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Establishing Coherent and Effective Policies for Trade: Trinidad and Tobago

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1. Introduction

This paper examines a series of policy inconsistencies in Trinidad and Tobago between the country's trade and trade-related policies and its trade-related development priorities. The central question posed is: are the country's trade and trade-related policies in line with trade-related development priorities or do they conflict with them? Given the multi-faceted nature of development and the numerous priorities a country must address, policy conflicts are inevitable. Indeed, achieving policy coherence at the "whole of government" level or complete coherence in any field is impossible. In small countries, however, where trade occupies a prominent role there is a premium on ensuring that all trade and trade-related policies are at least pulling together in the same direction. That is, they are directed towards the fulfillment of trade-related development priorities. Two broad types of policy coherence are considered in the paper: horizontal and vertical. Horizontal coherence refers to the consistency of policies at the national level whereas vertical coherence refers to coherent frameworks among international, regional, national and local levels. The paper also investigates operational incoherence that arises within or between organisations because of overlapping functions or poor communications.

The case study of Trinidad and Tobago is an interesting and timely one. The country is heavily dependent on the exports of oil and natural gas, a sector that is currently booming but which is vulnerable to price swings. In order to ensure that "when the oil runs out" the country will have a diversified range of non-oil exports to replace oil income, the government embarked upon a large-scale planning exercise popularly known as "Vision 2020." It is interesting to analyze the extent to which existing plans and policies can lead to the exploitation of wider, non-oil trading opportunities.

The paper examines trade objectives in existing planning documents, both at the national and industry levels; and analyses the impacts of trade and trade-related policies in three key sectors: food and beverages, printing and packaging and telecommunications. It also examines vertical and horizontal inconsistencies on 'aid for trade' within the context of the recently-signed CARIFORUM-EC EPA. Finally, recommendations are made on the elimination of policy inconsistencies and directions provided on a country trade strategy that is line with Trinidad and Tobago's national priorities.

2. TRINIDAD AND TOBAGO: ECONOMIC AND TRADE BACKGROUND

2.1 Economic Situation

Currently, Trinidad and Tobago is in the midst of a massive economic boom due to its abundant reserves of oil and natural gas and soaring world prices for these products. The country has a small population of 1.3 million and occupies just over 5,000 sq. km. but it has the second highest per capita GDP (US\$19,700) in Latin America and the Caribbean. Between 2000 and 2006, real GDP growth rose from 7.3% to 12% and unemployment fell from 10.4% to 6.2%. To a very large extent, this growth reflected continued expansion of the energy sector. In 2006, the petroleum industry (including petrochemicals) accounted for 45.1% of GDP, 61.7% of current revenues and 91% of exports (Table A1, Annex II). This seemingly favourable picture of the economy, however, masks underlying problems that are associated with the Dutch Disease. The latter reflects a situation whereby an exogenous increase in resource prices or resource output results in an expansion of the non-tradable (services) sector as a result of real exchange rate appreciation and increased demand for goods. More resources flow out of manufacturing and into the services sector and as a result, manufacturing becomes less competitive.¹

Today, Trinidad and Tobago is experiencing its third resource-driven boom (the previous two were in 1973 and 1979). Although to date no comprehensive analysis has been undertaken of the Dutch Disease effects associated with the current boom, the large inflows of windfall revenue have undoubtedly had an impact on the economy. Dutch disease effects have implications for the country's export competitiveness and future trade expansion possibilities. They are discussed below in relation to two main indicators of the Dutch Disease: appreciation of the real exchange rate and sectoral shifts in the economy.

2.1.1 Changes in the Real Exchange Rate (RER)

Figure 1 shows movements in the RER. The RER appreciated over the period 2000-2006 with the exception of 2003 and 2004 when it depreciated by 1.35% and 2.03% respectively (Table A3, Annex II). These depreciations occurred largely on account of movements in relative exchange rates. Following the weakening of the US dollar against the major currencies (the euro, pound sterling and yen), the nominal exchange rate index fell by 0.86% in 2003 and by a further 1.78% in 2004. These declines, in turn, translated into an indirect depreciation of the Trinidad and Tobago dollar against those currencies. Further, the effective inflation rate, which is represented by changes in domestic inflation rates relative to the country's major trading partners, was 0.5% lower in 2003 and 0.3% in 2004.

