

## **IV. TRADE POLICIES BY SECTOR**

### **(1) OVERVIEW**

1. The economic development of Trinidad and Tobago is dependent on oil and natural gas. While the Government has used trade policies and incentives schemes to promote non-petroleum sectors, such as manufacturing and agriculture, petroleum and petroleum-related sectors still account for over one quarter of the domestic economy and about three-quarters of exports.

2. Agriculture was the main source of economic development before the discovery of oil. It still employs a large share of labour and the Government considers it an important source of employment. Sugar production has traditionally dominated the agricultural sector, although agro-processing has played an important role in recent years. Agriculture and food products as well as beverages are subject to higher tariffs than the average (Chart IV.1).

3. The mining and quarrying sector is dominated by hydrocarbons. Remaining oil reserves are estimated at another 12 years of supply. Large reserves of natural gas have been discovered and they are sufficient to supply another 55 years. Due to this discovery, energy policy has shifted its focus to the development of the natural gas subsector.

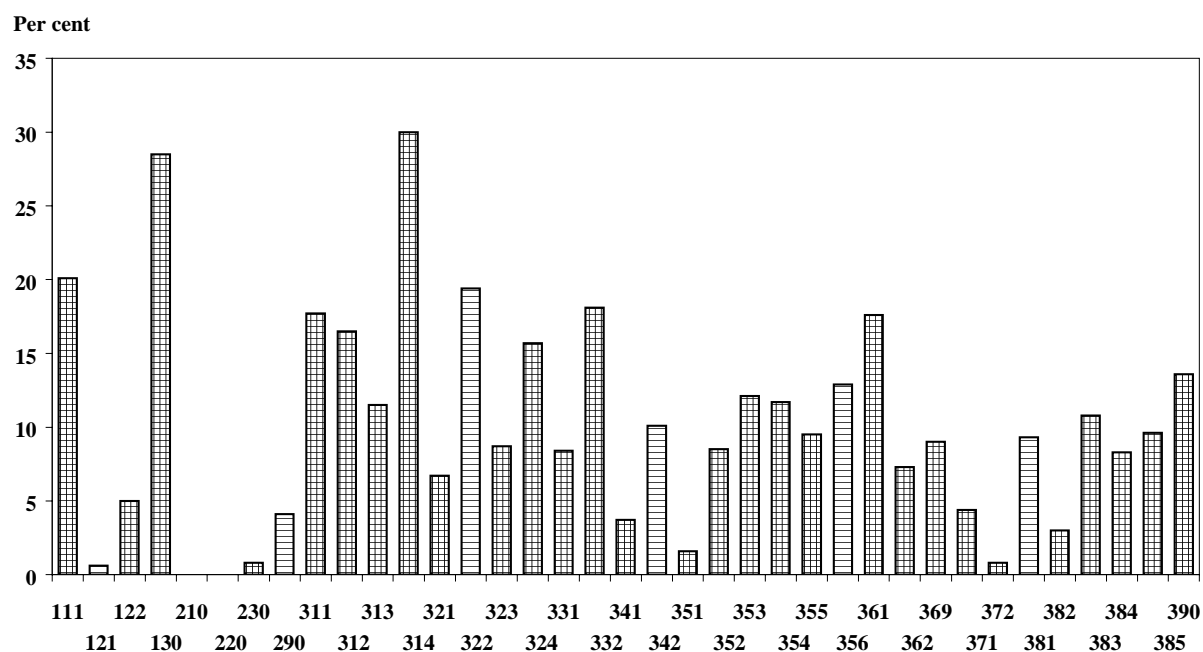
4. The services sector accounts for the largest share in both GDP and employment. Recent liberalization and reform efforts have had the greatest impact on financial services and telecommunications. In other subsectors, the Government is in the process of reviewing the legislation.

### **(2) AGRICULTURE AND FOOD PRODUCTS AND FISHING**

5. Agriculture was the major force of the economy until the commercialization of petroleum in the 1960s. Since then, the importance of the sector has diminished, despite the Government's attempts to offset the decline by heavily protecting activities. Agriculture remains, however, an important provider of employment: including fishing and forestry but excluding food products, it employed 9.6% of the labour force in 1996, while accounting for just 2.3% of total GDP. The production of processed agricultural goods is less labour-intensive, accounting for an additional 3% of employment and 4.2% of GDP (Chart IV.2).

6. The cornerstone of traditional agriculture has been sugar production; sugar cane accounted for more than one third of non-processed agricultural products in 1996. Other major traditional crops include cocoa, coffee, coconut and bananas, though exports of coffee have been negligible in recent years. The main exports of processed products are beverages and prepared cereals. Trinidad and Tobago is a net importer of agricultural products, with imports about 50% larger than exports in 1993. The main imported agricultural products are cereals, dairy products, oil seeds and vegetables. In recent years, government policies have encouraged diversification into the production of non-traditional crops such as citrus, rice and vegetables.

**Chart IV.1**  
**Average tariffs by ISIC classification, 1998**



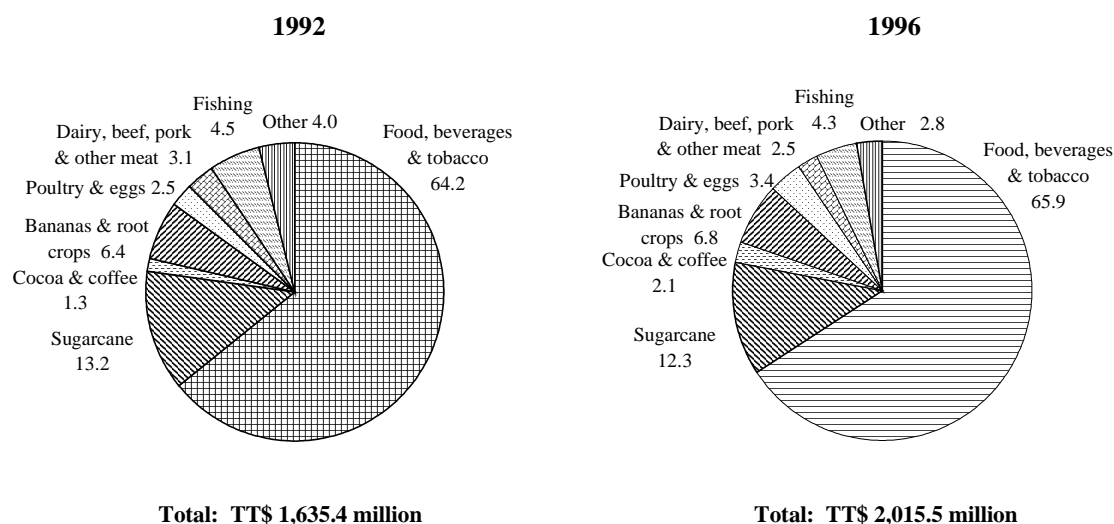
ISIC	Major groups	ISIC	Major groups
111	Agriculture and livestock production	332	Furniture except metal
121	Forestry	341	Paper products
122	Logging	342	Printing and publishing
130	Fishing	351	Industrial chemicals
		352	Other chemical products
210	Coal mining	353	Petroleum refineries
220	Crude petroleum and natural gas production	354	Petroleum and coal products
230	Metal ore mining	355	Rubber products
290	Other mining	356	Plastic products
311-312	Food products	361	Pottery and china
313	Beverages	362	Glass and glass products
314	Tobacco	369	Other non-metallic mineral products
321	Textiles	371	Iron and steel
322	Clothing	372	Non-ferrous metal
323	Leather products	381	Fabricated metal products
324	Footwear	382	Non-electrical machinery incl. computers
331	Wood products	383	Electrical machinery
		384	Transport equipment
		385	Professional and scientific equipment
		390	Other manufactured products

Source: Data provided by the authorities of Jamaica; and estimates by the WTO Secretariat.

### Chart IV.2

#### Agriculture GDP by sector, 1992 and 1996

Per cent



Source: Central Statistical Office.

7. The Government considers agriculture to have great potential for income, employment growth and foreign exchange generation, and therefore plays a major role in the development of the sector. It owns more than half of the country's agricultural land, partly through state-owned enterprises. The Ministry of Agriculture, Land and Marine Resources (MALMR) formulates the overall policy framework and sector-specific policy measures, including subsidies and incentives. There are several large public enterprises operating in the sector, including Caroni, National Flour Mills, the National Agricultural Marketing and Development Company, Non Pareil Estate, National Agro-Chemicals, and the Agricultural Development Bank (Table IV.1). Until recently, some of these enterprises were granted monopoly over the purchase and import of their products. The MALMR provides policy guidelines for the state corporations and, in some cases, subsidies for their operation. The MALMR also has representation on the Boards of Directors of these enterprises.

**Table IV.1**  
Main state enterprises in the agricultural sector

Company	Government holding	Activities
Caroni	100%	Major producer and sole processor of sugar products. Now diversified to include citrus and rice.
National Flour Mills	80%	Sole producer of flour and major producer of rice, edible oil and soybean.
National Agricultural Marketing and Development Company	100%	Provision of market information and administration of wholesale markets.
Agricultural Development Bank	100%	Provision of loans to farmers and fishermen.
Non Pareil Estate	100%	Production of cocoa.

Source: Information provided by the authorities of Trinidad and Tobago.

8. After decades of heavy protection of the agricultural sector, reforms were undertaken in the context of a comprehensive structural adjustment programme with support from the Inter-American Development Bank. Prior to these reforms, agricultural products were protected by various measures

such as price supports, quantitative restrictions, tariffs, stamp duties, exchange and price controls, as well as stringent licensing requirements (for products in the Negative List). The reform programme aimed at removing or reducing distortions and at rationalizing incentives, and included measures such as the divestment of state-owned agricultural enterprises, the restructuring of the dominant sugar sector, and the diversification of agricultural production.

9. As identified by the Government, the major constraints affecting agricultural production include an inadequate water supply for dry season production, the high cost of inputs, a lack of adequate facilities, poor market organization, predial larceny, weak linkages between primary production and the agro-industrial sector and poor soil management.<sup>1</sup>

**(i) Market access**

10. There are no quantitative restrictions on the importation of agricultural products. Quantity-based measures were converted to equivalent tariffs in accordance with the Uruguay Round Agreement on Agriculture. Agricultural products, with the exception of a few items, were also removed from the licensing requirements set by the Import Negative List, and are now subject to import surcharges, some of which are to be eliminated by 1999. Licences are still required for imports of livestock, fish, crustaceans, molluscs, and oils and fats (Table III.7).

11. In the Uruguay Round, Trinidad and Tobago bound its tariffs on all agricultural products at ceiling rates of 100%, with the exception of seven items bound at higher levels; these include poultry, cabbage, lettuce and coffee (Table III.2). Other duties and charges were bound at 15%.

12. The 1998 applied MFN tariff on imports of agricultural products (HS Chapters 1-24) averaged 19.1%, with a maximum rate of 40% (Table IV.2). There is considerable dispersion of MFN rates by product groups in the agricultural sector. The highest tariffs are applied to edible fruit and nuts (33.6%), fish products (29.2%), edible vegetables (24.4%), animal and vegetable fat and oil (23.8%), meat and edible meat offal (23.4%), and live animals (21.9%), while gums and resins, and vegetable plaiting materials are granted duty-free access.

13. Several agricultural products are subject to additional import surcharges, which are subject to a phasing-out timetable. In 1998, import surcharges are applied to various parts of poultry (100%), sugar and icing sugar (60-70%), vegetables (15%) and fruit (5%). The surcharges on the latter two items are to be removed by 1999. Rates on poultry parts are to be reduced to 86% in 2004; those on sugar and icing sugar are not subject to reduction (Table III.5). Import duties on alcoholic beverages are set at specific rates, ranging from TT\$4.75 per litre for beer to TT\$40.00 per litre for cordials and liqueurs. Alcoholic beverages which are locally and regionally produced face excise duties (Table III.6).

**(ii) Sanitary and phytosanitary regulations**

14. The main sanitary and phytosanitary regulations are listed in the Animals (Diseases and Importation) Act 1954 and the Plant Protection Regulations 1953, both most recently amended in 1997. However, according to the authorities, the amendments did not address compliance with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

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<sup>1</sup>MALMR (1997).

