirits and vinegar (HS 22), paper and paperboard articles (HS 48); glass and glassware (HS 70); and iron and steel (HS 72). Currently, glass bottles and certain iron and steel products exported from Trinidad and Tobago face MFN rates upon entry into the D.R. The remainder of the above-mentioned merchandise exports are subject to either a phased reduction of the MFN rate of duty or duty-free treatment.

47. However, it should be noted that, to date, the Member States of CARICOM and the D.R. are unable to agree on the time-lines for the phased reduction of the MFN rate of duty on certain products. In other words, Trinidad and Tobago's exports of certain items such as unsweetened and sweetened biscuits and rum must face MFN rates upon entry into the D.R. until the issue of a schedule for phased reduction is concluded.

48. During the trend period, 2000 to 2008, the composition of merchandise exports to the D.R. remained relatively unchanged over the trend period. However, given the relatively recent enactment of this FTA (2001) the full impact on diversification of the domestic export product base vis-à-vis the ‘duty-free list’ may not have been realised yet.

Figure 5: Trinidad and Tobago - D.R. Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008



Source: Central Statistical Office

49. Imports from the D.R. increased by 491.5% over the trend period from TT\$12.9Mn in 2000 to TT\$76.3Mn in 2008. The top ten non-energy imports from the D.R. for 2008 include miscellaneous edible preparations (HS 21); mineral products (HS 25); articles

of plastic (HS 39); and ceramic products (HS 69). These products upon entry into Trinidad and Tobago are exempt from payment of the C.E.T.

50. Over the trend period, the composition of the top twenty imported non-energy merchandise remained relatively constant with the exception of paper and paperboard articles (HS 48). Imports of articles such as cartons; boxes; and egg trays declined during 2000 to 2007, eventually dropping out of the top twenty imported non-energy products by 2008. **Appendix VI** illustrates Trinidad and Tobago's top ten non-energy domestic export and import with the D.R. for 2008.
51. During the trend period, the expansion in non-energy domestic exports to the D.R. consistently outweighed the increases in non-energy imports from that country. Consequently, Trinidad and Tobago recorded non-energy domestic trade surpluses with the Dominican Republic throughout the trend period. Despite the fact that Trinidad and Tobago enjoyed favourable trade with the D.R. prior to the FTA, the increase in non-energy domestic trade is indicative of the opportunities utilized since the enactment of the Agreement.
52. Moreover, it is expected that Trinidad and Tobago's trade with the D.R. would expand further given that the recently signed EPA with the E.U. requires 'Regional Preference' amongst CARIFORUM (CARICOM and the D.R.) Member States. The Regional Preference Clause states that, "Anymore favourable treatment and advantage that may be granted under this Agreement by any Signatory CARIFORUM State to the EC Party shall also be enjoyed by each Signatory CARIFORUM State." – Article 6.2 of the Final Provisions in the CARIFORUM-E.U. Economic Partnership Agreement (EPA). Essentially, this means a deepening of the items that are allowed duty-free access into the D.R.
53. At present, it appears that Trinidad and Tobago has more to benefit from the modalities of this Agreement with the D.R., pending the resolution of the time lines

for the phased reduction of the MFN rate of duty on certain traded merchandise coupled with the recent developments under the CARIFORUM-E.U. EPA.

Costa Rica

54. Trinidad and Tobago enacted the *CARICOM Costa Rica Free Trade Act of 2005*.

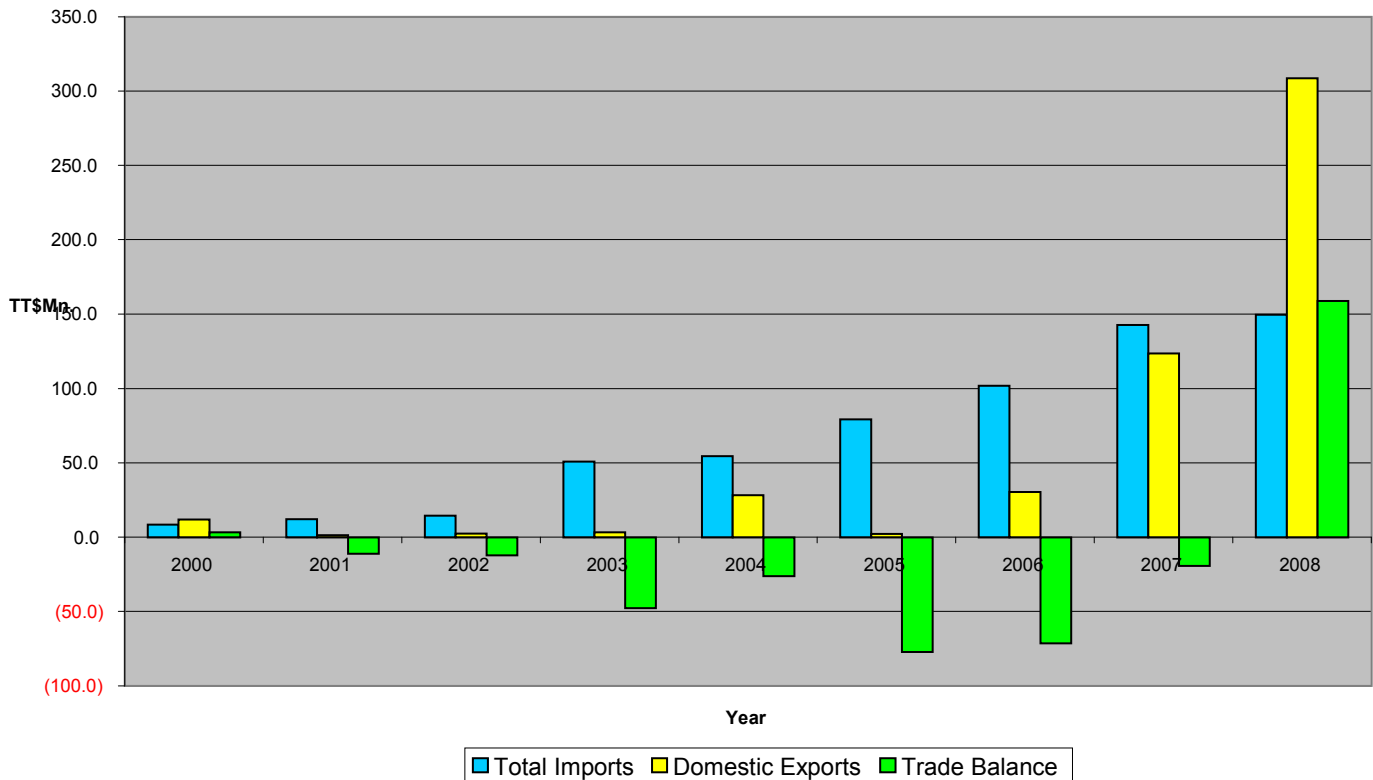
Since then, overall trade has increased with this Central American country. By 2008, non-energy domestic exports grew by approximately 2,500% to reach TT\$308.7Mn from a total of TT\$11.9Mn in 2000. The main non-energy domestic exports to Costa Rica, during the trend period, 2000 to 2008, were preparations of cereals (HS 19); articles of plastics (HS 39); paper and paperboard articles and printed books etc. (HS 48 and 49); iron and steel (HS 72); and electrical machinery and mechanical appliances (HS 84).

55. Over the trend period, an average of 15 tariff line items was exported to Costa Rica yearly. In fact, 2004 recorded the highest number of non-energy merchandise domestic exports with a total of 36 tariff line items. This number of exported goods is relatively small compared to domestic exports for the previously discussed CARICOM FTA Partners. **Appendix VII** illustrates Costa Rica's top ten non-energy domestic export and import trade with Trinidad and Tobago for 2008.

56. In addition to the fact that there was no expansion in the number of tariff line items during the trend period, analysis reveals that there were consistent declines in the quantities exported of some of these items; namely, preparations of cereals (HS 19); articles of plastics (HS 39) and paper and paperboard articles and printed books etc. (HS 48 and 49).

57. Nonetheless, Trinidad and Tobago recorded an increase in the non-energy domestic export value over the trend period. Generally, this increase was due to increases in price and quantities exported of iron and steel. It should be noted that there were increases in the export quantities of air conditioning units and parts, as well.