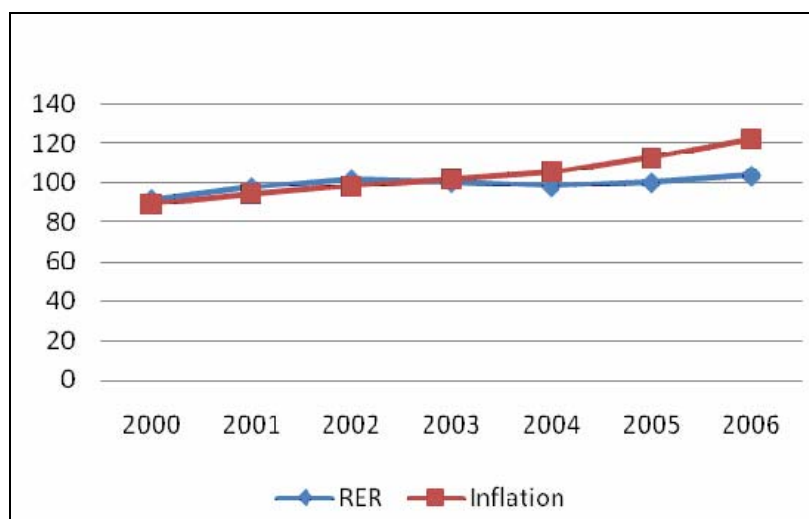
¹The Dutch Disease phenomenon was first analysed by Corden and Neary (1982) in relation to the discovery of natural gas in Norway. More recently, however, it has been applied to cases involving foreign exchange inflows of aid and loans. Corden and Neary (1984) distinguish between a *resource movement effect* and a *spending effect*. Assuming that the supply of oil is not perfectly inelastic, a rise in the oil price increases the demand for labor and capital in the oil sector, which leads to higher wages there and to a higher return on capital. If factors are mobile, this will induce labor and capital to move from the manufacturing and service sectors to the oil sector. Oil sector output and employment will thus increase, while output and employment in manufacturing and services will decline.

In 2005-2006 the RER appreciated by 2.0% and 3.7%. These increases were associated with rising domestic prices. Table A2, Annex II shows that the consumer price index rose by 6.9% in 2005 and 8.3% in 2006. This was compared to respective increases of 3.8% and 3.7% in the previous two years. The main driver behind inflation was the rising demand associated with the oil boom. But higher domestic prices in 2005- 2006 were triggered by rapid increases in global food prices. As shown in Table A3, Annex II, Annex the domestic price increases overshadowed favorable but modest movements in RERs.

A rising RER implies a declining competitiveness of domestic exports. It is difficult, however, to ascertain the extent to which Trinidad and Tobago's competitiveness has declined over the period given the fact that the country's unit labour costs vis à vis its trading partners have been falling over time. The Central Bank of Trinidad and Tobago has calculated a fall in the real unit labour cost index from 59.9 in 2000 to 33.6 in 2006.² This implies that there have been gains in competitiveness. According to a recent IMF report the decline in unit costs within manufacturing was more pronounced in the non-petrochemical sectors, and this might have mitigated the adverse effects related to the appreciation of the RER. (IMF, 2008)

One point to note with respect to the prospects for trade diversification, and particularly in the context of the EPAs, is the fact that whereas the US dollar has been depreciating in recent years, other major currencies such as the British Pound have remained high. In 2006, the overall RER index was 103.8 but the bilateral RER for the UK was 109.0 (Central Bank of Trinidad and Tobago). The Trinidad and Tobago dollar has also been appreciating in real terms against the currencies of major CARICOM partners. Figure 1 in Annex II shows increases in bilateral RERs for the UK and Jamaica.³

Figure 1: Real Exchange Rate and Inflation, 2000-2006



² The unit labour cost index is defined as the ratio of labour compensation to labour productivity (output per man hour). Labour compensation is calculated using an index of real average weekly earnings; and productivity is measured by using an index of domestic production divided by an index of hours worked.