**Table IV.2**  
**Trade and tariff data for agricultural products, 1998**  
(Per cent and US\$'000)

HS	Description	Unweighted MFN average (%)	Min. (%)	Max. (%)	Imports (US\$ '000)	Exports (US\$ '000)
1996						
<b>01-24</b>	<b>Agricultural products</b>	<b>19.1</b>	<b>0</b>	<b>40</b>	<b>302,088.2</b>	<b>203,769.6</b>
01	Live animals	21.9	0	40	570.6	16.7
02	Meat and edible meat offal	23.4	0	40	13,964.1	517.8
03	Fish & crustaceans, molluscs & other aquatic invertebrate	29.2	0	40	2,986.3	12,033.5
04	Dairy products; birds eggs; natural honey; edible prod. n.e.s.	19.6	0	40	46,240.6	4,453.7
05	Products of animal origin, n.e.s. or included	0.0	0	0	76.7	0.1
06	Live trees & other plants; bulbs, roots; cut flowers etc.	21.6	0	40	416.5	1,743.9
07	Edible vegetables and certain roots and tubers	24.4	0	40	20,933.8	2,124.2
08	Edible fruit and nuts; peel of citrus fruit or melons	33.6	0	40	4,542.2	1,286.2
09	Coffee, tea, mate and spices	21.7	0	40	3,196.7	1,725.0
10	Cereals	14.5	0	40	58,899.9	1,235.2
11	Prod. mill. industry; malt; starches; inulin; wheat gluten	6.4	0	40	9,730.4	600.5
12	Oil-seed, oleagi. fruit; miscell. grain, seed, fruit, etc.	2.5	0	40	33,551.4	53.4
13	Lac; gums, resins & other vegetable saps & extracts	0.0	0	0	961.7	0.8
14	Vegetable plaiting materials; vegetable products n.e.s..	0.0	0	0	114.0	0.2
15	Animal/veg. fats & oils & their cleavage products; etc.	23.8	0	40	15,386.4	9,141.0
16	Prep. of meat, fish or crustaceans, molluscs etc.	16.4	0	20	7,117.4	2,357.5
17	Sugars and sugar confectionery	21.5	0	40	17,691.7	34,014.7
18	Cocoa and cocoa preparations	9.2	0	20	3,178.3	6,942.9
19	Prep. of cereal, four, starch/milk	16.0	0	20	11,453.2	29,376.7
20	Prep. of vegetables, fruit, nuts or other parts of plants	15.9	0	40	10,441.5	8,196.6
21	Misc. edible preparations	17.0	0	20	16,630.8	9,247.2
22	Beverages, spirits and vinegar	16.5	5	20	7,668.9	60,223.8
23	Residues & waste from the food industry.; prep. animal fodder	4.4	0	20	12,076.7	16,603.3
24	Tobacco and manufactured tobacco substitutes	21.0	0	30	4,258.3	1,874.9

Source: WTO calculations based on data provided by the authorities of Trinidad and Tobago and UNSD, Comtrade database.

15. All live animals imported into the country require an import permit, issued by the Animal Protection and Health Division of the Ministry of Agriculture, Land and Marine Resources, prior to the arrival of the animal. They are also subject to quarantine regulations, which may differ according to the country of origin of the imported animal.

16. Imports of all plants, fruits and vegetables also need to obtain an import permit, issued by the Plant Quarantine Division of the Ministry of Agriculture, Land and Marine Resources. Import requirements vary depending on the country's pest status.

17. Trinidad and Tobago notified the WTO in 1995 that the Ministry of Agriculture, Land and Marine Resources had introduced an emergency measure on imports of fruit and vegetables from Grenada and other islands in the Caribbean which would be subject to controls to prevent the import of mealy bug-infested vegetable material.<sup>2</sup>

<sup>2</sup>WTO, G/SPS/N/TTO/1, 10 October 1995

(iii) **Domestic support**

18. Incentives available to the agricultural sector are listed in the Agricultural Incentive Programme which has been in place since 1985. The Government's domestic support policy is to provide incentives which result in minimal market distortions, and which comply with the WTO Agreement on Agriculture.<sup>3</sup> Agricultural incentives in Trinidad and Tobago include price supports (e.g. guaranteed prices), and subsidies for soil conservation, equipment and machinery, agricultural vehicles and wheel tractors. Commodities under the price support scheme include sugarcane, coffee, cocoa, milk, oranges, grapefruit, paddy, copra and sorrel (Table IV.3). In 1996, the Government granted payments totalling TT\$45.9 million for price support and TT\$1.4 million for input subsidies, altogether accounting for 6.8% of agricultural GDP (Table IV.4). According to the authorities, in 1997, the Government granted payments totalling TT\$35.97 million for price support and TT\$0.4 million for input subsidies.

**Table IV.3**  
**Price support programme: guaranteed prices, 1997**

Commodity	Guaranteed price (TT\$)
Sugarcane	153.77/tonne
Cocoa	9.55/kg.
Coffee	8.36/kg.
Milk	2.00/litre
Oranges	20.00/crate <sup>a</sup>
Grapefruit	12.00/crate <sup>b</sup>
Paddy	0.66-2.02/kg.
Copra	2.66/kg.
Sorrel	0.25/kg.

a Crate of oranges = 40.9 kg.

b Crate of grapefruit = 36.4 kg.

Source: Ministry of Agriculture, Land and Marine Resources.

**Table IV.4**  
**Price support programme: subsidy payments**  
(TT\$ million)

Commodity	1992	1993	1994	1995	1996
Sugarcane	14.4	5.4	9.3	16.7	15.7
Cocoa and coffee	5.0	-	3.2	3.2	5.7
Milk	6.1	7.7	11.3	8.1	8.4
Paddy	-	-	9.0	12.7	14.7
Copra	2.5	1.9	2.9	4.7	1.1
Other input subsidies <sup>a</sup>	5.6	1.2	0.9	0.5	1.4
<b>Total subsidy payments</b>	<b>33.6</b>	<b>16.2</b>	<b>36.6</b>	<b>45.9</b>	<b>47.0</b>
<b>Agricultural GDP</b>	<b>586.2</b>	<b>607.9</b>	<b>651.4</b>	<b>627.2</b>	<b>688.1</b>
<b>Subsidy as % of agricultural GDP</b>	<b>5.7</b>	<b>2.7</b>	<b>5.6</b>	<b>7.3</b>	<b>6.8</b>

a Includes soil conservation, equipment and machinery, vehicles, wheel tractors, and rebates.

Source: Ministry of Agriculture, Land and Marine Resources.

<sup>3</sup>The Agreement on Agriculture Article 6:4(b) allows a developing country Member to provide domestic support up to a limit not exceeding 10% of the value of its total agricultural production.

19. Fiscal incentives available to the agricultural sector include import duty concessions and VAT exemptions. Under the Customs Act Section 56, approved agricultural enterprises, (including fishery and forestry), are exempted from import duty on a range of agricultural inputs and equipment including wheel tractors, agricultural chemicals (e.g. insecticides, herbicides, fungicides, vitamin and drug preparations), hand tools and machinery. A range of agricultural inputs and equipment is also exempted from VAT. In addition, an income tax exemption is provided for a maximum period of ten years for approved agricultural holdings of less than or equal to 40.5 hectares. The food processing, beverages and tobacco sub-sectors are eligible to apply for the same incentives available to the manufacturing sector (section II).

**(iv) Export assistance**

20. Trinidad and Tobago does not subsidize its exports of agricultural goods.

21. Export financing is made available through the Agricultural Development Bank, which was set up in 1968 as a wholly government-owned institution. The bank lends to individuals, companies and co-operatives for a wide range of agricultural activities, including crop and livestock production, floriculture, agro-processing and commercial fishing. In 1996, total loans of TT\$37.0 million were disbursed, while loan repayments amounted to TT\$42.0 million. Prior to 1987, the ADB provided most of its finance at concessional rates;<sup>4</sup> this policy led to negative real interest rates and triggered problems of capital depletion, which made it necessary to bring rates more in line with market values. Since 1993 the interest rate for approved loans has been 12%.<sup>5</sup> Access to financing is also available through the Small Business Development Company, which provides a loan guarantee scheme to small businesses including agricultural and agro-processing companies.

**(v) Crop production and livestock**

**(a) Sugar**

22. Sugar has been the single most important agricultural subsector, accounting for a third of non-processed agricultural GDP in 1996 and over a quarter of employment. In 1997, exports of raw sugar reached 109,300 tonnes.

**Table IV.5**  
**Sugar production and exports**  
(’000 tonnes)

	1992	1993	1994	1995	1996	1997
<b>Production</b>						..
Cane	1,292	1,210	1,398	1,327	1,404	-
Raw sugar	110.4	104.7	131.1	117.1	92.0	90.8
Refined sugar	34.3	32.9	38.0	41.9	42.0	45.9
<b>Exports</b>						
Raw sugar	59.2	51.4	57.1	68.1	71.5	109.3

.. Not available.

Source: Central Bank of Trinidad and Tobago.

<sup>4</sup>Loans to agricultural credit societies were made at interest rates of 1% and those to individuals at 3% and 6.5% according to the type of activity, Forde and Joseph *et al.* (1997).

<sup>5</sup>Forde and Joseph *et al.* (1997).

23. Sugar exports depend primarily on the quota arrangements with the European Union and the United States, which offer guaranteed prices above the world-market price. Trinidad and Tobago was allocated an export quota of 47,556 tons of raw sugar by the European Union under the Sugar Protocol to the Lomé Convention, and an additional 10,000 tonnes under the Special Preferential Sugar Arrangement. The United States allocated Trinidad and Tobago a quota of 14,201 tonnes of raw sugar for fiscal year 1997, of which 13,576 tonnes were exported. Prices paid by the European Union (£403 a tonne in 1997 for imports under the Protocol, and £308.5 a tonne for imports under the Special Preferential Agreement) and the United States (some US\$421 a tonne) are well above world-market prices. Refined sugar is exported to other CARICOM countries.

24. While sugar is Trinidad and Tobago's main agricultural export, it is imported when domestic production is insufficient to meet export quotas and domestic demand. This makes economic sense for Trinidad as a small supplier, since exports to the EU receive a price higher than the world price, while imports are acquired at lower prices.<sup>6</sup> Some 29,000 tonnes of raw sugar and 9,105 tonnes of refined sugar were imported in 1997. Imports of raw sugar are subject to a customs duty of 40%, and an additional charge of 60%. Imports of refined sugar face a 15% import tariff.

25. The sugar industry is dominated by Caroni, the largest state-owned enterprise in Trinidad and Tobago. Caroni is also the largest employer and owner of fertile land and generates about 2% of GDP. Caroni produces about half of the country's cane, and has a de facto monopoly in refining and operations monopoly milling.<sup>7</sup> The company purchases sugar cane from private farmers at a guaranteed price based on production costs. The guaranteed price applies only when it is higher than the price determined by the Seemungal Formula<sup>8</sup>, which reflects international prices. Both prices have increased since the beginning of the 1990s, but the Seemungal Formula price has exceeded the guaranteed price since 1993 (Table IV.6). There was no price support in 1996, only an input subsidy payment (TT\$15.7 million). Caroni has traditionally handled all sugar exports and imports. In 1998, however, industrial manufacturers have been allowed to import sugar.

**Table IV.6**  
Guaranteed prices, Seemungal formula prices and price support payments, 1992-96

	Guaranteed prices/tonne (TT\$)	Seemungal formula price/tonne (TT\$)	Price support payment (TT\$ million)
1992	126	100.59	16.0
1993	126	128.94	0.0
1994	126	139.25	0.0
1995	136	161.63	0.0
1996	136	157.57	0.0

Source: Ministry of Agriculture, Land and Marine Resources.

26. With a view to reviving the viability of Caroni, which accumulated deficits between 1977 and 1991, the Cabinet appointed a Tripartite Committee, composed of representatives of the Government, Caroni and labour, which developed a comprehensive reform programme for the sugar industry in 1992. The reform programme included: increased reliance on private cane production to reach

<sup>6</sup> According to the authorities, import prices for raw sugar in 1997 ranged between US\$282.6 and US\$308.4 a tonne, while prices for refined sugar range between US\$380 and US\$387.7 per tonne.

<sup>7</sup> In recent years it has diversified into the production of other crops including rice, citrus fruits, aquaculture and vegetables.

<sup>8</sup> The Seemungal Formula seeks to calculate two prices: (i) the price of cane purchased at factory gate; (ii) the price of cane purchased at outside purchasing points. The formula subtracts the costs of distribution and storage from average revenue obtained in the previous year, and accrues by 75% the resulting value.

60-75% of supply, modernization of capital equipment, diversification into other agricultural products, rationalization of land-holding, increased mechanization of the cane harvest, and reduction of surplus labour. Under the terms of the Tripartite Committee programme, Caroni is to reach the break-even point in 1999 or 2000, and operate at a profit thereafter. While the share of cane produced by private farmers did increase from 47.3% in 1992 to 52.2% in 1996, the implementation of the programme appears to have been difficult.<sup>9</sup> In 1998, the Government is to introduce a new cane pricing system based on quality, which is expected to encourage further private cane production.

(b) Cocoa and coffee

27. Along with sugar, cocoa and coffee have historically been exported, although in declining amounts.<sup>10</sup> In 1997, the production of cocoa reached 1.74 million kg., of which 1.55 million kg. were exported; the production of coffee was 1.10 million kg., mostly consumed at home. There have been virtually no exports of coffee since 1995 (Table IV.7).

**Table IV.7**  
**Production and exports of selected agricultural commodities, 1993-97**  
(’000 kg.)

	1993	1994	1995	1996	1997
<b>Production</b>					
Cocoa	1,578	1,489	1,694	2,292	1,740
Coffee	874	1,015	830	353	1,102
Citrus	8,620	10,418	10,255	11,798	10,423
Rice	16,204	17,514	10,193	17,858	8,990
<b>Exports</b>					
Cocoa	1,503	1,342	1,595	1,741	1,545
Coffee	445	42	3	0	0

Source: Central Bank of Trinidad and Tobago.