Figure 6: Trinidad and Tobago - Costa Rica Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008



Source: Central Statistical Office

58. Effective utilization of this Agreement resulted in a change in the structure of Trinidad and Tobago’s non-energy domestic exports to take advantage of the reductions in or removals of the Costa Rican MFN rates of duty. Generally, there was an expansion in the number of tariff line items exported under HS chapter 84, such as refrigeration equipment and parts, which is afforded duty-free treatment under the Agreement. Conversely, since the ratification of the Agreement in 2005, domestic exports of articles of plastics (HS 39) have since ceased. Though this is unrelated to the enactment of the Agreement, this situation represents a loss of opportunity for increasing overall domestic exports; especially given that these products are listed for phased reduction of the MFN rate of duty.

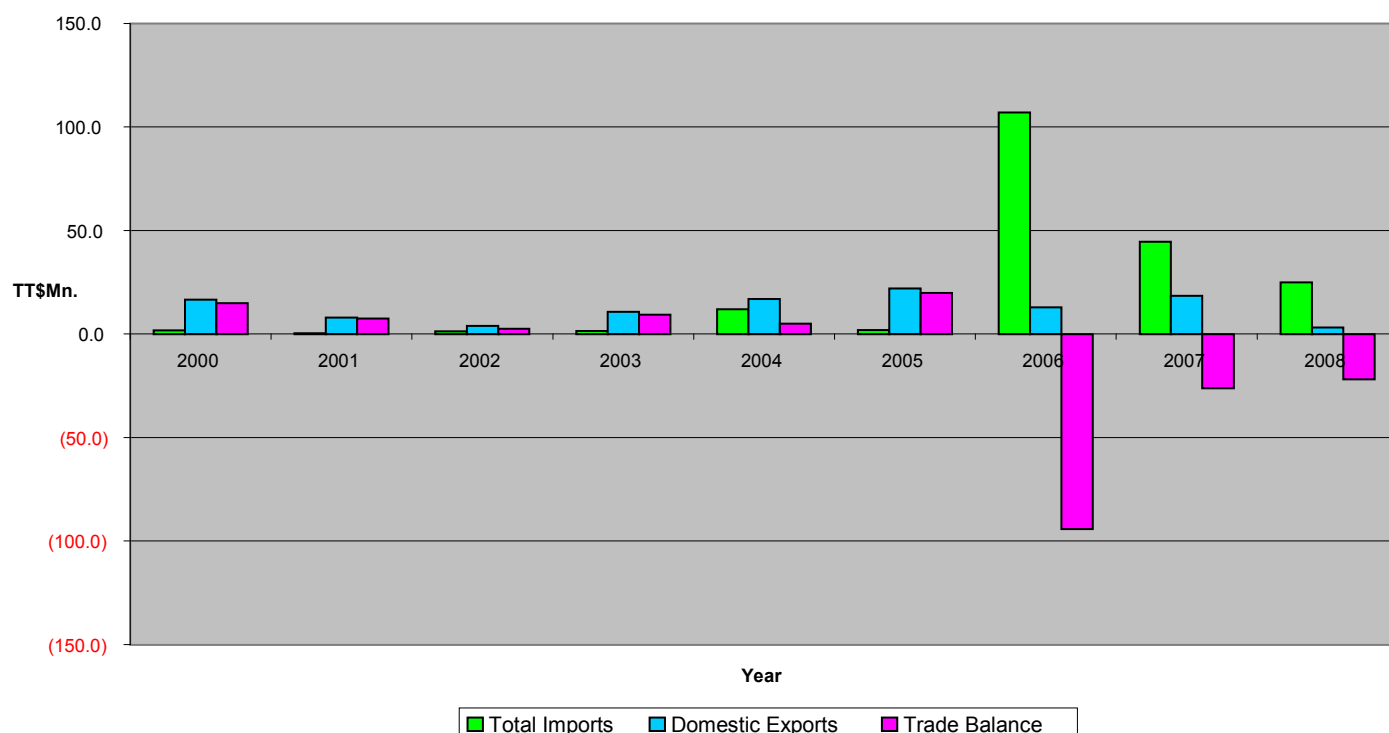
59. Trinidad and Tobago's imports from Costa Rica increased from TT\$8.6Mn in 2000 to TT\$149.8Mn by 2008. In fact, since the Signature of this Agreement total imports from Costa Rica grew on an average of approximately 70% per annum. Some of the imports from Costa Rica for the period January to December 2008 were preparations of vegetables, fruit etc. (HS 20); miscellaneous edible preparations (HS 21); articles of plastics (HS 39); and paper and paperboard articles (HS 48).
60. The majority of these imported products are not required to pay the C.E.T. as provided by this Agreement. Furthermore, the composition of these non-energy imports varied largely during the trend period, which is illustrative of a healthy exploitation of the FTA.
61. Trinidad and Tobago recorded non-energy domestic trade deficits with Costa Rica throughout the trend period, except in 2000 when a surplus of TT\$3.3Mn was recorded. The domestic trade balance displayed a fluctuating trend over the period 2000 to 2008 culminating with a surplus of TT\$158.9Mn the end of the trend period. Despite an unfavourable trade balance with Costa Rica, coupled with the fact that it has been a short period since the enactment of the Agreement, it is possible to conclude, nonetheless, that favourable trade creation has resulted from the utilization of the opportunities and benefits afforded in this FTA.

Cuba

62. The *Trade and Economic Cooperation Agreement between CARICOM and Cuba* was signed in 2000 but was enacted by Trinidad and Tobago in 2006. For the period 2000 to 2007, non-energy domestic export trade to Cuba increased by 10.8% from TT\$16.7Mn in 2000 to TT\$18.5Mn in 2007. However, by December 2008, exports of non-energy domestic merchandise declined by 82.7% to TT\$3.2Mn. Coupled with this was an increase in the number of tariff line items being exported during the trend period, illustrating an expansion in both the export product mix and export volumes.

63. Some of the main products exported to Cuba over the trend period were prepared foodstuffs (HS 19 – 22); paper and paperboard articles (HS 48); iron and steel (72); electrical machinery and mechanical appliances (HS 84). The majority of these items are granted duty-free access or phased reduction of the MFN rate of duty under this Agreement. However, the necessary administrative machinery to utilize these opportunities, such as the signatures of Trinidad and Tobago’s Certification Officers, were not submitted to Cuba’s counterpart office until 2007.

Figure 7: Tobago and Tobago - Cuba Non-Energy Import, Domestic Export and Trade Balance 2000 - 2008



Source: Central Statistical Office

64. In 2006, Trinidad and Tobago recorded its highest volume of non-energy imports for the trend period with TT\$107.9Mn. This was followed by consecutive declines in 2007 to TT\$44.6Mn and in 2008 to TT\$25.0Mn. Some of the major imports from Cuba for the trend period included raw cane sugar; rum; cigars; and table salt.

65. Subsequent to the signing of this Agreement, Cuba had requested an expansion of the CARICOM's duty-free exemptions listing to include rum; cigars; table salt; and cement. As of September, 2009, this request is before the Joint Commission, which was established under this Agreement to treat with such matters. **Appendix VIII** lists Trinidad and Tobago's top ten non-energy domestic export and import trade with Cuba for 2007.
66. Trinidad and Tobago recorded favourable non-energy trade balances with Cuba during 2000 to 2005. However, the larger volume of imports in 2006; 2007; and 2008 outstripped domestic exports resulting in trade deficits for those years amounting to (TT\$94.2Mn); (TT\$26.1Mn); and (TT\$21.8Mn) respectively. In conclusion, on the basis of this data the costs and benefits from the enactment of this Trade Agreement are unclear at this time.

Analysis and Conclusions on CARICOM FTAs

67. For 2007, Trinidad and Tobago's non-energy domestic exports to seven of its top ten export markets benefitted from a preferential trade arrangement. That is, the domestic merchandise exported to CARICOM; the USA, Canada, the E.U., the DR., Colombia, and Costa Rica are afforded some form of preferential treatment via a trade agreement/arrangement. Conversely, Trinidad and Tobago's non-energy import sources for 2007 were less concentrated on preferential agreements. Only four of the top ten import markets benefitted from a preferential trade arrangement; namely, the USA; the E.U.; Canada; and CARICOM. This presents a holistic view of the greater importance that non-energy domestic exports play in the CARICOM FTAs.
68. Thus, there is need to lock in and expand on the preferential treatment of CARICOM products via these Trade Arrangements, thereby providing increased market access to promote Trinidad and Tobago's exports. Furthermore, there is a need to promote and further introduce Trinidad and Tobago's non-energy domestic merchandise into the wider Latin America, thereby allowing the Non-energy Sector to make a greater contribution towards overseas trade.

69. Yet, one must be reminded that Trinidad and Tobago, like most developing countries, are unable to derive at times the full benefits of the expanded market access opportunities of the FTAs given manufacturers' limited capabilities on supply to meet market demand, marketing capacities, competitiveness, and compliance with restrictive rules of origin criteria on goods destined for export to the partner country.