³ Currently, Trinidad and Tobago exports 8.3% of its goods to the EU and 16.6% to CARICOM (Table 2.5).

2.1.2 Sectoral Shifts

Table 1 shows that agriculture's share in GDP fell between 2000 and 2006 (from 1.4% to 0.5%) but that the proportion of manufacturing was constant at approximately 7.1%, and the share of services fell from 60.7% to 49.9%.

Table 1: Sectoral Shares of GDP, 2000-2006 (Constant Prices)

Industry	2000	2003	2006	Growth 2000-2006
Petroleum Industry	31.3	38.3	42.5	6%
Non-Petroleum Industry	69.1	61.8	57.5	-4%
Agriculture	1.4	1.1	0.5	-19%
Manufacturing (1)	7.1	7.0	7.1	0%
Food, Beverages and Tobacco	3.3	2.9	3.2	-1%
Breweries	0.007	0.006	0.012	12%
Tobacco	0.005	0.005	0.004	-3%
Fruit & Vegetable Processing	0.001	0.002	0.004	44%
Textile, Garments and Footwear	0.2	0.1	0.2	-7%
Printing, Publishing, etc.	0.8	0.8	0.9	4%
Publishing	0.002	0.002	0.002	5%
Printing and Other Paper Products	0.005	0.005	0.006	2%
Wood and Related Products	0.2	0.2	0.2	-7%
Chemicals and Non-Metallic Minerals	1.3	1.3	1.3	0%
Assembly Type and Related Industries	0.8	1.3	1.1	6%
Miscellaneous Manufacturing	0.4	0.3	0.2	-11%
Services	60.7	53.7	49.9	-4%
Electricity and Water	1.7	1.6	1.4	-5%
Construction and Quarrying	7.5	7.5	7.5	0%
Distribution and Restaurants (2)	16.4	12.8	13.0	-4%
Hotels and Guest Houses	0.4	0.4	0.2	-12%
Transport, Storage and Communication	8.6	8.3	6.9	-4%
Finance, Insurance, Real Estate, etc	14.2	13.3	12.9	-2%
Finance	5.4	6.3	7.1	6%
Government	7.6	5.9	4.7	-9%
Education and Cultural Services	2.7	2.3	2.0	-6%
Personal Services	1.6	1.6	1.4	-3%
FISIM (3)	(4.3)	(3.3)	(3.5)	-4%
Add: VALUE ADDED TAX (VAT)	3.9	3.3	3.5	-3%
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	0%

Source: Central Statistical Office, Trinidad and Tobago

(1) Excludes oil refining and petrochemical industries.

(2) Excludes distribution of petroleum products.

(3) Financial intermediation services indirectly measured.

The oil boom exacerbated the decline in the agriculture sector, which had been suffering for some time due to a range of factors including a poor image, weak infrastructure, the need for land reform, and inadequate marketing. Not only was there a contraction in output by 19% but employment also fell. The numbers employed in agriculture dropped from 36,400 in 2000 to 25,700 in 2006 and its share in total employment declined from 7.2% to 4.4%. (Table A4, Annex II). There was also a decline in the share of employment in manufacturing, from 10.9% to 9.5%. Although manufacturing as a whole held its share in GDP, there were variations within the sector. Food and beverages, and the miscellaneous manufactures grouping (includes plastic articles, leather items, craft products and jewellery) showed declining shares. But other sub-sectors increased (e.g. fruit and vegetable processing), held their shares (e.g. wood and wood-related products and chemicals and non-metallic minerals) or increased them (printing and packaging and assembly type and related industries).