28. The Cocoa and Coffee Industry Board is a state agency administered by the MALMR. There are no laws or regulations that force growers to sell their crops to the Board; however, the Board buys up some 85% of domestic production. The crops are purchased from farmers at the guaranteed prices, TT\$9.55/kg. for cocoa and TT\$8.36/kg. for coffee, whenever international prices fall below guaranteed levels.<sup>11</sup> In recent years, international prices have been higher than guaranteed prices.

(c) Citrus fruit

29. The production of citrus fruit has increased substantially in recent years from 8.62 million kg. in 1993 to 10.42 million kg. in 1997 (Table IV.7). All the citrus production is domestically consumed. Imports of citrus face a 40% tariff and an additional 5% import surcharge, which is to be eliminated in 1999.

<sup>9</sup>World Bank (1996).

<sup>10</sup>Trinidad and Tobago is a signatory to the International Cocoa Agreement and its successor agreements.

<sup>11</sup>A 1992 study estimated that the costs of producing one kilogram of cocoa was TT\$9.41 since then production costs have increased. The Ministry of Agriculture, Land and Marine Resources is currently considering an increase in guaranteed prices, which have remained fixed for over ten years, to TT\$11.55/kg. for cocoa and TT\$10.36/kg. for coffee (MALMR, 1997).

30. The Co-operative Citrus Growers' Association (CCGA), a private association, is the major local citrus purchaser and processor. Of the fruits delivered to the CCGA in 1996/97, 46% were processed into single strength juice, while the remaining 54% were used in the production of frozen concentrate in 1996/97. Caroni accounted for over 80% of total fruit delivered to the CCGA. Citrus producers who deliver to the CCGA are entitled to receive a guaranteed price of TT\$20/crate (equivalent to 40.9kg.) for oranges and TT\$12/crate (equivalent to 36.4kg.) for grapefruit. Guaranteed prices have been below market rates over the last ten years.<sup>12</sup> Direct sales to the fresh fruit market by smaller producers have been expanding since they receive higher prices than those offered by the CCGA.

(d) Rice

31. Rice is an important domestic staple in Trinidad and Tobago. Annual paddy production has fluctuated considerably over the period 1993-97 (Table IV.7). Local production of paddy satisfies approximately a fourth of domestic demand for rice, with the remainder being met through imports from the United States, Guyana and India. Rice imports face a tariff of 25%.

32. Farmers currently receive guaranteed prices ranging between TT\$0.66/kg. and TT\$2.02/kg., depending on the grade, for paddy delivered to the majority government-owned National Flour Mills. Until recently, National Flour Mills had exclusive rights to purchase, import and distribute rice. The subsidy incorporated in the guaranteed price (calculated based on the cost of production) is: TT\$1.25/kg., TT\$1.06/kg., TT\$0.72 and TT\$0.09 for grades I, II, III and IV respectively. An average TT\$10.85 million of subsidies have been paid annually by the Government since 1994 when the grading system was introduced. By providing a higher subsidy to higher quality rice, the introduction of the grading system has improved the overall quality of paddy production, with 80% of the paddy delivered to National Flour Mills falling in or above the grade II category. The share of Grade I paddy in total rice deliveries increased from 40% in 1996 to 55% in 1997.

(e) Coconut/copra

33. Production of copra has varied between 2,600 and 3,000 metric tonnes in the 1994-96 period. Imports of coconut/copra are subject to a licensing requirement and the maximum tariff rate of 40%.

34. A guaranteed price of TT\$2.66/kg. is paid to coconut producers. TT\$2.00 is paid by the Coconut Growers Association, the major purchaser of coconut in the country, and TT\$0.66 is paid by the Ministry of Trade and Industry as a subsidy. Annual payments averaged TT\$2.6 million in the period 1992-96. Currently, guaranteed prices are below market prices.

(f) Meat and dairy products

35. Domestic meat production, excluding poultry, accounted for 35.6% of total meat supply in the period 1993-1997, with the rest being imported. While pork meat is mainly supplied by local producers, beef and sheep supplies are dependent on imports. Imports of beef and mutton face a 15% tariff, and pork and poultry face the maximum rate of 40%. While import surcharges on beef, mutton and pork were eliminated in 1998, poultry continues to be subject to a 100% import surcharge, which is to be reduced to 86% in 2004. Domestic poultry production is further protected by licensing requirements for imported poultry. Imports of milk supplied roughly 60% of domestic requirements in the 1993-95 period. The average MFN tariff for dairy products (HS04) is at 20.2%; fresh milk carries a tariff of 40%. An import surcharge of 20% on liquid milk was abolished at the beginning of 1998.

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<sup>12</sup>CCGA paid TT\$24.50/crate for oranges and TT\$19.70/crate for grapefruit in 1997.

36. The guaranteed price for milk is TT\$2.45/kg., of which TT\$0.90/kg. is paid by the Government as a subsidy and TT\$1.55/kg. is paid by Nestlé, the main milk processor. An informal arrangement exists between the Government and Nestlé, by which the Government pays a subsidy to the farmers who sell their milk to Nestlé. This financial arrangement is managed by Nestlé and is not extended to any other milk processor. The Government paid annual average subsidies of TT\$8.4 million in the period 1992-97.<sup>13</sup> Approximately 600 dairy farmers benefit from the subsidy. To benefit under the present arrangement, farmers must be registered as regular suppliers to Nestlé. Despite subsidization, supply of milk to Nestlé for processing declined from 10.2 to 9.8 million kg. in the 1992-97 period.

(g) Beverages and tobacco

37. Tobacco and breweries accounted for about 45% of agricultural GDP in 1997. Beverages, spirits and vinegar are by far the largest agricultural export, totalling US\$75.1 million in 1997. Rum is exported to the EU market under the Lomé Convention's Rum Protocol. Specific customs duties are levied on alcoholic beverages, while excise duties are levied on local and CARICOM production. In the case of beer and wine, customs duties are higher than excise duties on local and CARICOM goods; for spirits they are generally lower. Imports of most tobacco products are subject to a 30% tariff, while local and CARICOM tobacco products are subject to excise duties (Chapter III(2)(iv) and Table III.6). A tobacco tax is applied on all tobacco products.

(vi) Fisheries

38. The fishing industry accounted for 4.3% of agricultural GDP in 1996. Exports of fish products reached US\$10 million, while imports totalled about US\$5.8 million in the same year. Imports of fish products face an average tariff rate 29.2%. In general, fish imported for processing purposes is duty-free, while fish imported for consumption faces tariffs between 25 to 40%

39. The Government has provided subsidies since 1977 to encourage growth in the fishing industry, which include a fuel rebate of TT\$0.05/litre for gasoline and a rebate of 25% of the value up to a maximum of TT\$2,500 for the construction of locally built fishing boats. Fishing activities benefit from VAT and import duty exemption. In 1996, the subsidies paid by the Government amounted to TT\$0.6 million. In December 1997, a new Fishing Agreement was signed between the Republics of Venezuela and Trinidad and Tobago. Essentially, the Agreement delineated a shared fishing area where fishermen from both countries could fish without permits provided they followed the terms of the Agreement, such as flying the flag of their country or being registered in one of the countries.

(3) MINING AND QUARRYING

40. The mining and quarrying sector makes a large contribution to the economy of Trinidad and Tobago. While the sector employed only 3.8% of total labour, it produced 14.4% of GDP in 1996. The hydrocarbon subsector accounts for 99% of the sector's total output.

(i) Hydrocarbons

41. While Trinidad and Tobago is a relatively small producer of hydrocarbon products in the world market, they have played a significant role in shaping the economy since 1908, when production of crude oil started. The discovery of large reserves of crude oil in the late 1960s and

<sup>13</sup>This amount is within the TT\$10 million limit negotiated between the Government of Trinidad and Tobago and the Inter-American Development Bank for the Agricultural Sector Loan (MALMR, 1997).

early 1970s allowed Trinidad and Tobago to benefit from the price rises caused by the two oil shocks. Oil production peaked at 229,500 barrels per day (b/d) in 1978. In 1997, oil production reached 123,874 b/d. Natural gas production has been increasing since 1978; in 1997, production reached 884 million cubic feet per day (mmcf/d) (Table IV.8).

**Table IV.8**  
**Crude oil<sup>a</sup> and natural gas production, 1993-97**

	1993	1994	1995	1996	1997
<b>Crude Oil</b> ('000 barrels)					
Total Production	45,203	47,814	47,698	47,171	45,174
Daily Average	123.9	131.0	130.7	128.9	123.9
Imports	11,195	11,621	12,682	14,634	10,700
Exports	21,806	22,025	21,414	21,516	20,300
<b>Natural Gas</b> (million cubic feet/day)					
Production	684.7	744.0	773.6	874.0	884.0
Utilization	506.0	575.0	592.0	682.0	714.0
of which: Petrochemicals	287.0	334.0	335.0	416.1	407.7
TTEC	136.0	139.0	149.0	154.8	167.3

a Also includes condensates.

Source: Central Bank of Trinidad and Tobago, Ministry of Energy and Energy Industries.

42. Dependence on the energy sector - which, according to the definition used by the authorities of Trinidad and Tobago, consists of exploration and production, refining, marketing and distribution of petroleum products, petroleum-related services, petrochemicals, as well as asphalt - has gradually declined over time. However, the sector still accounted for 26.6% of GDP, 22% of government revenue and 73% of foreign exchange earnings in 1997 (Table IV.9). The sector also accounts for most of the foreign investment flowing into Trinidad and Tobago. Foreign investment in energy-related projects is estimated over the next four years at over US\$2.5 billion, a large amount relative to the size of the economy.

**Table IV.9**  
**Contribution of the energy sector<sup>a</sup> to the economy, 1970-97**  
(Per cent)

	1970	1975	1980	1985	1990	1997
Share in GDP	21.5	41.3	42.1	26.8	31.8	26.6
Share in government revenue	23.1	69.4	58.9	42.1	40.9	22.0
Share in foreign exchange earnings	---	77.2	90.6	79.7	82.5	73.0

a Also includes refineries, petrochemicals, and marketing and distribution of petroleum products.

Source: Ministry of Energy and Energy Industries.

43. The Ministry of Energy and Energy Industries has overall responsibility for managing and regulating the energy sector and is also responsible for the operational and commercial aspects of the state petroleum and energy-based industries. Policy initiatives taken since 1993 include: a reduction in direct state participation in the industry; the merging and restructuring of state-owned oil companies; a review of the petroleum taxation system; increased exploration and production activities, particularly in deep waters; and development of downstream natural gas-based industries.

44. As oil reserves are relatively limited, the focus of energy policy has been shifting from oil to natural gas. Proven oil reserves were estimated at 534 million barrels at the beginning of 1998,

equivalent to 12 years of output at the current level of production. Proven reserves of natural gas have been estimated at 18 trillion cubic feet (equivalent to 3,155 million barrels of oil) in 1998, sufficient for another 55 years of output. In addition, probable and possible gas reserves are estimated at 6.37 trillion cubic feet. Natural gas is mainly used in the petrochemical industry.

45. The Petroleum Act of 1969 established a framework for the granting of licences/contracts for the conduct of petroleum operations on land and submarine areas. The Ministry of Energy and Energy Industries is responsible for determining the areas available for exploration and production, and through prior competitive bidding, grants the rights of exploration and production of petroleum. The following types of licences/contracts are issued: (a) an exploration licence which grants the licensee the non-exclusive right to carry out the petroleum operations stated in the licence; (b) an exploration and production licence which grants the licensee the exclusive right to explore for, produce and dispose of petroleum in accordance with the terms of the licence; (c) a production-sharing contract for the conduct of petroleum operations relating to the exploration, production and disposition of petroleum within a prescribed contract area. Since 1995, production-sharing contracts have been issued on the basis of a system of three-phased competitive bidding rounds. Over the 1995-98 period, production-sharing contracts were granted for 13 offshore blocks, with a total acreage of 1,108,172 hectares<sup>14</sup>

46. The tax regime in the petroleum industry is governed by the Petroleum Act, the Petroleum Taxes Act, the Petroleum Production Levy and Subsidy Act, the Income Tax (In Aid of Industry) Act, and the Unemployment Levy Act. The regime, which was most recently revised in 1992, is based on a three-tier system consisting of two profit-based corporation taxes (the Petroleum Profits Tax (PPT) and an Unemployment Levy), of three production-based taxes (a Royalty, a Petroleum Production Levy, a Petroleum Impost) and of an income-based tax, (the Supplemental Petroleum Tax) (Table IV.10). Petroleum operations are classified into three types of businesses for taxation purposes: exploration and production, refining, and marketing. While the first two types of businesses have remained subject to the Petroleum Taxes Act, the Finance Act of 1997 removed the taxation of petroleum marketing businesses from the Act's scope and placed it under the Corporation Taxes Act. As a result, the state-owned National Petroleum Marketing Company, of Trinidad and Tobago and the National Gas Company, which have a monopoly on the marketing and distribution of petroleum products and gas, are now taxed at a rate of 35%, instead of 50%. A company engaging in more than one type of petroleum business may not offset losses incurred in one type of business against profits earned in another for the purposes of PPT.<sup>15</sup>

47. Incentives and tax allowances are used to encourage investment in the energy sector. Various expenses incurred in petroleum operations may be deducted from income in computing petroleum-related taxes. Capital expenditures incurred on workovers, heavy oil projects and on a development dry hole are deductible for the computation of the PPT (Table IV.10). Additionally, capital allowances under the Income Tax (In Aid of Industry) Act are also applicable to the calculation of the PPT for petroleum production businesses. These include initial and first year allowances on plant and machinery expenditure of 20% each, and an additional annual deduction of 20% for each of the five years following the initial investment. Allowances for the computation of the Supplement Petroleum Tax include geological and geophysical allowances, up to 50%; an exploration allowance, of up to 100% of direct drilling costs; a royalty payment allowance; and an investment allowance of up to 40% of tangible and intangible drilling costs (Table IV.10). Finally, import duty and VAT exemptions are also granted under the Customs Act and the VAT Act (Chapter III).