THE TRADING ENVIRONMENT AND STRATEGIC IMPLICATIONS FOR TRINIDAD AND TOBAGO'S NON-ENERGY EXPORTS

The Domestic Economic Environment

70. In analysing future prospects for trade it is important to examine Trinidad and Tobago's current profile as a trading nation and analyse the dynamics in the broader environment, both local and international, within which international trade takes place.

Over-reliance on the CARICOM Market

71. **Trinidad and Tobago is also the leading nation in regional trade and accounts for around 80% of intra-CARICOM merchandise exports. Data from the CARICOM Secretariat indicates that in 2007, Trinidad and Tobago's exports to the regional market was valued at US\$1.7 billion out of total intra-regional exports of US\$2.2 billion, representing a 78% share³. The strategic implication of this trend is that there is limited scope for Trinidad and Tobago to expand its exports and market share within the regional market. Moreover, Trinidad and Tobago's leading role in intra-regional trade has attracted some degree of resentment from some regional neighbours.**

³ Caricomstats.org

72. It appears therefore, that future prospects in expanding exports depend on deepening integration with partners within the Western Hemisphere especially Latin America.

Composition of GDP and Exports

73. At the outset, it is has to be noted that international trade plays a critical role in the economy of Trinidad and Tobago. The “Exports to GDP” ratio stood at 60% in 2007. This implies that export performance has a significant influence on the country’s economic success.

74. Furthermore, the structure and level of GDP is an important factor for trade performance because production determines the potential for exports. **Table 5** below indicates the composition of Trinidad and Tobago’s GDP.

Table 5: COMPOSITION OF OUTPUT

Table 1: Composition of Output (%)	2004	2005	2006	2007	2008	Ave (2004-2008)
Petroleum	38.4	39.1	42.0	40.8	39.7	40.0
<i>Agriculture</i>	0.6	0.6	0.5	0.5	0.5	0.5
Manufacturing	7.0	7.5	7.5	8.1	8.4	7.7
Services	53.6	52.5	48.9	49.7	50.1	51.0
GDP at Constant (2000) Prices TT\$Mn	71,355.20	75,785.60	86,028.00	90,005.40	92,071.50	

Source: Review of the Economy, MoF

75. The data indicates that the Services Sector is the largest contributor to GDP, accounting for an average of 51% of national output during the period 2004 to 2008. The Petroleum Sector is the second largest contributor to GDP representing an average of 40% during the same period. On the other hand, Manufacturing and Agriculture contributed 7.7% and 0.5% of GDP respectively. In 2008, manufacturing and agriculture collectively accounted for less than approximately 9% of national

output. The small contribution of manufacturing and agriculture in GDP explains why exports are concentrated in energy products. For instance, data for 2007 indicates that the share of non-energy exports in domestic merchandise exports was 13.3%.

76. This notwithstanding, the data also shows a steady increase in the share of manufacturing to GDP from 7.0% in 2004 to 8.4% in 2008. In fact research undertaken by MTI indicates that the manufacturing sector has grown at a faster rate than the rest of the economy. This increasing trend shows the potential to expand non energy exports as a share of total merchandise exports.

77. Research undertaken by MTI in 2009 also revealed that the level of manufacturing exports is correlated with the level of output from the sector averaging at 70% for the period 2004-2008⁴. **However, an important point to note is that over the period under consideration the level of divergence between manufacturing output and manufacturing exports seem to be widening pointing to the fact that companies in the sector seem to be neglecting (or losing export markets) and focusing heavily on the domestic preserve of Trinidad and Tobago.**

78. Moreover, unlike in the Energy Sector which is characterised by some of the world's largest multinationals such as Repsol and British Petroleum, the local manufacturing sector is mainly comprised of local firms. These are predominantly small to medium size firms. The most important manufacturing sub-sectors and their percentage contribution to manufacturing GDP in 2008 areas follows⁵:

- i. Food, Beverage and Tobacco (48.7%);
- ii. Textile, Garments and Footwear (1.9%);
- iii. Printing and Publishing (12.4%);
- iv. Wood and Related Products (1.8%);
- v. Chemical and Non-Metallic Minerals (16.1);

⁴ Using data from the 2008 Review of the Economy, Ministry of Finance

⁵ Classification of the Review of the Economy, Ministry of Finance

- vi. Assembly Type and Related Industries (16.5%); and
- vii. Miscellaneous Manufacturing (2.6%)

79. Although the Energy Sector will continue to be the main driver of Trinidad and Tobago's economy in the short to medium term, these resources are non-renewable, and hence, finite. As such, efforts by MTI and, by extension, the Government towards economic diversification by developing the non-energy sector using the windfalls of the energy sector needs to be accelerated.

Small Size of Exporters and Absence of MNCs

80. Some sections of the business community have expressed a view that the small size of domestic non-energy exporters and the absence of multinational firms in the sector have negatively affected firms' ability to penetrate global markets since the individual firms face capacity constraints to satisfy large orders on a consistent basis. Global trade increasingly takes place within global value chain networks involving inter-related firms as opposed to arms length transactions among unrelated firms.

81. As a strategic option, the relationship between the country's trade policy and investment policy needs to be enhanced. The trade policy, particularly trade negotiations are important in securing expanded market access into larger trading blocks thereby creating an incentive for FDI. In turn, FDI could play a pivotal role in expanding output of exportable products while at the same time assisting in penetrating global markets due to knowledge of marketing networks that are usually associated with FDI.

The Global Economic Crisis

82. Another important development affecting Trinidad and Tobago's prospects as a trading nation is the global economic crisis. This downturn in the global economy was propelled by the financial crisis that started in the United States in early 2007.

The global economy has been estimated to contract by 1.3% in 2009, down from an average growth of 4% during the period 2000 to 2008⁶.

83. Following on the global financial crisis, the Trinidad and Tobago economy is expected to contract in real terms by 0.9% in calendar year 2009. This contraction follows a deceleration in 2008, during which period the economy grew at a sluggish pace of 2.3%, a marked decrease from the average annual growth rate of 9.2% which was achieved over the previous five year period⁷. The contraction in domestic output is expected to negatively affect the potential to expand exports. Further the economic slowdown in experienced by Trinidad and Tobago's main export markets has led to a decline in demand and prices, thereby negatively impacting on domestic exports.

Preference Erosion

84. The global trading environment is also characterised by preference as a result of accelerated liberalization and a proliferation of Free Trade Agreements (FTAs). For instance, the EU which recently concluded an Economic Partnership Agreement with CARIFORUM countries has already gone ahead to initiate similar trade arrangements with Latin American countries. When similar preferences are given to other trading partners, the result is an erosion of the margin of preference that Trinidad and Tobago exporters would have enjoyed in the EU market. Moreover, as Trinidad and Tobago continues to sign similar FTAs with more and more partners, the margin of preferences enjoyed by domestic exporters in the CARICOM market gets gradually eroded.

85. Trinidad and Tobago should therefore aim at moving an increasing portion of its exports away from dependence on preferences to dependence on competitiveness. Furthermore, Trinidad and Tobago should seek to replace unilateral trading arrangements with the USA and Canada with more predictable negotiated arrangements. Unilateral preferences, by their nature can be withdrawn at any time.

⁶ IMF World Economic Outlook, April 2009

⁷ Review of the Economy 2009, Ministry of Finance

Also, existing unilateral arrangements (specifically CBERA) and CARIBCAN require WTO waivers for their international legality under WTO Law. Empirical evidence has shown that such agreements are not effective instruments for attracting FDI.

Shift towards Reciprocal Trading Arrangements

86. Conclusion of the EPA has also marked a shift in Trinidad and Tobago's trading relations. Under the EPA, for example, CARIFORUM are expected to liberalise 92% of trade in goods and between 65% and 75% of trade in services over a period of 25 years, while the EU will liberalise about 98% of trade in goods.