There are at least three reasons why the manufacturing sector managed to retain its share over time. Firstly, the construction boom in the economy fuelled domestic demand for products such as concrete, cement and bricks. Secondly, and as noted above, there were competitive gains in manufacturing. Thirdly, and perhaps most importantly, guaranteed CARICOM markets allowed demand for exports to grow.

Overall, the services sector share declined over the period from 60.7% to 49.9% but the finance subsector increased from 5.4% to 7.1% and construction retained its share of 7.5%. The buoyancy of the services sector, however, is seen through the employment gains made over the period. Table A4, Annex II, shows that the service sector's share in total employment increased from 78.4% to 82.4%.

2.1.3 Fiscal Issues

The large increases in oil revenues allowed the Government to maintain an overall positive financial position during 2000-2006. At the end of 2006, the country recorded a large overall surplus, equivalent to 6.5% of GDP; its debt service ratio was 2.8%; and gross official reserves stood at US\$5.1 billion, equivalent to 7.8 months of imports of goods and non-factor services (Table A1, Annex II). However, there are two areas of concern that have implications for future trade expansion: (a) the economy's overdependence on energy revenues and; (b) the rapid increase in government expenditures, the largest category of which is "transfers and subsidies."

In 2000 energy revenues contributed 32% to total government revenues but this proportion rose to 56% in 2006 (Table 2). Almost one-half of energy revenues come from corporation tax and the rest from royalties, unemployment levy, withholding tax, excise duty, companies' fees and the oil impost. In contrast to energy revenue, the proportion of non-energy sector revenue fell from 69% to 44%.

On the expenses side, current expenditure rose from US\$1.7B to US\$4.2B. Transfers and subsidies accounted for the largest proportion of government spending and it almost quadrupled over the period. Rapid spending helped to generate non-oil deficits, which rose from 7.5% of GDP in 2000 to 14.4% in 2006. In the context of rising non-oil deficits, there are concerns about the long-term sustainability of current spending levels.

Oil and gas are exhaustible assets and recent projections indicate that reserves are estimated to last only another 15-20 years. This plus the vulnerability of the country to swings in oil and gas prices prompted the government in March 2007 to formalize a Heritage and Stabilisation Fund (HSF), which is modeled after the Norwegian Oil Fund. This replaced an earlier Interim Revenue Stabilization Fund. The HSF has two objectives: (a) to insulate the economy from swings in international oil and gas prices; and (b) to accumulate savings from the country's oil and gas assets for future generations. Deposits are made into the fund within a financial year when oil and gas taxation revenues are in excess of the budgeted amount by 10 per cent or more. Similarly, withdrawals are permitted if such revenues are 10 per cent or more below the budgeted projection for the year. At September 2007, the balance in the HSF was US\$2.0B (Williams, 2007b) or 10% of GDP.

The idea of saving for the future is a sound one. But the formula for savings and withdrawals in the HSF is quite different from that in the Norwegian Oil Fund. Saving for the future only when oil and gas revenues are in excess of the budgeted amount does not guarantee a countercyclical fiscal policy or the smooth spreading of oil wealth across generations.

Table 2: Government Finances, 2000 and 2006¹

	2000		2006	
	US\$M	%	US\$M	%
Total Revenue	1,903.52		6,128.8	
<i>Of which</i>				
<i>Energy Sector</i>	598.90	32	3,405.3	56
<i>Non-Energy Sector</i>	1,304.62	69	2,722.0	44
Total Expenditure	1,921.91		4,946.2	
Current Expenditure	1,732.32		4,224.6	
<i>Of which</i>				
<i>Transfers and Subsidies</i>	633.79	37	2,360.0	56
<i>Wages and Salaries</i>	500.59	29	869.2	21
Capital Expenditure and Net Lending	189.59		721.6	
Overall Surplus/Deficit as a % of GDP		-0.2		6.5
Non-Energy Deficit as a % of GDP	(614.32)	7.5	-2630.9	14.4

Source: Central Bank of Trinidad and Tobago (2004), (2006)