<sup>14</sup>Ministry of Energy and Energy Industries, <http://www.meei.gov.tt>.

<sup>15</sup>TIDCO (1998).

**Table IV.10**  
**Petroleum taxation in Trinidad and Tobago**

Tax category	Content	Deduction and Allowance
Royalty	12.5% of the value of all petroleum produced	
Petroleum Profits Tax	50% of taxable profits	(i) 100% on the expenditure incurred on workovers, maintenance or repair work on completed wells and qualifying side tracks; (ii) 100% on capital expenditure on a heavy oil project; (iii) expenditure on a dry hole or a development dry hole with the Minister's approval.
Supplemental Petroleum Tax	Sliding scale of tax rates based on oil prices, ranging from 0 for crude prices under US\$13.01 a barrel, to a maximum of 35% for crude prices over US\$49.50 a barrel.	(i) 50% of geological and geophysical costs; (ii) 100% of direct cost of drilling exploration wells; (iii) royalty payment; (iv) 100% of capital expenditure incurred in the drilling of wells and the acquisition of plant and machinery for use in marine thermal recovery schemes for heavy oil; (v) 40% of direct intangible drilling cost and 40% of tangible costs incurred in a development activity.
Petroleum Production Levy	Up to 3% of gross income from crude oil. The levy provides the subsidy for petroleum products on the domestic market.	
Petroleum Impost	Rates based on petroleum produced in the previous year. The impost is a payment to cover administrative costs of the Ministry of Energy and Energy Industries.	
Unemployment Levy	5% of taxable profits	(i) Operating and administrative expense (ii) Royalty (iii) Petroleum Production Levy (iv) Supplemental Petroleum Tax

Source: Information provided by the Ministry of Energy and Energy Industries and TIDCO.

## (ii) Oil

48. Since 1990 oil production has been declining at an average annual rate of 2.7%. Crude oil production recorded 123,874 b/d in 1997, 46% less than in the peak year, 1978. Over three quarters of production originated in marine operations. Proven reserves (24% of which are heavy oil reserves) are estimated to be just sufficient for another 12 years of supply at the current rate of production. While probable and possible reserves are estimated at up to 2.5 billion barrels or 50 years of supply, they are not considered to be economically recoverable under current market conditions since they are composed of heavy oil.<sup>16</sup>

49. Approximately 46% of the crude oil produced in the period 1993-97 was exported; the rest was refined locally. To maintain optimal refinery levels, some crude oil is also imported. In 1997, 10.7 million barrels of crude oil were imported while 20.3 million barrels were exported (Table IV.8). Imports of crude oil are duty free.

50. The production of crude oil is dominated by multinationals and state-owned enterprises. The largest producer is Amoco Trinidad Oil Company, a wholly owned subsidiary of U.S.-based Amoco Corporation, which accounted for 44% of total oil and condensate production in 1997. The majority state-owned Trinmar<sup>17</sup> and the wholly state-owned Petroleum Company of Trinidad and Tobago

<sup>16</sup>Ministry of Energy and Energy Industries, <http://www.meei.gov.tt>.

<sup>17</sup>Trinmar is 66 2/3% owned by Petrotrin and 33 1/3% by Texaco Trinidad.

(Petrotrin) accounted for 25% and 26% of production, respectively. Petrotrin was created in 1993 as a result of the merger of two fully state-owned enterprises, Trinidad and Tobago Oil Company (Trintoc) and Trinidad and Tobago Petroleum Company (Trintopec). Petrotrin owns and operates the country's only operating refinery at Pointe-à-Pierre, which manufactures petroleum products for local consumption and for export to regional and international markets. The Government is currently considering the possible privatization of Petrotrin.<sup>18</sup>

**(iii) Natural gas**

51. The production of natural gas reached 884 mmcf/d in 1997, of which over 90% was in the hands of multinational oil/gas producers. The state-owned Trinidad and Tobago Marine Petroleum Company (Trintomar), a joint venture between the National Gas Company (NGC) and Petrotrin, does not seem to have succeeded in reaching the goal of reducing dependence on foreign suppliers. Natural gas is not only used in the production of petrochemicals (ammonia, methanol and urea) and electricity, but also in the production of iron and steel, natural gas liquids (propane, butane and natural gas gasoline), cement, iron carbide, as well as in a number of light industries. In 1997, petrochemicals accounted for 57.1% of gas usage with power generation accounting for a further 23.4%. While it is presently not exported, liquified natural gas (LNG) is expected to become a major export once the construction of a LNG plant at Point Fortin is completed in 1999.<sup>19</sup>

52. NGC is a state-owned company which has a monopoly over the purchase, transmission and sale of natural gas. It is also responsible for the development of downstream gas-based industries, and for the supervision of investment projects. NGC negotiates gas purchasing contracts with suppliers as needed and separate gas supply contracts with consumers. Pricing is set on a case-by-case basis and each contract is negotiated with the proposed user. Suppliers may obtain incentives under the Fiscal Incentives Act.

53. Currently, there is no formal legislation nor a regulatory body governing the natural gas subsector. The Government is trying to establish a formal framework, including the establishment of a regulatory body for natural gas, the enactment of a Natural Gas Act, the standardization of royalties and fiscal incentives, the introduction of a licensing system for petrochemicals and the creation of a more transparent pricing structure.

**(iv) Other minerals and quarrying**

54. Non-petroleum minerals produced for commercial use include: asphalt, andesite, argillite, clay, limestone, sand and gravel, plastering sand, silica sand, oil sand, quartzite and porcellanite. Of these, clay is the most abundant and extensively used. Other non-petroleum minerals found in Trinidad and Tobago, but not produced commercially include: magnetite (iron ore), gypsum and fluorite. There are 52 active quarries. Imports of non-petroleum minerals include course sand for use in petroleum operations, gypsum, iron ore and limestone for use in the manufacture of glass.

55. Trinidad and Tobago has one of the largest natural deposits of asphalt in the world. The latest available figures show that asphalt production reached 15,396 tonnes and exports 12,278 tonnes in 1997.

56. There are nine separate pieces of legislation regulating the mineral and quarrying industries, each of which is administrated by a different government agency. The Ministry of Energy and Energy

<sup>18</sup>Divestment Secretariat (1998).

<sup>19</sup>Ministry of Energy and Energy Industries (1997).

Industries has been given the task to come up with new legislation to bring together all quarry-related legislation.

**(v) Electricity**

57. The prime source of energy is natural gas. Electricity generation accounts for 23.4% of total natural gas utilization; it increased from 3,852 million kilowatt hours (kWh) to 4,841 million kWh in the 1992-97 period. (Between 10-13% of total electricity generated is estimated to be lost in the transmission process.) The demand for electricity increased from 609 megawatts (MW) in 1993 to 746MW in 1997 and is expected to reach 930MW in the year 2000 (production is estimated at 5,964 million kWh).

58. The Trinidad and Tobago Electricity Commission (TTEC), which falls under the purview of the Ministry of Public Utilities, has exclusive control over the generation, transmission, distribution and sale of electricity in Trinidad and Tobago. In 1994, the generation operations of TTEC became a separate company, the Power Generation Company of Trinidad and Tobago (PowerGen), which is 51% owned by TTEC, jointly with two private companies. The company is responsible for the operation and maintenance of the three thermal power plants which use natural gas as the principal fuel. TTEC serves some 298,000 customers, including businesses, industries and residents.

59. Electricity rates, which are the lowest in the Caribbean<sup>20</sup>, are set by the Public Utilities Commission, which is to be replaced by the Regulated Industries Commission. The financial difficulties of TTEC, which reported a deficit of over TT\$276 million in 1996, has urged the setting up of the Regulated Industries Commission, which will operate under a price-cap system, expected to provide greater incentives for cost reduction and reduce cross-subsidization. As part of the Government's divestment programme, the private sector already participates in generation activities.

**(4) MANUFACTURING**

60. The manufacturing sector accounted for only 12.4% of GDP in 1996. Despite the Government's efforts to diversify production, the manufacturing sector remains heavily dependent on the oil refinery and petrochemical sub-sectors. The share of petroleum-related manufacturing increased from 41.5 to 66.4% of total manufacturing GDP in the 1992-96 period (Chart IV.3). Most the rest of the manufacturing sector consists of steel and cement, wood products, paper, printing and publishing, industrial gas, and metal building.

**(i) Market access**

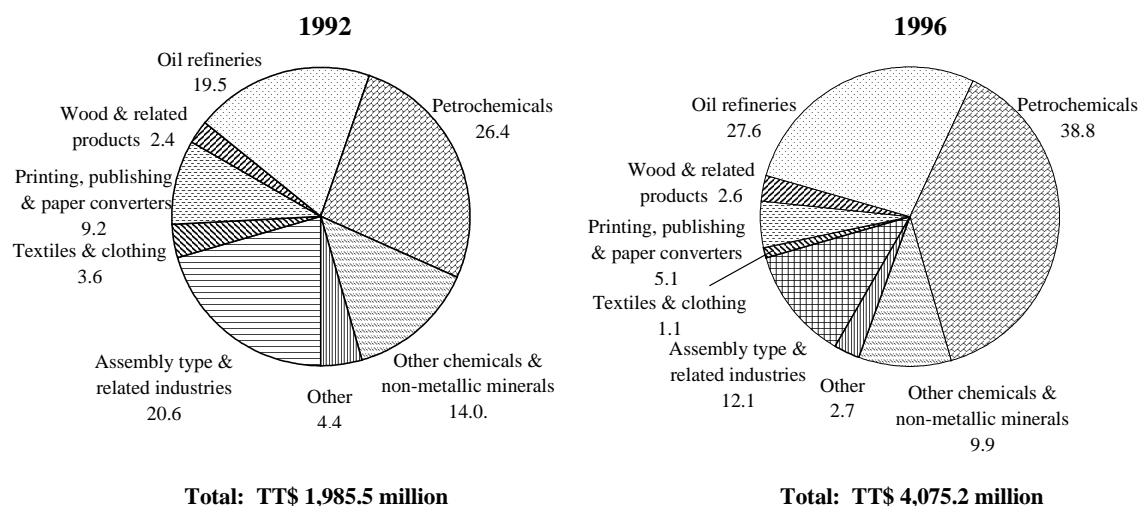
61. The 1998 average MFN tariff on imports of industrial products (HS chapters 25-97, covering both manufacturing and mining) was seven, with a peak of 30% (HS chapters 27, 40, 71, 84, 85, 87, 91, 93) (Table IV.11). In all HS chapters, with the exception of chapters 37, 57, 74, 91, 92, 94, 96 and 97, the minimum tariff rate was zero (Chapter III(2)(iii)). The highest tariffs are applied on arms and ammunition, clocks and watches, works of art, clothing and apparel articles, carpets, furniture, toys, footwear, soap and leather goods.

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<sup>20</sup>For instance, the industrial rate is 2.45 US cents per kWh in Trinidad and Tobago, 16.72 US cents per kWh in Barbados, 16.30 US cents per kWh in Grenada, and 10.67 US cents per kWh in Jamaica. (Trinidad Express, 21 July 1997)

**Chart IV.3**  
**Manufacturing GDP by activity, 1992 and 1996**

Per cent



**Source:** Central Statistical Office.

62. Under its Uruguay Round commitments, Trinidad and Tobago bound virtually all of its industrial tariffs at ceiling rates of 50%; as exceptions, a few items were bound at 70%. Other duties and charges were bound at 15%.

**(ii) Incentives schemes**

63. A number of incentive schemes are available for manufacturers. The Customs Act Section 56 allows customs duty concessions of imports of machinery, equipment and materials for a wide range of approved manufacturing activities - including petroleum-related manufacturing - listed in the Third Schedule of the Act (Chapter III(2)(iii)(e)). The Fiscal Incentives Act grants tax relief from corporate tax and customs duties to approved enterprises for a period of up to ten years (Chapter III(4)(ii)). A number of free zones have been established to encourage the development of export-oriented manufacturing. In order to be eligible for free-zone status, and enjoy various tax exemptions, firms must export more than 80% of their production outside of CARICOM (Chapter III(3)(vii)). Accelerated tax depreciation is granted in the form of an initial allowance (10% of capital expenditure for general manufacturing and 20% for petrochemicals) and an annual allowance (10% of capital expenditure).