87. Moreover the EPA represents a move towards wider 'WTO-Plus' liberalisation in that it goes beyond trade in goods and services to include issues such as intellectual property rights and issues namely, investment, government procurement and competition policy⁸. These developments need to be accompanied by relevant trade policy strategies at the domestic level to mitigate against possible negative adjustments impacts arising from agreements. One option is leveraging development assistance to mitigate adjustment costs while at the same time developing production and export competitiveness in areas where the country possesses potential to export to global markets. In fact a paper on the implications of the EPA on the economies of Trinidad and Tobago, Jamaica, St. Lucia and Guyana notes that "if there is an upside from the EPA, the hope lies in the Services Sector and the use to which the development assistance is to be put. That is where much effort should go and that is where the gains from this trade agreement are likely to be concentrated"⁹

88. In this respect 'functional cooperation' must be given prominence as an integral aspect of Trinidad and Tobago's trade policy. Functional cooperation should be pursued beyond the EU and other traditional trading partners to include non-

⁸ Negotiations on Singapore issues have been dropped from the Doha Agenda under the July Package (2004), following opposition by developing countries

⁹ The Impact of the EPA on Caribbean Economies: A Structural Analysis page IV. Caribbean Policy Research Institute, September 20, 2009

traditional partners under the ambit of Aid for Trade. Large developing countries such as India, Argentina and Brazil have expressed their readiness to make a contribution in this manner via South-South Cooperation. In addition there is need to take a holistic approach of all the financial resources that are available with a view to (a) avoiding duplication of use and (b) optimizing usage towards satisfying trade needs.

Part 1 Summary and Conclusions

PART II: A STRATEGIC REVIEW OF TRINIDAD AND TOBAGO INVESTMENT POSITION

Background

89. The role of foreign direct investment (FDI) in development is widely appreciated. Benefits of FDI include capital, technology transfer, market penetration by providing access to marketing networks of multinational firms, employment creation and revenue generation.

90. In recognition of the critical role that investment can play in national development, the Government of Trinidad and Tobago, through the Vision 2020 Draft National Strategic Plan, has prioritized the creation of “a business climate that attracts investors and encourages competitive business to start and grow”. This commitment is expressly stated as Goal 2 of Pillar III “Enabling Competitive Business”. Specifically, Pillar III of Vision 2020 has three (3) goals, namely:

- i. **Goal 1:** Macroeconomic Stability will be maintained;
- ii. **Goal 2:** A business climate that attracts investors and encourages competitive business to start and grow will be created; and
- iii. **Goal 3:** Competitive businesses will transform Trinidad and Tobago into a diversified economy with exciting growth opportunities.

91. There is a direct link between the quality of the business climate and the level of economic growth of a country. It has been illustrated that countries with a more conducive business climate reflected a higher score in the Business Competitiveness Index and have been able to achieve higher growth rates.

92. In light of the above, the Ministry of Trade and industry has spearheaded a number of initiatives aimed at developing and growing competitive businesses in Trinidad and Tobago. These include a range of incentive programmes, as follows:

- i. The Foreign Investment Act, 1990 (as amended)
- ii. Fiscal Incentives Act, Chapter 85:01
- iii. Income Tax (in aid of Industry) Act, Chapter 85:04
- iv. Trinidad and Tobago Free Zones Act, Act 19 of 1988 (as amended)
- v. Petroleum Taxes Act, Chapter 75:04
- vi. Telecommunications Act, Act 4 of 2001 (as amended)
- vii. Tourism Development Act, 2000 (as amended)
- viii. The Financial Institutions Act, 1993 (as amended)
- ix. The Insurance Act, Chapter 84:01 and
- x. The Shipping Act, 1987

93. Government has also negotiated bilateral investment treaties (BITs) with a number of countries in order to create a transparent and predictable environment in an attempt to attract FDI. The Ministry of Trade and Industry is also in the process of developing the Investment Policy for Trinidad and Tobago (2010-2014). This policy document is expected to complement Government's drive to diversify the economy away from over-dependence on the non-renewable resources such as oil and gas.

94. Furthermore, in an attempt to diversify the economy, Government has identified ten (10) non-energy sectors which have been be targeted for investment and for further sectoral growth and development. The targeted sectors are as follows:

- i. Food and Beverage
- ii. Printing and Packaging
- iii. Merchant Marine
- iv. Film
- v. Music and Entertainment
- vi. Fish and Fish Processing
- vii. Yachting
- viii. Financial Services
- ix. Tourism
- x. Information and Communication Technologies (ICT)

95. The purpose of this Section, therefore, is to review the performance of FDI flows into Trinidad and Tobago; undertake a comprehensive examination of global FDI trends; and make recommendations on the strategic focus of future investment attraction efforts in alignment with global developments.

Performance of FDI Inflows in Trinidad and Tobago

Table 6: DIRECT INVESTMENT CAPITAL IN PRIVATE SECTOR ENTERPRISES BY SECTOR OF ACTIVITY 2000 – 2007/US\$Mn

FDI By Sector of Activity	2000	2001	2002	2003	2004	2005	2006	2007	%age in 2007
Petroleum Industries	613.7	816.3	738.2	738.5	913.4	857.2	794.9	763.4	91.98
<i>1.1 mining exploration and production, refineries, petrochemicals</i>	613.9	787.2	694.8	710.3	867.2	813	735.5	710.6	85.61
<i>1.2 service contractors, contractors, Marketing and Distribution</i>	-0.2	29.1	43.4	28.2	46.2	44.2	59.4	52.8	6.36
Food, drink and Tobacco	-21.3	-18.1	3.6	4.8	5.8	4.3	6.8	9.7	1.17
Chemicals and Non-Metallic Minerals	1.8	-0.3	1.5	1.9	2.3	1.4	2.3	2.2	0.27
Assembly Type & Related Industries	-18.4	5.5	8.1	5.3	8.7	9.6	7.2	9.1	1.10
Distribution	1.7	0.5	-0.7	2.2	2.7	2.6	2.9	2.7	0.33
All Other Sectors	102	31	40	55.6	65.2	64.6	68.6	42.9	5.17
TOTAL	679.5	834.9	790.7	808.3	998.1	939.7	882.7	830.00	

Source: Central Bank of Trinidad and Tobago

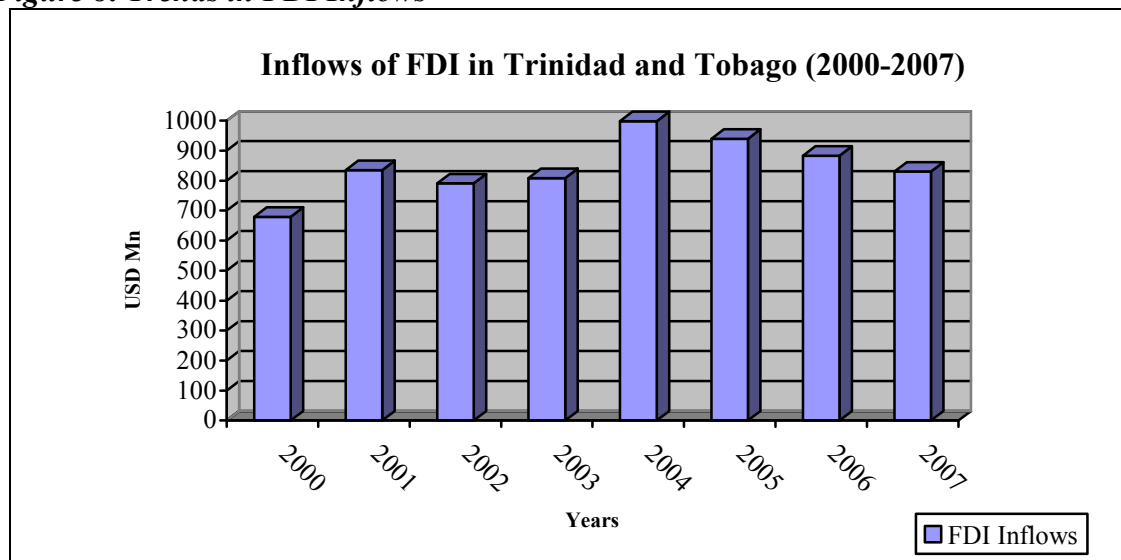
96. Trinidad and Tobago has traditionally been the leading target country of FDI inflows in CARICOM largely owing to this country's natural resource endowments of oil and natural gas. However, FDI inflows in the non-energy sector have been less successful. The ten sectors targeted for investment and development have had mixed experiences with respect to FDI inflows. Food, drink and tobacco, for instance received approximately 1.70% FDI inflows in 2007. This figure was quite significant in terms

of non-energy FDI since; overall, the non-energy sector attracted only 8% total FDI flows. **Table 6** above shows FDI inflows by sector of activity. Evidently, the greatest share of FDI inflows went to the energy sector (approximately 92% in 2007).

Trends

97. Total FDI inflows have shown a growing trend peaking at US\$998.1 million in 2004. However, since 2004 FDI inflows declined steadily to US\$830 million in 2007. This trend is attributable largely to a slowdown in energy sector investments, following the completion of major projects. The overall downward trend is expected to continue into 2008 and 2009 on the onset of the global economic slowdown. For instance, the Review of the Economy (2009) reports a 1.1% decline in petroleum exploration and production in 2008. **Figure 1** below illustrates trends in total FDI inflows.