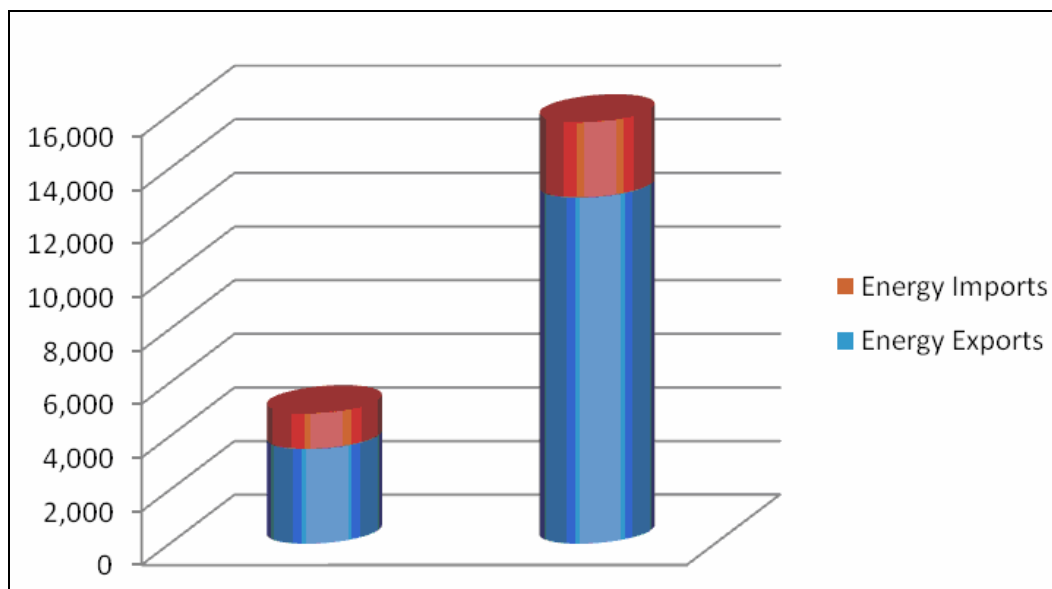
¹ Represents the period October 1st – September 30th

2.2 Trade Performance

2.2.1 Growth and Composition of Merchandise Trade

Recent trends show that whereas Trinidad and Tobago's trade has grown rapidly in recent years this was largely because of the dominance of energy (Figure 2) Over the 2000-2006 period total exports increased from US\$4.2B to US\$14.0B and total imports from US\$3.3B to US\$6.5B. This represented average annual increases of 27% and 14% respectively (Table A4, Annex II). However, non-oil trade grew more slowly than energy exports and imports. Whereas energy exports increased on average annually by 30% and energy imports by 16%, corresponding figures for non-oil trade were much lower at 10% and 13% respectively.

Figure 2: Energy and Non-Energy Trade, 2000 and 2006 (US\$'000M)



Source: Central Statistical Office, Trinidad and Tobago

In terms of the commodity composition of trade, Table A5, Annex II, Annex shows that imports are distributed across a number of categories: mineral fuels, lubricants and related materials (35%), machinery and transport equipment (26.7%), manufactured goods (12.3%), food and live animals (6.8%), miscellaneous manufacturing (5.5%), and crude materials (4.6%). On the export side, however, there is a high product concentration in both the energy and non-energy export categories. Table 3 shows that mineral fuels, lubricants and related materials account for 83.8% of energy exports. Chemicals (mainly methanol, ammonia, and urea) comprise the remaining 16.2%. In terms of non-energy exports, iron and steel products account for almost one-half of the total, followed by beverages and tobacco (12.6%) and food and live animals (16.3%).

2.2.2 Direction of Trade

As Figure 3 shows, Trinidad and Tobago's main trading partner is the USA. On the imports side, the USA accounts for 27.2% of the total followed by Central and South America (24.4%) and the EU (10.9%) (See Table A6, Annex II). Imports from the USA consist of a wide range of food and manufactured products whereas imports from Central and South America are mainly in the minerals category - iron ore from Brazil and oil from Venezuela. EU imports consist largely of manufactured products.