**Table IV.11**  
**Trade and tariff data for industrial products, 1998**  
(Per cent and US\$'000)

HS	Description	Unweighted MFN average (%)	Min. (%)	Max. (%)	Import (US\$ '000)	Exports (US\$ '000)
1996						
<b>25-97</b>	<b>Industrial products</b>	<b>7.0</b>	<b>0</b>	<b>30</b>	<b>1,894,551.1</b>	<b>2,253,401.0</b>
25	Slat; sulphur; earth & stone; plastering mat.; lime & cem.	1.7	0	20	12,985.4	21,278.5
26	Ores, slag and ash	1.1	0	10	59,658.4	188.4
27	Mineral fuels, oils & products of their distillation; etc.	11.0	0	30	422,734.9	1,291,836.2
28	Inorg. chem; compds. of prec. met., radioact. elements, etc.	0.7	0	15	21,855.6	301,580.5
29	Organic chemicals	0.1	0	15	14,946.4	123,235.6
30	Pharmaceutical products	7.5	0	15	35,351.4	1,693.5
31	Fertilizers	0.4	0	10	2,901.9	115,601.8
32	Tanning/dyeing extract; tannins & derivs; pigm. etc.	8.0	0	25	11,721.7	6,664.5
33	Essential oils & resinoids; perf. cosmetic/toilet prep.	11.7	0	20	13,177.2	5,469.9
34	Soap, organic surface-active agents, washing prep. etc.	14.9	0	20	9,364.8	16,532.3
35	Albuminoid subs; modified starches; glues; enzymes	3.9	0	15	2,582.9	630.8
36	Explosives; pyrotechnic prod; matches; pyrop alloy; etc.	11.2	0	20	1,479.1	770.3
37	Photographic or cinematographic goods	11.6	5	20	4,292.6	2.1
38	Miscellaneous chemical products	2.7	0	20	58,298.6	4,077.3
39	Plastics and articles thereof	7.7	0	20	78,000.6	16,760.8
40	Rubber and articles thereof	5.9	0	30	21,557.3	48.8
41	Raw hides and skins (other than furskins) and leather	0.1	0	5	523.6	-
42	Articles of leather; saddlery/harness; travel goods etc.	18.0	0	20	1,379.9	217.1
43	Furskins and artificial fur; manufactures thereof	3.0	0	20	1.4	-
44	Wood and articles of wood; wood charcoal	7.6	0	20	26,575.6	10,901.3
45	Cork and articles of cork	4.2	0	20	79.3	0.1
46	Manufactures of straw, esparto/other plaiting mat.; etc.	12.5	0	20	75.6	2.1
47	Pulp of wood/of other fibrous cellulosic mat.; waste etc.	0.0	0	0	2,051.8	1,735.2
48	Paper & paperboard; art of paper pulp, paper/paperboard	6.3	0	20	69,840.8	38,000.5
49	Printed books, newspapers, pictures & other products etc.	6.9	0	20	14,942.7	2,793.6
50	Silk	0.5	0	5	32.0	-
51	Wool, fine/coarse animal hair, horsehair yarn & fabric	0.3	0	5	164.4	-
52	Cotton	0.1	0	5	6,011.9	23.8
53	Other vegetable textile fibres; paper yarn & woven fab.	0.0	0	0	26.3	0.4
54	Man-made filaments	0.3	0	5	526.6	4.2
55	Man-made staple fibres	0.2	0	5	22,709.4	235.1
56	Wadding, felt & non-woven; yarns; twine, cordage, etc.	6.5	0	20	4,634.6	1,025.7
57	Carpets and other textile floor coverings	20.0	20	20	2,212.6	44.5
58	Special woven fab.; tufted tex. fab.; lace; tapestries etc.	0.9	0	15	5,554.8	8.1

Table IV.11 (cont'd)

HS	Description	Unweighted MFN average (%)	Min. (%)	Max. (%)	Import (US\$ '000)	Exports (US\$ '000)
1996						
59	Impregnated, coated, cover/laminated textile fabric etc.	3.2	0	20	2,964.8	0.6
60	Knitted or crocheted fabrics	0.0	0	0	6,203.9	10.8
61	Art of apparel & clothing access, knitted or crocheted	19.9	0	20	1,910.5	4,470.3
62	Art of apparel & clothing access, not knitted/crocheted	19.8	0	20	4,254.6	5,348.1
63	Other made up textile articles; sets; worn clothing etc.	17	0	20	2,953.1	1,101.4
64	Footwear, gaiters and the like; parts of such articles	16.3	0	20	11,532.7	552.5
65	Headgear and parts thereof	14.6	0	20	536.7	250.3
66	Umbrellas, walking-sticks, seat-sticks, whips, etc.	11.4	0	20	205.4	7.1
67	Prep. feathers & down; arti.flower; articles human hair	16.3	0	20	387.1	0.7
68	Art of stone, plaster, cement, asbestos, mica/sim.mat.	10.7	0	25	4,476.2	2,244.0
69	Ceramic products	13.8	0	25	17,026.3	1,450.4
70	Glass and glassware	7	0	25	8,143.9	9,214.8
71	Natural/cultured pearls, prec.stones & metals, coins etc.	15.9	0	30	735.0	672.9
72	Iron and steel	4.6	0	15	47,521.3	209,842.6
73	Articles of iron or steel	9.7	0	25	69,926.9	11,810.4
74	Copper and articles thereof	3	5	20	7,634.1	5,914.6
75	Nickel and articles thereof	1.7	0	5	30.7	60.3
76	Aluminium and articles thereof	6.6	0	20	20,748.1	4,166.3
78	Lead and articles thereof	0.8	0	5	301.9	31.2
79	Zinc and articles thereof	0.9	0	5	279.6	8.1
80	Tin and articles thereof	0.8	0	5	186.3	-
81	Other base metals; cements; articles thereof	0.0	0	0	400.6	0.1
82	Tool, implement, cutlery, spoons & forks, of base met. etc.	6.6	0	20	9,919.9	40.8
83	Miscellaneous articles of base metal	7.7	0	20	9,598.7	1,277.8
84	Nuclear reactors, boilers, mchy. & mech. appliances; parts	2.8	0	30	346,769.7	10,928.9
85	Electrical mchy. equip. parts thereof; sound recorders etc.	10	0	30	104,196.1	9,079.7
86	Railw./tramw. locom., rolling-stock & parts thereof; etc.	0.3	0	5	716.1	7.8
87	Vehicles o/t railw./tramw. roll-stock, pts. & accessories.	10.8	0	30	113,494.7	784.5
88	Aircraft, spacecraft, and parts thereof	4.7	0	20	74,476.7	-
89	Ships, boats and floating structures	3.9	0	20	37,364.8	1,180.6
90	Optical, photo, cine, meas., checking, precision, etc.	6.4	0	25	39,659.7	2,322.3
91	Clocks and watches and parts thereof	20.1	2.5	30	759.4	9.6
92	Musical instruments; parts and access. of such articles	10.4	10	20	345.1	556.2
93	Arms and ammunition; parts and accessories thereof	21.4	0	30	522.3	-
94	Furniture; bedding, mattresses, matt. supports, cushions etc	17.3	2.5	20	10,872.3	6,497.7
95	Toys, games & sports requisites; parts & access. thereof	14.2	0	20	4,847.0	261.6
96	Miscellaneous manufactured articles	14.4	2.5	20	4,355.6	924.1
97	Works of art, collectors, pieces and antiques	20	20	20	41.2	9.9

Note: Trade data applied for 1996.

Source: WTO calculations based on data provided by the authorities of Trinidad and Tobago and UNSD, Comtrade database.

64. The majority of petroleum-related manufacturing companies are located at the (natural-gas abundant) Point Lisas Industrial Estate, which enjoys free-zone privileges. The Industrial Estate is managed by the majority state-owned Point Lisas Industrial Port Development Corporation (PLIPDECO).<sup>21</sup> The Trinidad and Tobago Free Zones Act was amended in 1995 to expand the definition of free-zone activities and to include petroleum-related manufacturing (Chapter III(3)(vii)). Petrochemical companies, as well as steel plants and medium-sized manufacturers, located in the Industrial Estate, enjoy exemptions from customs duties, income and corporate taxes, business levies, withholding taxes on remittance of profits, dividends and other distributions, and land and building taxes. The Industrial Estate is also equipped with the second largest port in Trinidad and Tobago, Port Point Lisas, which specializes in industrial cargo, including petrochemicals, iron and steel products.

**(iii) Petroleum-related manufacturing**

65. The petroleum-related manufacturing subsector consists of one refinery, thirteen petrochemical plants, a natural gas liquid recovery plant and electricity power plants. In recent years, the abundance of natural gas reserves has attracted a large number of investment in gas utilization projects including petrochemicals and liquified natural gas. In 1997, the production of petrochemicals (fertilizer, methanol) accounted for 57% of gas utilization (Chart IV.4). The construction of a liquified natural gas (LNG) plant, to be completed in 1999, will increase utilization of natural gas by another 450 mcf/d, and LNG is expected to become a major export.<sup>22</sup> The development of downstream natural gas sub-sectors altogether will increase gas utilization from the current 900 mcf/d to 1400 mcf/d in the year 2000.<sup>23</sup>

**(a) Crude oil refining**

66. Trinidad and Tobago has an important oil refining industry which manufactures petroleum products such as motor gasoline, gas/diesel oil, fuel oil, kerosene, and aviation turbine fuel. Refinery capacity, which attained 450,000 b/d, in the 1960s, declined to 100,000 b/d in the early 1990s, before increasing to 160,000 b/d in 1998, after the completion of a project which upgraded the only operating refinery at Point-à-Pierre.<sup>24</sup> Refinery output is expected to average 125,000 b/d in 1998, increasing to 160,000 b/d in 2000.

67. The Pointe-à-Pierre refinery, owned by the state-controlled Petrotrin, has access to 75,000 b/d of low-cost indigenous crude oil, with the rest of its refining capacity met by imported oil. In the 1993-96 period, an annual average 12.5 million barrels were imported. Petrotrin has a processing agreement with Venezuela under which Venezuela provides crude oil for Petrotrin's surplus refinery capacity. In 1996, 58% of crude oil was imported under the agreement. All imports of crude oil enter duty free. In 1996, Trinidad and Tobago produced 41 million barrels of various petroleum products and exported 28.2 million barrels to regional and international markets (Table IV.12).

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<sup>21</sup>PLIPDECO is 43% owned by the Government, 8% by Caroni (100% government-owned agricultural enterprise), with the rest of the shares traded on the stock exchange. It also manages the Port of Point Lisas, the second largest port, which specializes in industrial cargo including petrochemicals, iron and steel products.

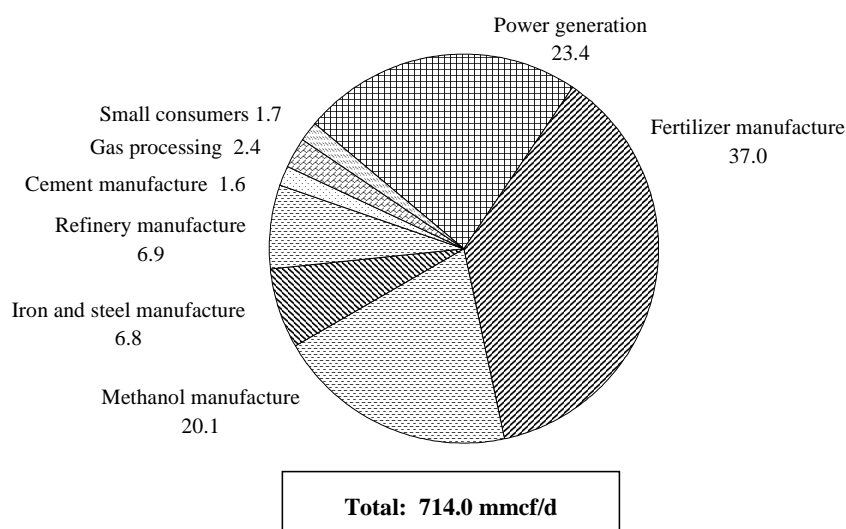
<sup>22</sup>In 1993, a project of the construction of a LNG plant at Point Fortin was agreed by five partners, NGC and four multinationals. It is the single largest investment in downstream industries in the country with a cost estimated at US\$1 billion. LNG is expected to start being delivered to the United States and Spain in 1999.

<sup>23</sup>The Ministry of Energy and Energy Industries (1997).

<sup>24</sup>The second refinery, Point Fortin, is at present idle. The Government is trying to privatize it, so far unsuccessfully.

**Chart IV. 4**  
**Utilization of natural gas, 1997**

Per cent



**Note:** Mmcf/d stands for million cubic feet per day.

**Source:** Ministry of Energy and Energy Industries.

**Table IV.12**  
**Oil refinery output and exports, 1993-97**  
('000 barrels)

	1993	1994	1995	1996	1997
Refinery throughput	38,229.3	37,839.3	37,001.9	40,249.3	34,263.8
Refinery output	37,269	36,227	34,391	41,067	..
Of which: Motor gasoline	6,466.9	6,983.0	7,799.7	5,708.3	7,547.2
Gas/diesel oil	6,397.4	6,780.5	7,489.5	7,793.0	8,338.4
Fuel oil	19,640.1	17,909.1	14,774.4	17,008.9	14,271.4
Kerosene and aviation turbine fuel	3,629.1	4,452.9	3,660.0	4,068.9	3,287.2
Refinery exports	23,899	27,179	31,877	28,203	..