Figure 8: Trends in FDI Inflows



Source: Central Bank of Trinidad and Tobago

Performance of Various Sub-sectors in Attracting FDI Inflows

Petroleum Industries

98. Given the resource endowment base of Trinidad and Tobago the petroleum and, in general, the hydrocarbon sector of the country predisposes it to a significant influx of FDI in this sector. As such, it is no surprise that the bulk of FDI inflows have been in this sector of the economy. Within the petroleum sector, the inflows have been heavily concentrated in the “*Mining, Exploration and Production, Refineries, Petrochemicals etc*” area with a relatively small offering in the petroleum services aspect.

99. During the period under review (2000-2007) the level of FDI in *Petroleum Industries* mirrors the trend in overall FDI inflows. It is characterised by an increasing trend to a peak of US\$913.4 in 2004, after which inflows declined steadily.

Food, Drink and Tobacco

100. The food, beverage and tobacco sector was the largest non-energy recipient of FDI during the period under review. In 2001 and 2002, the sector experienced net FDI outflows, but this trend was reversed from 2003 onwards. The outflows in 2001-02 were probably a result of the transfer of funds and loans granted by companies in this sector to counterparts in other countries. However, the three (3) years immediately following registered increasingly positive values of FDI inflows.

Chemicals and Non-Metallic

101. In 2000 the level of FDI inflows was \$1.8 TT Mn. then in 2001 the sector registered a negative value. However, during the next three (3) years the level of inflows was increasingly positive. In 2005 inflows in the sector dipped again and remained relatively volatile during 2006 and 2007, increasing and decreasing in small amounts.

Assembly Type and related Industries

102. In 2000 this sector had a large outflow of FDI to the tune of \$-18.4 US Mn. However, inflows stabilized and in 2001 the level of inflows was \$5.5 US Mn. and increased to \$8.1 US Mn. in the following year. During the remaining years under consideration there was another decline in 2003 but this was followed by two (2) consecutive years of increasing inflows ending in 2005. The remaining two (2) years witnessed some volatility in the FDI inflows to the sector.

Services Contractors, Marketing and Distribution

103. FDI inflows in this activity have been erratic during the period under review. Nevertheless, like the other activities discussed above Services contractors, marketing and distribution experienced steadily decline in FDI inflows after 2004.

Other Sectors

104. The category "*Other Sectors*" includes the following activities:

- i. Textiles; Printing, publishing and paper converters;
- ii. Miscellaneous manufacturing;
- iii. Construction;
- iv. Hotels;
- v. Transportation; and
- vi. Business services.

105. This sector in aggregate recorded FDI inflows amounting to \$102 US Mn. in 2000, a figure which declined to just \$31.0 US Mn. the following year. However, the three (3) years immediately following witnessed increasingly positive levels of inflows. The remaining three (3) years ending in 2007 were relatively volatile with not much change in inflows during 2005-2006 but falling drastically in 2007 to \$42.9 US Mn.

Performance of FDI Inflows by Country of Origin

106. The top five (5) principal sources of FDI inflow for Trinidad and Tobago during 2000-2007 were USA, UK, India, Canada and Germany (see **Table 7**). The USA is by far the largest source, contributing 69% of FDI inflows to Trinidad and Tobago in 2008 followed by the UK and Germany which contributed 19% and 5% respectively. India ranked fourth with Germany ranked third and accounted for 5% of FDI inflows.
107. India's contribution to Trinidad and Tobago's FDI inflows is worth noting. This mirrors India's position as one of the most important players in the global economy and signals an opportunity for Trinidad and Tobago to further deepen cooperation with India via South-South cooperation. Moreover, Trinidad and Tobago and India have shared cultural heritage via the presence of substantial Indian Diaspora, a feature which needs to be exploited.

Table 7: DIRECT FOREIGN INVESTMENT BY COUNTRY OF ORIGIN (2001-2007/US - \$Mn)

Years	2000	2001	2002	2003	2004	2005	2006	2007
Country								
U.S.A.	315.9	372.3	352.7	375.8	697.5	693.8	626.7	574.4
U.K.	254.7	307.1	290.9	297.4	169.9	164.5	150.1	159.1
Canada	1.8	7.1	7.2	11.7	2.6	1.4	2.6	2.9
Germany	14.0	36.5	34.8	35.6	42.5	41.4	37.6	43.1
Japan	0.0	0.1	0.1	0.2	0.1	0.2	0.2	0.2
India	11.1	20.8	19.8	20.1	24.2	16.4	26.5	21.2
Other ¹⁰	82.0	91.1	85.2	67.5	61.3	22.0	39.0	29.1
TOTAL	679.5	834.9	790.7	808.3	998.1	939.7	882.7	830.0

Source: Central Bank of Trinidad and Tobago

¹⁰ Other countries investing in Trinidad and Tobago include Australia, Austria, France, Netherlands, Norway, Spain and Switzerland.

FDI Inflows in Targeted Sectors

108. As indicated earlier the bulk of FDI inflows were destined for the energy sector with minimal amounts going into non-energy sectors. Data from the Central Bank for shows some of the major non-energy projects in some of sectors that are earmarked for diversification. This is illustrated in **Table 8** below.

Table 8: FDI INFLOWS IN TARGETED SECTORS

COUNTRY	COMPANY	SECTORAL COMPOSITION OF FDI INFLOWS	% FOREIGN OWNERSHIP
Austria	Blue Haven Hotel	Tourism	98
United States	Caribbean Bottlers (Trinidad and Tobago) Ltd.	Food, Drink and Tobacco	100
Canada	Caribbean Packaging Industries Ltd	Printing and Packaging	100
United Kingdom	Crown (CMB) Packaging Ltd	Printing and Packaging	100
Japan	Fujitsu-ICL Caribbean Ltd	ICTs	100
United States	Hilton Hotel	Tourism	100
United States	IBM World Trade Corporation	ICTs	100
United States	Microsoft Trinidad and Tobago	ICTs	100
United States	Kraft Foods Trinidad and Tobago	Food, Drink and Tobacco	100
Switzerland	Nestlé Trinidad and Tobago Ltd	Food, Drink and Tobacco	100
United States	Pepsi-Cola Trinidad and Tobago Ltd	Food, Drink and Tobacco	100
Dominican Republic	Prestige Holdings Ltd	Food, Drink and Tobacco	100
Ireland	Digicel	ICTs	100
United States	Hyatt Regency	Tourism	100
United Kingdom	Unilever	Food, Drink and Tobacco	50

Source: Central Bank of Trinidad and Tobago

Summary Performance

109. **In sum, the petroleum sector received the lion's share of FDI inflows during the period 2000 to 2007. Inversely, the level of FDI inflows in the non-energy sectors was minimal. The dearth of FDI inflows in the non-energy sector has precipitated a situation where production and exports in non-energy products are both minimal. Therefore efforts to achieve economic diversification make it imperative that an increasing amount of investment, both local and foreign should be directed in the non-energy sector.**
110. As with the performance of the various sub-sectors, a similar trend emerged for FDI inflows by country. In fact, for the exception of the US and UK the level of FDI flows into Trinidad and Tobago by country has been negligible. Furthermore much of the investment from the US and UK is directly or indirectly related to that of the hydrocarbon sector or downstream energy. However, while this may be acceptable, it does not support the diversification thrust of the Government as outlined in the draft investment policy of Trinidad and Tobago.

Global FDI TRENDS

111. In mapping out the strategy for FDI attraction, it is important to identify the main global players in FDI outflows. Proper analysis of the major FDI sources would be useful in guiding Trinidad and Tobago's investment attraction strategies, such as the mounting of trade and investment missions and the choice of Bilateral Investment Treaty (BIT) partners.

Major Sources of FDI Outflows

112. The top 20 countries in terms of world FDI outflows for 2007-2008 are shown in **Table 9** below. The data shows that the major players are the developed countries with a few exceptions. Three emerging economies, name Russia, China and Hong-Kong appeared in the top 20.