On the exports side, there is a higher level of market concentration compared to imports. The USA accounts for 59.5% of Trinidad and Tobago's exports, CARICOM for 16.6%, the EU for 8.3% and Central and South America for 5.9%. CARICOM is a broad regional integration arrangement, which was formed in 1973 to facilitate trade among participating member countries.⁴ Although the proportion of exports to CARICOM is not large, that market is important for Trinidad and Tobago's non-energy exports. Table A7, Annex II shows that whereas non-energy exports account for only 7.9% of exports to the world, they account for 16.5% of exports to CARICOM. Further, of the top 15 products exported to CARICOM, eight consist of manufactured products and four are in the food and beverages category.

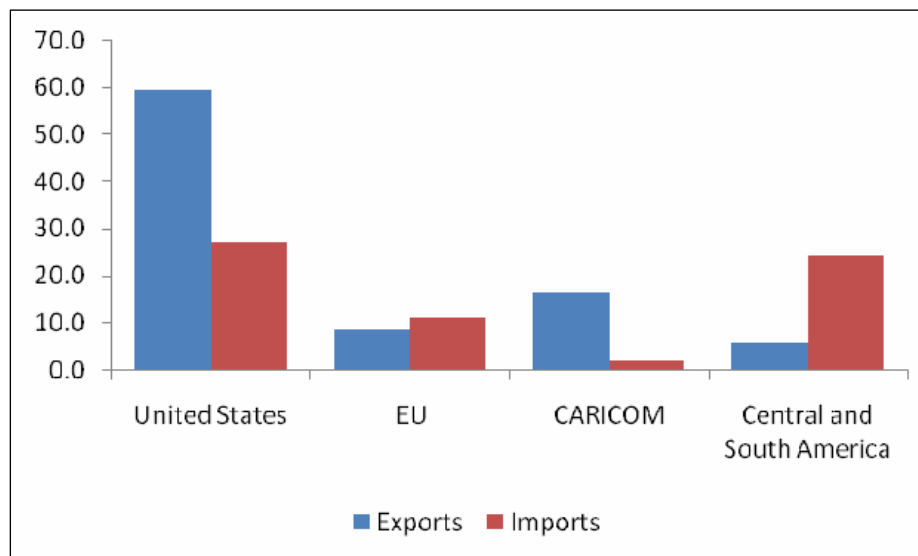
Table 3: Composition of Exports, 2006

Energy Exports	Value	% of Energy Exports
Mineral Fuels, Lubricants & Related Materials	10,831.9	83.8%
Chemicals	2,087.80	16.2%
<i>Methanol</i>	910.9	7.1%
<i>Ammonia</i>	895.1	6.9%
<i>Urea</i>	152.4	1.2%
Non-Energy Exports	Value	% of Non-Energy Exports
Food and Live Animals	177	16.3%
<i>Cereal Preparations</i>	44.4	4.1%
<i>Vegetable and Fruit</i>	38.1	3.5%
<i>Sugar and Honey</i>	6.3	0.6%
Beverages and Tobacco	136.5	12.6%
Crude Materials (Inedible)	38.6	3.6%
Animal & Vegetable Oils, Fats & Waxes	2.4	0.2%
Manufactured Goods Classified Chiefly by Materials	628.8	57.9%
<i>Iron and Steel</i>	526.9	48.5%
<i>Paper and Paper Products</i>	57.1	5.3%
<i>Cement</i>	22.2	2.0%
<i>Wood and Wood Products</i>	6.3	0.6%
Machinery & Transport Equipment	37.8	3.5%
Miscellaneous Manufacturing	65	6.0%
Commodities & Transactions	0.1	0.0%

Source: Central Statistical Office, Trinidad and Tobago

⁴ Member countries include Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, and Trinidad and Tobago.