.. Not available.

**Source:** Central Bank of Trinidad and Tobago.

68. For refining operations, a refinery throughput tax is levied at US\$0.05/barrel for full refining and US\$0.02 for light refining.<sup>25</sup>

69. The domestic distribution of petroleum products is handled by the National Petroleum Marketing Company, a state-owned company which had a monopoly right until recently. In 1997, its monopoly status was eliminated; distribution activities are now open for entry, initially by domestic companies only.

<sup>25</sup>The refinery throughput tax is deductible when computing the profits of a refining business for the purpose of the PPT.

## (b) Petrochemicals (including fertilizers)

70. The production of petrochemicals increased from TT\$523.4 million in 1992 to TT\$1580.1 million in 1996. The hub of the country's petrochemical industry is located at the Point Lisas Industrial Estate, which is governed by the Point Lisas Industrial Port Development Corporation (PLIPDECO).

71. Trinidad and Tobago is the world's second largest producer of ammonia and the third largest producer of urea. There are eight ammonia plants and one urea plant, with total capacities of 3.54 million tonnes per year for ammonia and 0.58 million tonnes per year for urea. Fertilizer production, combining production of ammonia and urea together, amounted to 2.7 million tonnes in 1997, with exports reaching 2.3 million tonnes (Table IV.13). An ongoing construction project of a new ammonia plant with a production capacity of 620,000 tonnes per year will further enhance capacity for fertilizer production.

**Table IV.13**  
**Petroleum-related production and exports, 1993-97**

	1993	1994	1995	1996	1997
<b>Production</b>					
Fertilizers ('000 tonnes)	2,292	2,453	2,631	2,674	2,691
Methanol ('000 tonnes)	493	1,020	963	1,355	1,520
Natural gas liquids <sup>a</sup> ('000 barrels)	3,257	3,485	3,750	4,460	4,111
<b>Exports</b>					
Fertilizers ('000 tonnes)	1,946	2,185	2,268	2,336	2,292
Methanol ('000 tonnes)	456	1,009	963	1,317	1,580
Natural gas liquids ('000 barrels)	2,315	2,718	3,715	4,310	4,145

a Natural gas liquids include propane, butane and natural gasoline.

Source: Central Bank of Trinidad and Tobago.

72. There are four methanol plants, with a production capacity of 2.9 million tonnes per annum (up from 0.45 million tonnes in 1991). In 1997, methanol production amounted to 1.52 million tonnes and exports to 1.58 million tonnes. A fifth methanol plant with a capacity of 0.86 million tonnes per annum is presently under construction.

73. State involvement in the petrochemicals sub-sector has declined since the beginning of the decade, when the Government held 100% of the Trinidad and Tobago Urea Company (TTUC) and the Trinidad and Tobago Methanol Company (TTMC) and 51% of Fertilizers of Trinidad and Tobago, Ltd. (Fertrin). As part of a divestment exercise, TTUC and Fertrin were sold to foreign investors in 1993, and TTMC to a consortium comprising local and foreign investors in 1997.

## (c) Natural gas liquids

74. A natural gas liquid recovery plant, Phoenix Park Gas Processors Limited (PPGPL), jointly owned by NGC (49%) and two other partners (Comoco, 41% and Pan West Constructors 10%), extracts propane, butane and natural gas gasoline from local natural gas production.<sup>26</sup> The production of natural gas liquids commenced in 1991 and has been growing since. In 1997, some 4.1 million tonnes of gas extracts were produced and all exported (Table IV.13). A new PPGPL facility, which is

<sup>26</sup>Propane and butane are used as inputs in the manufacture of petrochemicals, plastics and textiles while natural gas is used as a gasoline blending product and chemical feedstock.

to be completed by the end of 1998, will increase gas processing capacity from the existing 750 mmcf/d to 1,350 mmcf/d.

**(iv) Non-petroleum manufacturing**

**(a) Cement**

75. Production of cement increased from 527,200 tonnes to 652,500 tonnes in 1993-97 period. Exports of cement, mainly to CARICOM member states, reached 282,200 tonnes in 1997 (Table IV.14).

**Table IV.14**  
**Production and exports of selected manufacturing, 1993-97**  
(‘000 tonnes)

	1993	1994	1995	1996	1997
<b>Production</b>					
Steel Products					
Direct reduced iron	714.5	946.7	1,039.9	954.5	1,133.8
Billets	492.1	630.3	676.1	643.6	747.0
Wire rods	413.0	521.1	594.4	575.4	668.0
Cement	527.2	582.9	558.5	617.1	652.5
<b>Exports</b>					
Steel					
Direct reduced iron	223.9	292.3	270.5	272.9	344.9
Billets	15.7	12.6	21.0	8.2	12.7
Wire rods	357.8	495.2	564.3	551.9	603.7
Cement	297.5	334.0	296.0	323.2	298.3

Source: Central Bank of Trinidad and Tobago.

76. Trinidad Cement Limited (TCL) is the sole producer of cement in Trinidad and Tobago. The Government acquired the company in 1976, and retained 100% ownership until 1989 when it was partly divested. The Government kept the price of cement affordable to the population, often at a price below the cost of production, and thus TCL experienced large financial losses. After three phases of divestment between 1989 and 1994, the Government at present holds 9.1% of the shares in the company, which is also expected to be sold in 1998. In 1994, TCL purchased the assets of Arawak Cement Company which was jointly established by the Governments of Barbados and Trinidad and Tobago (51% and 49%, respectively) in 1981.

**(b) Iron and steel**

77. Production as well as exports of steel products have increased in the 1992-97 period (Table IV.14).

78. The Iron and Steel Company of Trinidad and Tobago (ISCOTT) was established by the Government in 1981 to undertake the production and marketing of steel products, including direct reduced iron, billets and wire. In 1989, after years of financial losses, ISCOTT was leased to a foreign operator at a rental of US\$10.84 million a year for a period of ten years. In 1994, the lease operator, Caribbean Ispat Limited, purchased the assets of ISCOTT and agreed to sell 40% of its share capital to nationals of Trinidad and Tobago within three years. The company, now called Caribbean Ispat, is the tenth largest steel producer in the world.

79. Trinidad and Tobago has become the only exporter of iron carbide in the world. Its first iron carbide production plant with 1,000 tonnes per day was built in the Point Lisas Industrial Estate in 1993. The plant produces iron carbide by processing iron ore from Brazil with locally available natural gas. The first shipment was delivered to the United States in 1995. Three additional plants are expected to be built.

## **(5) SERVICES**

### **(i) Overview**

80. The services sector accounted for 61% of GDP and 75% of total employment in 1996.

81. Under the General Agreement on Trade in Services (GATS), Trinidad and Tobago's Schedule provides for horizontal commitments on two modes of supply: commercial presence and the presence of natural persons. With respect to "commercial presence", the acquisition of over 30% of the equity of publicly-traded companies is subject to approval, as is foreign purchase of over five acres of land for commercial and residential purposes. In the case of the "presence of natural persons", the employment of a foreigner, including a CARICOM national, in excess of thirty days is subject to the obtention of a work permit, which is granted on a case-by-case basis.<sup>27</sup>

82. In the Uruguay Round, Trinidad and Tobago made sector-specific commitments with respect to business services (professional services, computer and related services, research and development services, other business services); communication services (telecommunications services); educational services; financial services (insurance); health-related services; tourism and travel related services; recreational, cultural and sporting services; and transport services (maritime transport services).<sup>28</sup>

### **(ii) Financial services**

83. Financial services, including real estate and business services, accounted for 11.5% of GDP and 8.2% of total employment in 1997. The financial system comprises various financial institutions, including commercial banks, non-banking financial institutions, the stock exchange and insurance companies (Table IV.15). Total assets in the system amounted to TT\$47 billion in 1996. A number of liberalization measures taken in 1993, including the removal of the Trinidad and Tobago dollar from its peg to the US dollar and of exchange restrictions on current and capital transactions, have set the stage for the local financial services sector to interact with global financial markets. At the same time, a new piece of legislation, the Financial Institutions Act, was introduced to modernize and strengthen prudential regulations.

84. Under the WTO negotiations on Financial Services, Trinidad and Tobago made commitments in reinsurance, but not in other sub-sectors.

#### **(a) Banking**

85. At the end of 1997 there were five commercial banks with 120 branches operating in Trinidad and Tobago. Since the beginning of the 1990s, market consolidation has taken place in banking as the number of banks decreased from eight in 1992 to five in 1997. Out of the five commercial banks, four are either wholly or majority locally owned and one wholly foreign owned. Collectively, the five commercial banks held assets of TT\$23 billion in 1996, accounting for about half the financial sector's total assets. The three largest institutions held almost two thirds of the banking system's

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<sup>27</sup>GATS/SC/86, 15 April 1994.

<sup>28</sup>GATS/SC/86, 15 April 1994, GATS/SC/86/Suppl.1, 11 April 1997.

assets.<sup>29</sup> Total deposits grew from TT\$8.6 million in 1992 to TT\$12.4 million in 1996, mainly due to the rise in foreign currency deposits as a result of the removal of foreign exchange controls in 1993. The share of foreign currency deposits in total deposits increased from zero in early 1993 to 24% in 1996.

**Table IV.15**  
**The financial system in Trinidad and Tobago, 1996**

<b>Institutions</b>	<b>Number of institutions (Branches)</b>	<b>Total assets<sup>a</sup> (TT\$ million)</b>
Central Bank	1	8,418
Commercial Banks	6 (121)	22,960
Financial Companies & Merchant Banks	10 (13)	2,204
Trust & Mortgage Financial Companies	6 (10)	4,452
Thrift Institutions <sup>b</sup>	3	80
Development Banks <sup>c</sup>	2	993
Unit Trust Corporation	1	1,352
Credit Unions	1	2,000
National Insurance Board	1	3,588
Insurance Companies	34	[...]
Development Insurance Corporation	1	229
Home Mortgage Bank	1	777
Trinidad and Tobago Stock Exchange	1	11
<b>Total</b>	<b>68</b>	<b>47,064</b>

a Provisional.

b Include the Post Office Savings Bank and three Building Societies.

c Include the Agricultural Development Bank and the Trinidad and Tobago Mortgage Finance Company.

Source: Central Bank of Trinidad and Tobago.

86. The legislative framework governing the banking sector is the Financial Institutions Act of 1993. The Act repealed and replaced the Banking Act of 1964 and the Financial Institutions (Non-Banking) Act of 1979 that had separately governed commercial banks and deposit-taking non-bank financial institutions.<sup>30</sup> The two types of financial institutions were brought for the first time under a single legislative umbrella which granted them greater freedom to offer a wider range of financial services. While commercial banks may engage in all types of financial activities, non-bank financial institutions can carry out only the businesses specified in their licenses (Table IV.16). The Central Bank is responsible for the examination of applications for licences for both commercial banks and non-bank financial institutions.<sup>31</sup> If a non-bank financial institution wishes to vary or increase its activities, it must first obtain the approval of the Central Bank which may require the

<sup>29</sup>Forde and Joseph *et al.* (1997).

<sup>30</sup>According to the definition used by the Central Bank of Trinidad and Tobago, non-bank financial institutions include finance companies and merchant banks, and trust and mortgage financial companies. The major distinctions between commercial banks and non-bank financial institutions under the previous Acts were that non-bank financial institutions were not allowed to take demand deposits or to provide loans with repayment periods of less than one year, and that their licences specified the types of financial services they could offer.

<sup>31</sup>Under the previous legislation, these tasks were handled by the Ministry of Finance.

licensee to increase its paid-up capital above the stipulated minimum. Under the Financial Institutions Act, all financial institutions are required to have a minimum paid-up capital of TT\$15 million to carry out financial business specified in the Act.

**Table IV.16**  
**Types of licences and activities covered by the Financial Institutions Act**

Type of license	Activities
<b>Business of banking</b> (Commercial banks)	Receiving deposits of money from the public which may be withdrawn on demand, by cheque, draft, order or notice; and the making of loans, or the granting of credit facilities, and generally the undertaking of any business pertaining to the business of commercial banking.
<b>Business of a financial nature</b> (Non-bank financial institutions)	
1. Confirming house or acceptance house	Confirming, accepting or financing import and export bills.
2. Finance house or finance company	Hire purchase and instalment credit; trade and inventory financing; factoring; block financing.
3. Leasing corporation	Lease financing.
4. Merchant bank	Floating and undertaking stocks, shares and bonds; loans syndication; dealing in gold; providing consultancy and investment management services and corporate advisory services; project development; lease financing; foreign exchange dealing; inter-bank financing.
5. Mortgage institutions	Mortgage lending.
6. Trust company	Managing trust funds; performing duties of trustees, executor or administrator and attorney.
7. Union trust	Providing facilities for the participation by persons as beneficiaries under a trust or other schemes, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatever.
8. Credit card business	Issuing payment, credit or charge credit cards and, in cooperation with others including other financial institutions, operating a payment, credit or charge card plan.
9. Financial services	Providing financial services relating to future and contingent liabilities in relation to foreign exchange and commodities.

Source: Financial Institutions Act, 1993.