Table 9: TOP 20 SOURCES OF FDI OUTFLOWS

	COUNTRY	FDI OUTFLOWS 2007 (US Mn.)	COUNTRY	FDI OUTFLOWS 2008 (US Mn.)
1	United States	313,787	United States	311,796
2	United Kingdom	265,791	France	220,046
3	France	224,650	Germany	156,457
4	Germany	167,431	Japan	128,020
5	Spain	119,605	United Kingdom	111,411
6	Italy	90,781	Switzerland	86,295
7	Japan	73,549	Canada	77,667
8	Canada	53,818	Spain	77,317
9	Hong Kong, China	53,187	Belgium	68,278
10	Luxembourg	51,649	Hong Kong, China	59,920
11	Switzerland	50,968	Russian Federation	59,390
12	Belgium	49,667	Netherlands	57,571
13	Russian Federation	45,652	China	52,150
14	Sweden	37,707	Italy	43,839
15	Austria	31,437	Sweden	37,351
16	Netherlands	31,162	Australia	35,938
17	Australia	24,209	Denmark	28,686
18	British Virgin Islands	22,591	Austria	28,214
19	China	22,469	Norway	28,113
20	Ireland	20,774	British Virgin Islands	22,000

Sources: World Investment Report 2008 and 2009

113. The current major sources of FDI inflows into Trinidad and Tobago, namely USA, UK, Germany, Canada and Japan all feature among the top 10 global sources of FDI outflows. Of Trinidad and Tobago's major FDI sources only India does not feature among the worlds top 20 players.
114. Between 2007 and 2008, there has been some variance amongst the top 5 countries. The United Kingdom dropped two places in the ranking while Japan climbed three places to remove Spain from the top 5 in 2008. Overall the top 5 countries saw a fall in FDI outflows which most likely can be attributed to the effects of the global financial crisis.

115. **Table 10** below depicts the inflows into the Western Hemisphere by some of the top 20 players in world FDI during the period 2007-2008. The United States, the United Kingdom, Spain and the Netherlands are leading investors in the region.

Table 10: INFLOWS OF FDI BY HOST COUNTRY AND COUNTRY OF FDI OUTFLOW IN LATIN AMERICA AND THE CARIBBEAN

LATIN AMERICA AND THE CARIBBEAN: NET INFLOWS OF FOREIGN DIRECT INVESTMENT BY COUNTRY OF ORIGIN, 2007- 2008 /US\$ Mn/														
COUNTRY	2007		2008		COUNTRY	2007		2008		COUNTRY	2007		2008	
	2007	2008	2007	2008		2007	2008	2007	2008		2007	2008	2007	2008
Anguilla					Ecuador					Nicaragua				
United States	68	46	334	2,012	Spain	85	127	32	110	Canada	32	24	0	0
			266	523	China	85	49	84	90	United States	84	0	0	0
Antigua and Barbuda			107	455	Canada	49	43							
United Kingdom	0	0	33	368										
United States	0	0												
Italy	0	0			El Salvador					Paraguay				
			1,389	1,745	United States	499	129	84	n/a	United States	84	140	98	
Argentina			289	564	Italy	0	32	-32	n/a	Netherlands	-32	0	0	
Netherlands	n/a	n/a	35	200						United Kingdom	9	0	0	
United States	n/a	n/a			Grenada			-14	n/a	Japan	-14			
France	n/a	n/a			United Kingdom	0	0							
Germany	n/a	n/a	940	1,263	United States	0	0			Peru				
			54	74	Germany	0	0	-22	414	Italy	-22	574	n/a	n/a
Bolivia			59	66				0	276	Norway	0	159	n/a	n/a

United States	n/a	n/a								France	-30	148	Germany	43	n/a
Netherlands	n/a	n/a	Dominica						460	United States	339		Canada	3	n/a
Japan	n/a	n/a	United States	0	0			0	214	Ireland					
Spain	n/a	n/a	Canada	0	0			103	40	St Kitts and Nevis			Venezuela		
								139	37	United Kingdom	0	21	Spain	295	237
Brazil			Dominican Republic								0	0	Netherlands	203	84
United States	6,039	7,047	United Kingdom	77	598					United States	0	0			
Luxembourg	2,855	5,937	Canada	151	384			11,496	8,498	Canada	0	19			
Netherlands	8,116	4,639	United States	291	192			710	2,199						
Japan	465	4,099	Spain	586	59			5,199	2,061						
Spain	2,164	3,581	Netherlands	26	57			551	1,398						
								4,317	978	Netherlands					

Source: ECLAC Investing in Latin America and the Caribbean 2009

116. In investigating possible sources for future investment, this Paper analysed the investment patterns of the major FDI source countries to identify which of the major players tend to significantly invest in sectors that Trinidad and Tobago has earmarked for diversification. This analysis focused on major FDI sources that have not substantially invested in the domestic economy at present. The results are tabulated in **Table 6** below.

Table 11: POTENTIAL INVESTMENT SOURCES FOR TRINIDAD AND TOBAGO'S TARGETED SECTORS

SECTOR/INDUSTRY	Australia	Austria	France	Belgium	Italy	Spain	Sweden	Switzerland
Food, beverages and tobacco		•	•	•	•		•	
Textiles, clothing and leather		•	•	•	•			•
Paper and paper products							•	
Rubber and plastic products		•	•	•				
Hotel and restaurants	•	•	•			•	•	
Transport, storage and comm.							•	
Finance	•		•		•	•		•

Source: World Investment Report 2008

117. As of 2009, Trinidad and Tobago had signed the following BITs¹¹:

- i. Trinidad and Tobago-France (1993)
- ii. Trinidad and Tobago-USA (1994)
- iii. Trinidad and Tobago-Canada (1995)
- iv. Trinidad and Tobago-Cuba (1999)

¹¹ www.tradeind.gov.tt

118. In light of the above analysis, the approach to Trinidad and Tobago's investment strategies, such as the choice of future Bilateral Investment Agreement partners and the mounting of trade and investment missions needs to take into consideration the following aspects:
- i. the major source countries for FDI and
 - ii. The major sources of FDI in sectors of interest to Trinidad and Tobago

Enhancing Trinidad and Tobago's Attractiveness to FDI

119. This Paper has outlined a number of initiatives that Trinidad and Tobago has put in place in an attempt to attract investment into the non-energy sector of the economy. These measures include fiscal incentives, signing of Bilateral Investment Treaties (BITs), and institutional and regulatory reforms. Trinidad and Tobago is also in the process of crafting an Investment Policy for 2010-2014. This Policy will enunciate a number of regulatory and institutional interventions. Despite the numerous measures currently in place, investment inflows to the non-energy sector have been insufficient to attain Government's goal of diversifying production and exports.
120. In moving forward, the approach to attracting increasing amounts of FDI Trinidad and Tobago should include examining the major investment destinations and what makes them attractive to FDI.

Major destinations for FDI

121. The 14 most attractive economies for the location of FDI are as follows¹²:

- i. China
- ii. USA
- iii. India
- iv. Brazil
- v. Russia
- vi. UK
- vii. Germany
- viii. Australia
- ix. Indonesia
- x. Canada
- xi. Viet Nam
- xii. Mexico
- xiii. Poland
- xiv. France

122. From the above list, it is clear that a number of developing and transition economies are emerging as major locations for FDI inflows. An examination of the factors that makes these countries attractive to FDI would be instructive.

¹² UNCTAD, World Investment Prospectus Survey 2009-2011

123. UNCTAD reports that the 13 major features that attract FDI to these locations are as follows, in order of importance:

- i. *Size of the domestic market.* The largest economies are favoured.
- ii. *Market growth:* developing and transition economies are generally favoured
- iii. *Presence of suppliers:* mostly developed countries are favoured
- iv. *Access to regional markets:* countries that are integrated into large markets, or which are close to large and growing economies are favoured
- v. *Stable and business friendly environment*
- vi. *Availability of skilled labour and talent*
- vii. *Quality of Infrastructure*
- viii. *Cheap labour* is also cited as a reason why developing countries mostly in Asia, such as China, Viet Nam, Indonesia and Thailand are favoured.
- ix. *Government Effectiveness:* Access to capital markets
- x. *Following Competitors:* Transnational corporations chose certain locations in order to meet the competition head on.
- xi. *Access to Natural Resources*
- xii. *Access to Capital Markets (finance)*
- xiii. *Incentives*

124. A notable revelation is that ‘incentives’ rank lowest amongst the list of factors influencing FDI inflows. This finding is important given that many developing countries have placed a disproportionate amount of effort on **incentives** while putting less emphasis on the other 12 factors, which are more important for attracting investment. As a strategic response, Trinidad and Tobago needs to place added emphasis on factors other than incentives.

125. Access to natural resources also ranks low amongst location determinants, but this is largely because it applies only to a limited number of industries.

126. These findings also highlight the importance of the symbiotic relationship between trade policy and investment policy. Trade policy should seek to expand the size of the domestic market via strengthening regional integration, for example. In this respect the implementation of the CARICOM Single Market (CSM) will play a role in helping to expand the size of the ‘domestic market’. However, even the CSM, with a collective population of about 6 million persons is a relatively small market. In light of this, and given the collapse of the FTAA process, Trinidad and Tobago should seek deeper integration with other hemispheric partners in order to enhance its prospects of attracting more FDI. In turn, increased investment, especially in the non-energy sector will contribute towards the attainment of trade policy goals, namely the expansion and diversification of exports.

Summary and Conclusions

APPENDICES

APPENDIX I

TRINIDAD AND TOBAGO'S TOP TWENTY NON-ENERGY DOMESTIC EXPORTS JANUARY TO DECEMBER 2008 / TT\$Mn

H.S. CODE AND DESCRIPTION	VALUE
72031000:IRON AND STEEL DIRECTLY REDUCED	1,543,133,386.00
72139990:OTHER BARS & RODS OF NON-ALLOY STEEL	1,332,599,969.00
26011200:AGGLOMERATED IRON ORE AND CONCENTRATES	1,330,400,376.00
26012000:ROASTED IRON PYRITES	775,157,387.00
22021010:AERATED BEVERAGES SWEETENED	226,654,680.00
24022000:CIGARETTES CONTAINING TOBACCO	206,331,887.00
72071190:OTHER SEMI-FINISHED PRODS.<0.25% CARBON	137,627,080.00
25232910:BUILDING CEMENT (GREY)	130,565,062.00
17011119:OTHER RAW CANE SUGAR	125,893,152.00
20099090:OTHER MIXED JUICES	119,525,929.00
48184020:BABY PAPER NAPKINS, AND LINERS.	114,033,615.00
85444910:COPPER COND.<0.5 MM SQ PLASTIC INSULATED	100,309,442.00
48193090:SACKS & BAGS OF PAPER 40 CM OR MORE OTHER	89,516,208.00
22084090:OTHER RUM AND TAFIA	88,678,491.00
72149990:OTHER BARS & RODS OF NON-ALLOY STEEL	87,499,392.00
19049000:OTHER PREPARED FOODS BY ROASTING CEREALS	77,158,259.00
72039000:OTHER SPONGE IRON OR STEEL	66,306,670.00
19059010:UNSWEETENED BISCUITS	65,862,948.00
19053100:SWEET BISCUITS	64,609,183.00
22084010:RUM,TAFIA,BOTTLED 46% VOL AND UNDER	64,578,519.00
TOTAL	6,746,441,635.00

Source: Central Statistical Office

APPENDIX II

**TRINIDAD AND TOBAGO'S TOP TWENTY NON-ENERGY IMPORTS
JANUARY TO DECEMBER 2008 / TT\$Mn**

H.S. CODE AND DESCRIPTION	VALUE
26011200:AGGLOMERATED IRON ORE AND CONCENTRATES	2,790,107,869.00
87042190:OTHER DUMPERS G.V.W<5 TONNES	596,587,856.00
87032320:C.K.D.CARS 1500-1800CC SPARK IGN.	468,949,854.00
89059090:FIRE-FLOATS,FLOATING CRANES,ETC.	424,469,737.00
84119900:PARTS FOR OTHER GAS TURBINES	399,150,079.00
84314910:PARTS FOR MOVING, GRADING MACH. ETC.	366,661,894.00
87032330:CARS>1800<2000CC SPARK IGN.	338,482,696.00
87032290:OTHER CARS 1000-1500CC SPARK IGN.	324,260,654.00
73089000:OTHER STRUCTURES AND PARTS OF STEEL	291,974,007.00
10019000:OTHER WHEAT AND MESLIN	271,784,118.00
84814000:SAFETY OR RELIEF VALVES	226,555,321.00
26012000:ROASTED IRON PYRITES	224,492,671.00
72163200:I SECTIONS OF IRON ETC <80MM IN HEIGHT	198,266,317.00
85123000:SOUND SIGNALLING EQUIP	196,826,081.00
23099090:OTHER ANIMAL FEED PREPARATIONS	184,835,414.00
49019990:OTHER BROCHURES PAMPHLETS AND LEAFLET	179,781,868.00
21069090:OTHER FOOD PREPARATION	177,471,947.00
84148000:OTHER AIR PUMPS VACUUM PUMPS ETC.	168,493,155.00
84818000:OTHER APP. FOR PIPES,TANKS,VATS ETC.	167,410,732.00
87042290:OTHER DUMPERS G.V.W.>5<=20 TONNES	167,369,871.00
TOTAL	8,163,932,141.00
<i>Source: Central Statistical Office</i>	

APPENDIX III

**TRINIDAD & TOBAGO'S PERCENTAGE AND VALUE OF NON-ENERGY
TOTAL IMPORTS, DOMESTIC EXPORTS AND VISIBLE TRADE BALANCE
WITH CARICOM FTAs JANUARY TO DECEMBER 2008/ TT\$Mn**

COUNTRY	TOTAL IMPORTS		DOMESTIC EXPORTS		DOMESTIC TRADE BALANCE
	\$	%	\$	%	
VENEZUELA	152.0	24.7	44.6	6.5	(107.4)
COLOMBIA	212.5	34.5	120.6	17.5	(91.9)
DOMINICAN REPUBLIC	76.3	12.4	211.0	30.7	134.7
COSTA RICA	149.8	24.3	308.7	44.9	158.9
CUBA	25.0	4.1	3.2	0.5	(21.8)
TOTAL CARICOM FTAs	615.6	100.0	688.1	100.0	72.5
TOTAL TRADE	34,304.5		11,106.2		(23,198.3)
% OF CARICOM FTAs TO TOTAL TRADE	1.79%		6.20%		-0.31%

Source: Central Statistical Office

APPENDIX IV

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH VENEZUELA JANUARY TO DECEMBER 2008

IMPORTS		
H.S. CODE	DESCRIPTION	VALUE
7806.00.10	LEAD BARS, RODS PROFILES AND WIRE	25,836,228.00
2523.10.00	CEMENT CLINKERS	23,706,115.00
7217.20.00	WIRE PLATED, COATED WITH ZINC	11,369,658.00
7614.90.00	OTHER STRANDED WIRE AND CABLES	9,743,313.00
8431.43.00	PARTS FOR BORING OR SINKING MACHINERY	9,391,408.00
7308.90.00	OTHER STRUCTURES AND PARTS OF STEEL	8,853,418.00
7310.10.00	TANKS OF IRON, STEEL A CAPACITY 50L OR MORE	8,646,681.00
7601.20.00	ALUMINIUM ALLOYS UNWROUGHT	4,249,092.00
7311.00.00	CONT. FOR COMPRESSED OR LIQUEFIED GAS	3,891,444.00
8901.90.90	OTH TRANSPORT VESSELS	3,806,075.00
TOTAL		109,493,432.00

Source: Central Statistical Office

APPENDIX IV (Cont'd)

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH VENEZUELA JANUARY TO DECEMBER 2008

DOMESTIC EXPORTS		
H.S. CODE	DESCRIPTION	VALUE
8415.82.00	A.C OTHER, WITH REFRIG. UNIT ONLY	9,657,751.00
8415.10.00	AIR-CONDITIONING MACHINES WINDOW-TYPE	8,390,124.00
8418.99.00	OTHER REFRIG. EQUIPMENT PARTS	5,432,567.00
8431.43.00	PARTS FOR BORING OR SINKING MACHINERY	4,357,518.00
8426.19.00	OTHER OVERHEAD CRANES	2,229,553.00
8431.49.10	PARTS FOR MOVING, GRADING MACH. ETC	2,126,581.00
8507.80.00	OTHER ACCUMULATORS	2,057,180.00
8507.20.00	OTH. LEAD-ACID ACCUMULATORS	1,730,611.00
7213.99.90	OTHER BARS & RODS OF NON-ALLOY STEEL	1,474,009.00
8479.89.00	OTHER MACHINES AND MECHANICAL APP.	1,342,053.00
TOTAL		38,797,947.00

Source: Central Statistical Office

APPENDIX V

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH COLOMBIA JANUARY TO DECEMBER 2008

IMPORTS		
H.S. CODE	DESCRIPTION	VALUE
4803.00.20	TOILET\FACIAL TISSUE STOCK	24,140,719.00
1511.90.90	OTHER PALM OIL	23,887,317.00
1701.99.90	OTHER SUGAR	19,254,560.00
4818.40.10	SANITARY TOWELS AND TAMPONS	11,493,347.00
4803.00.90	OTHER TOILET OR FACIAL TISSUE STOCK	10,880,358.00
7310.10.00	TANKS OF IRON, STEEL A CAPACITY 50L OR MORE	9,820,960.00
1511.90.10	PALM STEARIN	7,258,189.00
8537.20.00	BOARD,PANEL, CONSOLE ETC.>1000V	5,902,530.00
3923.30.10	BOTTLES OF PLASTIC	5,617,900.00
1517.90.10	IMITATION LARD ETC.	4,632,752.00
TOTAL		122,888,632.00