87. The Financial Institutions Act of 1993, together with the Financial Institutions (Prudential Criteria) Regulations of 1994, was legislated to enhance prudential standards in an increasingly liberal economic environment. The 8% capital adequacy ratio was established as the minimum, with a recommendation of 12% or more. The ceiling on unsecured loans to a single borrower was lowered from 10 to 5% of total bank capital, while such ceiling on secured loans was lifted from 10 to 25% for a single person or to 32% for a single borrowing group, including related parties. The Act required that banks hold reserves in a fixed ratio to their deposits liabilities. For local currency deposits, the reserve-requirement ratio is 24%, held in a non-interest-bearing account at the Central Bank; another 5% of deposits must be held in government bonds. For foreign currency deposits, there is a liquidity requirement ratio of 25%.<sup>32</sup> The Act also established minimum accounting standards as well as criteria for analysing loan performance, asset classification, interest on non-performing loans, treatment of foreign exchange losses, dividend payments, loan provisioning and disclosure requirements. The enforcement of these prudential standards is monitored by the Central Bank whose supervisory power was strengthened by the Financial Institutions Act and the Central Bank (Amendment) Act of 1994. The Central Bank may impose conditions or restrictions and use the form of 'cease and desist' orders to curb conduct that is in violation of prudential standards. Overall assessment of the financial sector reform has been positive. The International Monetary Fund (IMF)

<sup>32</sup>Liquid reserves comprise selected foreign government securities of up to six-month maturity, bank deposits and cash.

reported that commercial bank performance was overall healthy, with a very high average ratio of capital to assets, low non-performing loans and adequate provisioning (Table IV.7).<sup>33</sup>

**Table IV.17**  
**Commercial bank performance indicators, 1993-96**  
(Per cent at end of period)

	1993	1994	1995	1996
<b>Profitability ratio</b>				
Ratios to average total assets				
Total operating income	12.4	10.9	10.2	10.9
Interest Income	9.4	8.4	8.0	8.4
Non-interest income	3.1	2.4	2.2	2.4
Net interest margin	4.2	3.8	3.6	3.3
Net profits after tax	1.2	1.0	1.1	1.3
Ratios to equity capital				
Net profits before tax				
Net profits after tax	15.5	13.4	15.3	17.1
<b>Assets quality ratio</b>				
Ratios to average total loans				
Non-performing loans	13.2	10.0	9.7	9.5
Accumulated loan loss provision	6.7	5.2	5.4	4.8
<b>Liquidity ratio</b>				
Ratios to average total deposits				
Total loans	81.3	69.7	61.5	61.6
Total liquid assets	23.5	27.7	27.6	26.7
<b>Capital adequacy ratio</b>				
Ratios to average total assets <sup>a</sup>	14.0	14.7	15.7	..

.. Not available.

a Ratio of qualifying capital to total risk-adjusted assets.

Source: Central Bank of Trinidad and Tobago.

88. On the other hand, the IMF has also argued that the local commercial banks were operating with a high degree of monopolistic power.<sup>34</sup> Large bank profits, which more than doubled from TT\$123 million in 1992 to TT\$ 279 million in 1996, the report said, were achieved by large interest rate spreads of seven to eight percentage points that could not be explained solely by high reserve requirements (Chart IV.5).<sup>35</sup> While none of the commercial banks was large enough to exercise monopoly power, their relatively small number and lack of new entrants over many years suggested a capacity for monopolistic pricing. Local bankers argued that the report did not take into consideration the banks' high administrative and other costs, as well as critical high-risk lending. These considerations would, they argued, reduce effective spreads to between 4% and 5%.<sup>36</sup>

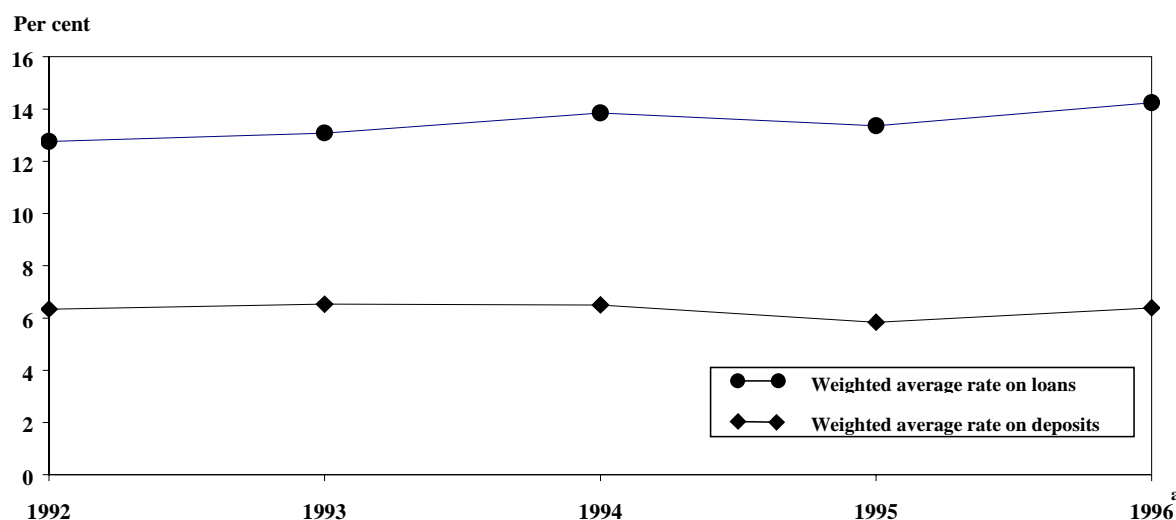
<sup>33</sup>IMF (1997).

<sup>34</sup>IMF (1997).

<sup>35</sup>The IMF report identified two major factors that may contribute to a wide spread of interest rates. One is a high statutory reserve requirement. In recent years, the statutory reserve requirement in Trinidad and Tobago has been between 21 and 24%. The other factor is a high level of non-performing loans. In Trinidad and Tobago, however, the share of non-performing loans in total loans has declined from 14.2% in 1992 to 9.5% in 1996.

<sup>36</sup>EIU (1997).

**Chart IV.5**  
**Commercial bank interest rates in Trinidad and Tobago, 1992-96**



<sup>a</sup> Estimates

Source: Data provided by the authorities of Trinidad and Tobago.

89. Despite the predominance of commercial banks, non-bank financial institutions have also played a role in the financial sector. At the end of 1997, there were ten financial companies and merchant banks and six trust and mortgage finance companies. Their total assets amounted to TT\$7.9 million in 1997, up from TT\$3.4 million in 1992. In 1997, non-bank financial institutions granted 26% of loans and managed 20% of the deposits in the banking sector. In comparison with commercial banks, non-bank financial institutions offer lower lending rates and higher deposit rates, and thus smaller interest rate spreads. This is partly because non-bank financial institutions face lower reserve ratio requirements than commercial banks; an 8% reserve requirement currently operates for non-bank financial institutions in contrast to the 23% for commercial banks. The difference also reflects greater public confidence in the solvency of commercial banks, a larger range of services provided, and easier access to services (more bank branches).<sup>37</sup>

(b) Securities trading

90. The Stock Exchange of Trinidad and Tobago was established under the provision of the Securities Industry Act of 1981 and began operating under the auspices of the Ministry of Finance. At the end of 1997, there were 25 companies listed on the Exchange, with a total market capitalization of TT\$19.64 billion, up from TT\$2.85 billion at the end of 1993. Trading has increased from 34.2 million shares valued at TT\$94.6 million in 1993 to 100.7 million shares valued at TT\$846.1 million in 1997. Equities in the banking industry tend to be the most active in terms of volume and value, followed by the conglomerates and then the manufacturing sector.

91. The Securities Industry Act of 1995, which repealed and replaced the obsolete Securities Industry Act of 1981, governs securities trading in Trinidad and Tobago. In addition to stipulating the conditions for the issue and listing of securities on the stock exchange, the Act established a Securities and Exchange Commission which assumed the authority "to maintain surveillance over the securities

<sup>37</sup>IMF (1997).

market and ensure orderly, fair and equitable dealings in securities."<sup>38</sup> All market actors, i.e. issuers, underwriters, investment advisers, stockbrokers and dealers, must register with the Commission which is responsible for controlling and supervising their activities. The Commission is equipped with investigative and dispute settlement powers to enforce rules and regulations.

92. Cross-border trading among three regional stock exchanges - Jamaica, Barbados and Trinidad and Tobago - started in 1991. Despite initial enthusiasm, trading remains insignificant. In 1996, Trinidad and Tobago investors bought 25,000 shares valued at J\$587,500 on the Jamaican stock market, while Barbados investors purchased 3,062 shares valued at TT\$18,372 on the Trinidad and Tobago Stock Exchange.

(c) Insurance

93. At the beginning of 1998, the insurance industry was comprised of 43 firms, 36 of which were locally owned and seven of which were foreign-owned; 25 of these companies handled non-life insurance. The local insurance industry is heavily concentrated: in 1996, the six largest life insurance firms accounted for 93.1% of total assets in the life insurance sub-sector, and the ten largest firms accounted for 86.1% of total assets in the non-life sub-sector.<sup>39</sup> Gross premium income in the insurance sector increased from TT\$1,155 million in 1992 to TT\$1,571.4 million in 1996. Long-term insurance amounted to TT\$841.4 million; motor-vehicle insurance to TT\$216 million; property insurance to TT\$307 million, and other insurance to TT\$207 million.

94. In recent years, cross-ownership in banking and insurance has been rising.<sup>40</sup> Neither the Insurance Act nor the Financial Institutions Act prohibit cross-ownership, but approval from the Central Bank is required. A bank may not acquire any part of the share of an insurance company in excess of 100% of its capital base, and shareholding must not exceed 25% of the bank's paid-up share capital and statutory reserve.

95. There are no limitations on national treatment and market access for foreign companies wishing to carry out insurance business in Trinidad and Tobago, though a foreign company must incorporate locally and establish itself as a subsidiary. In the Uruguay Round negotiations, Trinidad and Tobago only bound commitments in the reinsurance sector. The country's only reinsurance company, Reinsurance Company of Trinidad and Tobago, partly owned by the Government until 1995 when it became foreign-controlled, has ceased to offer reinsurance and now offers only long-term and general insurance services. The reinsurance market is now totally foreign-controlled. There are no restrictions on the purchase of insurance abroad by local residents. Nor does the Government impose any obligation on traders to buy freight insurance locally.

96. The main regulatory framework governing the insurance sector is the Insurance Act of 1980. The registration of insurance companies and intermediaries is the responsibility of the Supervisor of Insurance at the Ministry of Finance. The principal criteria for approval include minimum capital requirements - TT\$3 million for life insurance and TT\$1 million for non-life insurance - and

<sup>38</sup>Trinidad and Tobago Stock Exchange, <http://stockex.co.tt>.

<sup>39</sup>Price Waterhouse (1997).

<sup>40</sup> The country's largest insurance company, Colonial Insurance Company (CLICO), owns 34% of the shares of the largest bank, Republic Bank. Royal Bank, the second largest, owns 29% of Guardian Holdings, which is the owner of Guardian Life, CLICO's main competitor in the local insurance market, and 10% of Republic Bank. In turn, Guardian Holdings owns 20% of Royal Bank. These developments have led to the Government's fear of over-concentration of ownership in financial services. (EIU, 1997).

assessment of insurance policies and financial health in terms of solvency.<sup>41</sup> All insurance companies, including foreign-owned ones, must hold at least 80% of their investment assets locally. All insurers are required to arrange adequate reinsurance. In addition, life and motor insurers must maintain statutory funds to support policy holders' liabilities, and all general insurance business must maintain statutory deposits. The Supervisor of Insurance reviews annual returns which are submitted by insurance companies to assess compliance with these statutory requirements. The Minister of Finance has the power under the Insurance Act to prescribe minimum rates of premium in respect of motor vehicle insurance business.

97. According to the authorities, changes leading to stricter rules on the operations of insurance companies are envisaged for 1998. Proposed changes include increasing the level of minimum paid-up capital to TT\$10 million for life insurance and non-life insurance companies, and to TT\$20 million for composite insurance companies.

### (iii) Telecommunications

98. The telecommunications subsector has grown in line with economic development in the last several years: between 1990 and 1995, value added grew from US\$122 million to US\$163 million, investment from US\$19 million to US\$37 million, equipment imports from US\$0.9 million to US\$1.4 million, and equipment exports from US\$4.9 million to US\$28.7 million.<sup>42</sup> At the end of 1997, there were 208,927 telephone lines in service, of which 92% were digital.<sup>43</sup> Telecommunications value added accounted for 3.1% of GDP in 1997 (Table IV.18).

**Table IV.18**  
**Telecommunications value added, 1993-97**  
(TT\$ '000)

	1993	1994	1995	1996	1997
Telecommunications Value Added	758.1	815.6	925.3	1,035.9	1,111.2
Share in GDP (per cent)	3.1	2.8	2.9	3.0	3.1

Source: Government of Trinidad and Tobago.

99. The telecommunications system is operated by the Telecommunication Services of Trinidad and Tobago Limited (TSTT), at present 51% owned by the Government.<sup>44</sup> In 1989, TSTT was granted an exclusive license by the Government for 20 years to provide both local and international telecommunication services. TSTT's monopoly is *de facto*, not *de jure*, i.e. it is not granted by any domestic legislation.