Source: Central Statistical Office

APPENDIX V (Cont'd)

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH COLOMBIA JANUARY TO DECEMBER 2008

DOMESTIC EXPORTS		
H.S. CODE	DESCRIPTION	VALUE
7213.99.90	OTHER BARS & RODS OF NON-ALLOY STEEL	84,617,766.00
7207.11.90	OTHER SEMI-FINISHED PRODS.<0.25% CARBON	15,455,354.00
2208.40.90	OTHER RUM AND TAFIA	7,665,224.00
1806.31.00	FOOD PREP. IN BLOCKS FILLED, > 2 KG	5,042,617.00
2208.40.10	RUM,TAFIA,BOTTLED 46% VOL AND UNDER	3,038,959.00
2202.10.10	AERATED BEVERAGES SWEETENED	2,463,006.00
8421.12.90	OTHER SPIN DRIERS	1,044,092.00
8537.20.00	BOARD,PANEL,CONSOLE ETC.>1000V	278,593.00
0713.33.10	RED KIDNEY BEANS DRIED	154,159.00
1904.90.00	OTHER PREPARED FOODS BY ROASTING CEREALS	104,528.00
TOTAL		119,864,298.00

Source: Central Statistical Office

APPENDIX VI

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH THE DOMINICAN REPUBLIC JANUARY TO DECEMBER 2008

IMPORTS		
H.S. CODE	DESCRIPTION	VALUE
2523.10.00	CEMENT CLINKERS	17,755,532.00
2517.10.00	GRAVEL, PEBBLES ETC. FOR CONCRETE AGGREGATE	11,614,192.00
2104.10.20	SOUPS ETC. SOLID OR POWDERED	8,980,626.00
2103.90.90	OTHER SAUCES, CONDIM'T	7,230,252.00
3923.30.10	BOTTLES OF PLASTIC	3,155,366.00
2523.21.00	WHITE CEMENT COLOURED ARTIFICIALLY \NOT	2,811,213.00
6910.10.80	COMPLETE LAVATORY SETS OF PORCELAIN OR CHINA	2,060,489.00
4707.90.00	OTH.PAPER\ P.BOARD UNSORTED WASTE, SCRAP	1,842,788.00
5911.10.00	TEXTILE FABRICS ETC. USED FOR CARD CLOTHING	1,801,680.00
8418.50.00	REFRIGERATING DISPLAY COUNTERS ETC.	1,716,295.00
TOTAL		58,968,433.00

Source: Central Statistical Office

APPENDIX VI (Cont'd)

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH THE DOMINICAN REPUBLIC JANUARY TO DECEMBER 2008

DOMESTIC EXPORTS		
H.S. CODE	DESCRIPTION	VALUE
7213.99.90	OTHER BARS & RODS OF NON-ALLOY STEEL	87,403,855.00
8507.10.00	LEAD-ACID STARTING PISTON ENG.	26,982,032.00
4803.00.20	TOILET\FACIAL TISSUE STOCK	20,310,705.00
4818.20.00	PAPER TISSUES & TOWELS FOR CLEANSING, FACIAL	15,449,686.00
1904.10.00	CEREAL,CEREAL PRODUCTS PREP. BY ROASTING ETC.	15,064,208.00
2208.40.10	RUM,TAFIA,BOTTLED 46% VOL AND UNDER	11,576,055.00
7010.90.10	OTHER GLASS BOTTLES FOR S.DRINK,WINES ETC	9,976,185.00
4818.40.20	BABY PAPER NAPKINS, AND LINERS.	5,459,003.00
2202.10.10	AERATED BEVERAGES SWEETENED	4,375,933.00
4821.10.00	LABELS OF ALL KINDS OF PAPER, P.BOARD PRINTED	3,872,811.00
TOTAL		200,470,473.00

Source: Central Statistical Office

APPENDIX VII

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH THE COSTA RICA JANUARY TO DECEMBER 2008

IMPORTS		
H.S. CODE	DESCRIPTION	VALUE
2106.90.90	OTHER FOOD PREPARATION	47,587,882.00
3923.50.10	LIDS AND CAPS OF PLASTICS	23,150,286.00
0706.10.10	CARROTS FR\ICH	17,206,505.00
1902.19.00	OTHER PASTA NOT STUFFED\UNPREPARED	6,282,375.00
9405.10.00	CHANDELIERS	5,167,046.00
4819.10.00	CARTONS, BOXES ETC OF CORR.PAPER, P.BOARD	4,395,600.00
1701.99.90	OTHER SUGAR	2,909,592.00
0202.30.90	OTHER BOVINE BONELESS MEAT FROZEN	2,653,681.00
4819.40.10	OTHER SACKS & BAGS OF PAPER INCL.CONES UNPR.	2,136,297.00
8536.50.00	OTHER SWITCHES<1000 VOLTS	1,908,631.00
TOTAL		113,397,895.00

Source: Central Statistical Office

APPENDIX VII (Cont'd)

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH THE COSTA RICA JANUARY TO DECEMBER 2008

DOMESTIC EXPORTS		
H.S. CODE	DESCRIPTION	VALUE
0102.90.30	OTHER BULLS	271,251,786.00
7207.11.90	OTHER SEMI-FINISHED PRODS.<0.25% CARBON	36,007,264.00
7213.99.90	OTHER BARS & RODS OF NON-ALLOY STEEL	628,393.00
2106.90.90	OTHER FOOD PREPARATION	340,944.00
8418.61.00	OTHER COMPRESSION TYPE UNITS	257,883.00
4403.99.90	OTHER WOOD IN THE ROUGH	79,756.00
8415.82.00	A.C OTHER, WITH REFRIG. UNIT ONLY	75,674.00
1904.10.00	CEREAL,CEREAL PRODUCTS PREP. BY ROASTING ETC.	65,204.00
1904.90.00	OTHER PREPARED FOODS BY ROASTING CEREALS	6,889.00
5303.10.00	JUTE & OTHER TEXTILE BAST FIB. RAW\RETTE	5,147.00
TOTAL		308,718,940.00

Source: Central Statistical Office

APPENDIX VIII

TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS WITH THE CUBA JANUARY TO DECEMBER 2008

IMPORTS		
H.S. CODE	DESCRIPTION	VALUE
1701.11.19	OTHER RAW CANE SUGAR	24,822,651.00
2402.10.00	CIGARS, CHEROOTS, ETC WITH TOBACCO	117,735.00
2208.40.10	RUM, TAFIA, BOTTLED 46% VOL AND UNDER	14,484.00
8504.40.00	STATIC CONVERTERS	13,121.00
2402.20.00	CIGARETTES CONTAINING TOBACCO	1,361.00
2106.90.90	OTHER FOOD PREPARATION	1,016.00
2205.10.00	FLAV. GRAPE WINE IN <=2 LIT. CONTAINERS	545.00
4202.99.00	OTH. TRUNKS, SUITCASES VANITY-CASES ETC	133.00
TOTAL		24,971,046.00

Source: Central Statistical Office

APPENDIX VIII (Cont'd)
TRINIDAD & TOBAGO'S TOP TEN NON-ENERGY IMPORTS AND DOMESTIC EXPORTS
WITH THE CUBA JANUARY TO DECEMBER 2008

DOMESTIC EXPORTS		
H.S. CODE	DESCRIPTION	VALUE
8421.21.00	MACHINERY FOR FILTER'G & PURIFYING WATER	970,553.00
8418.99.00	OTHER REFRIG. EQUIPMENT PARTS	786,377.00
8415.82.00	A.C OTHER, WITH REFRIG. UNIT ONLY	778,989.00
9403.30.00	WOODEN FURNITURE FOR OFFICES	240,000.00
2008.11.00	GROUND NUTS	170,036.00
8415.90.00	PARTS OF AIR-COND. MACHINES FOR ASSEMBLY	69,433.00
9898.02.00	PERSONAL EFFECTS OF TRAVELS & IMMIGRANTS	32,796.00
2008.99.90	OTHER FRUIT, NUTS EDIBLE PLANT PARTS	23,099.00
2008.19.90	OTHER MIXTURES	19,632.00
4819.40.10	OTHER SACKS & BAGS OF PAPER INCL.CONES UNPR.	18,957.00
TOTAL		3,109,872.00

Source: Central Statistical Office