100. The legislation governing the telecommunications sector is the Telecommunications Act of 1991, amending the preceding Trinidad and Tobago Telephone Act. The 1991 Act was approved by Parliament, however, it is not in effect since it has yet to be assented to by the President.<sup>45</sup> The law is currently under revision including changes necessary to meet GATS obligations. The Telecommunications Act proposes the establishment of the Trinidad and Tobago Telecommunications Authority which is to be responsible for the formulation of telecommunications policies, development

<sup>41</sup> Solvency requirements only apply to general insurance companies. The margin of solvency is the greater of 20% of the general premium income of the company. With TT\$250,000 respect to life insurance companies, an actuarial certificate is provided annually by the actuary of the company.

<sup>42</sup> ITU (1997).

<sup>43</sup> <http://www.ttst.net.tt>.

<sup>44</sup> Cable & Wireless of the West Indies holds the remaining 49%.

<sup>45</sup> The main reason for the delay in assent by the President is said to be the change in the Government leadership in December 1991 (McCormick, 1994).

and implementation of national telecommunications standards and regulations, the setting of tariffs for both internal and external communication services, and for issuing of licenses and the granting of concessions. Since the Act has not received the President's assent, the Authority is not yet in place. At present, the regulatory authority is the Telecommunications Division in the Office of the Prime Minister. Rates for the provision of domestic communications services are established through the regulating authority, the Public Utilities Commission, under the Ministry of Public Utilities, while international rates are set by the Telephone Act, Section 16. Regulations governing the setting of rates for domestic services are based on the Wireless Telegraphy Ordinance of 1959. Relative costs of telecommunications for international services include accounting rates, overhead coverage, sales, adjustments for fluctuations in the exchange rate, etc.

101. While basic telecommunications services are in the hands of TSTT, there are no restrictions on the provisions of value-added services using the network of the exclusive service provider. Such services include on-line information and data base retrieval, electronic data interchange, enhanced facsimile services, code and protocol conversion, and on-line data processing. Currently, paging services are being provided by a number of operators other than TSTT, who must apply for license from TSTT. The criteria used for granting licences, *inter alia*, are technical compatibility with existing systems and availability of frequencies. Currently there are 12 companies providing these services. Cellular mobile telephone service was introduced by TSTT in 1991 and TSTT is still the single operator, serving 13,000 customers as of July 1998. Private networks are allowed on self-provided or leased facilities for a company's own use and are not normally permitted to connect to the public network (i.e. no interconnection or resale). There are no restrictions on the sale, rental, connection, maintenance and repairs of customer-premised equipment but previous approval is required.

102. The Government of Trinidad and Tobago participated in the GATS negotiations on Basic Telecommunications. Trinidad and Tobago bound full competition in value-added services, using TSTT's network, full competition on satellite-based mobile services and fixed satellite services for public use. Those who wish to provide the public terrestrial-based mobile services, internet and internet access and teleconferencing for private use through cross-border and commercial-presence modes must negotiate with TSTT. Trinidad and Tobago bound full competition in telecommunications equipment sales, rental, maintenance, connection, repair and consulting services, as noted above. Finally, as additional commitment under GATS Article XVIII, Trinidad and Tobago agreed to abide by all the regulatory principles described in the Reference Paper.<sup>46</sup>

103. In 1997, a Telecommunications Policy Committee was established with representatives from both the public and private sectors to prepare a national policy for telecommunications. The policy is intended to provide a framework to create a competitive environment in the industry. A Working Group, appointed in June 1997 by the Cabinet, submitted recommendations for the establishment of a National Policy on Telecommunications. Some of these include: amendments to the Telecommunications Authority Act 1991 prior to proclamation; the creation of a new regulatory body, the Telecommunications Authority; the establishment of an appropriate telecommunications regulatory framework; the development of a policy on divestment and competition; identification of the requirements for optimum network expansion; and the provision of universal service.

#### (iv) Maritime transport

104. The ports of Port of Spain in Trinidad, and Scarborough in Tobago, are owned and administered by the state-owned Port Authority of Trinidad and Tobago. The Port Authority was set

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<sup>46</sup>The Reference Paper outlines a set of pro-competitive regulatory principles such as competition safeguards, interconnection guarantees, transparent licensing processes, and the independence of regulators.

up in 1961 to manage ports as well as to provide cargo-handling services, towage and dredging services, and inter-island ferry services. Port of Spain, the country's largest, Port of Spain, handles all major dry cargoes, containers and general cargo, break bulk cargo, liquid bulk cargo and passenger traffic, and in recent years it has increasingly become a major regional hub for transshipment. The country's second largest port, Point Lisas, is managed by PLIPDECO, which also manages the Point Lisas Industrial Estate and Free Trade Zone.<sup>47</sup> Point Lisas specializes in industrial cargo including steel, ammonia, methanol, urea, iron carbide and iron ore.<sup>48</sup> The third largest port, Scarborough, is used mainly for inter-island passenger and cargo transport, and international cruise ships. Approval from the Port Authority is required to discharge and load general cargo at any port in the country, other than Point Lisas.

105. The Shipping Act of 1987 governs the registration and licensing of ships. The Maritime Services Division was set up within the Ministry of Works and Transport to administrate and enforce all the provisions of the law. The Act limits registration to ships owned by nationals of Trinidad and Tobago and other CARICOM member States, by foreigners engaged in bareboat charters and in joint venture shipping arrangements with Trinidad and Tobago nationals. Local shipowners are not required to fly the national flag; nor is there much incentive to do so: in 1997, only 42 vessels registered in Trinidad and Tobago. One reason why locally owned oil and gas carriers do not register locally is the Government's failure to ratify the Marpol Convention, the international marine pollution treaty. However, according to the authorities, legislation to give effect to MARPOL and other major pollution prevention, liability and compensation treaties have been prepared and should be promulgated by the end of 1998. The Government is currently reviewing the Act with a view to improving shipping legislation and regulatory mechanisms<sup>49</sup>, and providing new incentives to legislation.

106. There are no restrictions on the entry of ships into the waters of Trinidad and Tobago. Vessels are, however, expected to comply with applicable standards of safety and pollution prevention. However, inter-island routes between Trinidad and Tobago are protected by a cabotage policy and are operated by the Port Authority. Vessels wishing to engage in coastal trade between the islands of Trinidad and Tobago are required to obtain a license; this requirement is applied to both local and foreign operators.

107. The geographical location of Trinidad and Tobago - 15km off the coast of Venezuela - has made its ports attractive as container transshipment centres between North America/Europe and South America. In Port of Spain, transshipment container traffic increased by 261% between 1992 and 1997. In 1997, 49% of the 209,530 TEU (twenty-foot equivalent unit) container cargo entering the port was in transit. Transshipment container handling charges of US\$74 a box are the lowest in the region with a 21-day free storage period.<sup>50</sup>

108. After decades of losses, the Port Authority's operations have been profitable since 1994, recording TT\$40 million in operating profits in 1997. Plans are under way to commercialize operations, which will involve setting up separate companies for cargo-handling and marine services. The Port Authority would initially hold 100% of the shares, which would subsequently be sold to local and foreign investors.

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<sup>47</sup>The Point Lisas Port Development Company manages the Container Examination Stations (CES) on behalf of the Customs and Excise Department.

<sup>48</sup>In recent years, Point Lisas has also handled containers and general cargo.

<sup>49</sup>Ministry of Finance (1997).

<sup>50</sup>Lloyd's List, 28 August 1996.

109. Trinidad and Tobago's commitments on maritime transport services under the GATS include: no limitations on any of the four modes of supply regarding dry docking/ship repairs, boat building and ship management/freight and transportation; no limitations on navigation aid and communications/meteorological services (for maritime purposes); no limitations on commercial presence and presence of natural persons for ship surveys, subject to registration and certification requirements.

**(v) Civil aviation**

110. There are two international airports, the Piarco Airport in Trinidad and the Crown Point Airport in Tobago, which are owned and managed by the Government-controlled Airport Authority of Trinidad and Tobago. A US\$80 million project to upgrade the Piarco Airport is under way, including the construction of a new terminal and facilities, and improvements of air cargo handling, storage, aircraft maintenance and airline catering. The airport's capacity is expected to increase up to 1,500 passengers per hour as a result of the upgrading project.<sup>51</sup>

111. The Trinidad and Tobago Airways Corporation (BWIA International), the national carrier, was partly divested in February 1995, after incurring losses of TT\$1.9 billion over the period 1980-94.<sup>52</sup> With a view to improving BWIA's financial performance, 51% of the shares were sold to private investors, while the Government retained 33.5% and allocated 15.5% to the airline's employees.<sup>53</sup> BWIA is a member of the International Air Transport Association (IATA).

112. The regulatory framework governing the civil aviation sector is embodied in the Civil Aviation Order of 1995. With the issuance of the Act, Trinidad and Tobago meets the requirements of the International Civil Aviation Organization. The registration of aircraft is handled by the Civil Aviation Division within the Ministry of Works and Transport, which issues aircraft operating certificates. The principal criteria for the registration is safety. Those aircraft which are registered abroad and hold operating certificates simply need clearance from the Division. In September 1997, there were 45 locally-registered aircraft and two foreign-registered aircraft based and operating in Trinidad and Tobago. The country has bilateral air services agreements with 17 countries and 17 airlines are registered to operate in Trinidad and Tobago.<sup>54</sup> Only four operators carry passengers on international routes (excluding regional routes). Inter-island traffic is protected by a cabotage policy and operated by a domestic privately owned airline, Air Caribbean, and by BWIA.

113. Air cargo handling services are in the hands of private sector companies, both foreign and domestic. Airline facilities and repair services are open to foreigners but there is no actual foreign presence; these services are provided by BWIA and Air Caribbean.

114. A CARICOM Multilateral Air Services Agreement has been finalized and signed by most of the member states, except the Bahamas, Jamaica and Montserrat.<sup>55</sup> The Agreement allows those CARICOM designated air carriers to offer all types of air services within the Community. Domestic traffic, however, would be reserved for national carriers. The Agreement also establishes guidelines

<sup>51</sup>Recently it was reported that the project was temporally halted (EIU, 1997).

<sup>52</sup>Ministry of Finance (1995).

<sup>53</sup>BWIA was bought by the Government from the British Overseas Airways Corporation (BOAC) in 1961. In 1980, BWIA was transformed into Trinidad and Tobago Airways Corporation, by Parliament Act.

<sup>54</sup>Trinidad and Tobago has bilateral aviation agreements with: Aruba, Antigua and Barbuda, Barbados, Belgium, Canada, Cuba, Denmark, France, Jamaica, the Netherlands, Poland, St. Lucia, St. Kitt and Nevis, Sweden, Switzerland, the United Kingdom, the United States.

<sup>55</sup>The Governments of the Bahamas and Jamaica have indicated their wish not to be parties to the Agreement at this time.

on competition, fares and security. Furthermore, CARICOM and the United States at the 1997 CARICOM-United States Summit agreed to set up a regional aviation system including the establishment of safety standards and other regulations. CARICOM is pursuing the establishment of a Regional Aviation Safety Oversight mechanism. The objective is to provide for the utilization by all participating members of Flight Operations and Airworthiness Inspectors employed by individual states, so as to make available their services in a manner consistent with the Standards of Safety set by the International Civil Aviation Organization.

**(vi) Tourism**

115. Although the tourism sector in Trinidad and Tobago makes a relatively small contribution to the economy in comparison with other Caribbean islands, the Government recognizes that it has considerable potential to generate employment as well as foreign exchange. The sector accounted for 1.0% of GDP and 1.5% of total employment in 1997. Tourist arrivals increased from 219,836 in 1991 to 324,293 in 1997, during the same period, the number of rooms increased from 2,141 to 3,652.

116. With a view to encouraging the development of the hotel industry, the Hotel Development Act was enacted in 1963 and subsequently amended to provide incentives to hotel owners and operators. These incentives include: a tax holiday for a period of five to ten years; an accelerated depreciation for equipment owned by the hotelier; a capital allowance in respect of approved capital expenditure; carry-over of losses incurred by owners and/or operators during the tax holiday period; and tax exemption on dividends accruing to the owner/operator. Customs and excise duty exemptions are also granted on building materials and articles of hotel equipment used in connection with the construction and equipping of a hotel project. To be eligible for the incentives, any hotel project with a minimum ten guestrooms, must be approved by the Ministry of Tourism, which grants approval on a discretionary basis depending on the size of the project. The Ministry is responsible for overall tourism policy formulation, monitoring and regulation. TIDCO is responsible for the overall coordination and marketing of Trinidad and Tobago as an international tourist destination, as well as the promotion of investment opportunities and private sector participation.

117. With a view to promoting the tourism industry as a whole, including the hotel industry, a Tourism Development Bill, repealing the Hotel Development Act, is to be implemented in the latter half of 1998, extending investment incentives to a wide range of activities in the tourism industry. The activities include land and marine transportation, historical site development, production of feature films and international artistic and sports events, marina, diving, water sports and charterboat cruise developments as well as the operation of restaurants, night-clubs and other entertainment facilities that cater mainly to tourists.

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