Figure 3: Direction of Trade, 2006



Source: Central Statistical Office, Trinidad and Tobago

2.2.3 Trade Regime

Trinidad and Tobago is considered to have a fairly liberal trading regime (WTO, 2005a). In the early eighties, it undertook a comprehensive program of structural reform that included liberalization and deregulation of its trade. In spite of this, however, high levels of protection persist in certain areas. Table 4 shows that although the average applied MFN tariff (excluding specific duties) is 9.1%, tariff protection for agriculture and fisheries is very high, averaging 20.6%. This tariff structure is based on the CARICOM Common External Tariff (CET), which was introduced to protect the region from external competition. Trinidad and Tobago adopted the CET in principle in 1976 but did not implement it until 1991. CET rates for industrial products are 0-20% while rates for agricultural goods are 0-40%. All imports from CARICOM enter Trinidad and Tobago duty free once they meet rules of origin criteria.

Table 4: Trinidad and Tobago's MFN Tariff , 2004

		Average	Range
Description	No. of lines	(%)	(%)
Total	6,437	9.1	0 – 60
<i>By ISIC sector</i>			
Agriculture and fisheries	429	20.6	0 – 40
Mining	114	3.2	0 – 30
Manufacturing	5,893	8.4	0 – 60

Source: WTO (2005)

The most recent WTO Trade Policy Review (WTO, 2005a) noted two other market access issues. A number of products are subject to automatic or non-automatic import licensing requirements, mainly for sanitary, health or safety reasons; and the country has made more active use of anti-dumping measures in recent years. In terms of other measures affecting trade, these include:

- Support to businesses to enter new markets;
- Investment incentives, including duty concessions, tax exemptions and holidays, loss write-offs, and training support; and
- The updating of laws on intellectual property rights.

Trinidad and Tobago has been involved in major bilateral, regional and world negotiations since 2000 and has signed numerous trade agreements with other countries. Table A8, Annex II, shows that as a member of CARICOM, the country has signed bilateral agreements with Venezuela, Colombia, the Dominican Republic, Costa Rica and Cuba. It is also currently negotiating a trade agreement with the Government of Canada. The most recent agreements concluded that involve trade, however, are the Caribbean Single Market and Economy (CSME) and the Economic Partnership Arrangements (EPAs) with the European Union. These two agreements which constitute respectively, South-South and South-North integration groupings, have major implications for Trinidad and Tobago. Key features of these arrangements are outlined below.

2.2.4 The CSME

On 30 January, 2006 Trinidad and Tobago signed the Declaration to bring into being the Caribbean Single Market (CSM). The CSM, which was eventually established in July 2006, constitutes Phase I of a larger initiative to establish a Single Market and Economy in CARICOM.⁵ Phase II of the CSME is expected run from 2009-2015 and involve completion of the Single Economy. The aim of the CSME is to integrate all member states⁶ into a single economic entity where people, capital, goods and services could move freely. The initiative is expected to bring numerous benefits to the region: full use of labour and full exploitation of other factors of production; competitive production leading to greater variety and quantity of products and services to an estimated 6 million persons; and overall, improve standards of living and sustained economic development.

In order to implement the CSM all countries have had to undertake numerous legislative and regulatory changes, set up institutional support mechanisms and adopt measures aimed at liberalizing trade. Box A1, Annex II shows key achievements of the CSME as at May 2007. The process of establishing the CSME however, has been very slow mainly because countries do not have the capacity to implement it. Initially, countries did not have the skills and finances to even assess their requirements for the CSME. Fortunately, 'aid for trade' by the donor community helped to fill this gap. The UNDP funded studies in all member states to identify intra-CARICOM restrictions (US\$1.5M); and CIDA helped to institute the wide-ranging legislative and other amendments that were needed (CDN\$800,000). [The CSME Unit, Barbados]. Skill gaps are particularly acute in areas such as legislative drafting, competition policy, trade remedies and

⁵ Phase II of the CSME is expected run from 2009-2015 and involve completion of the Single Economy.

⁶ The Bahamas and Haiti are not participating in the CSME nor are CARICOM's associate members: Anguilla, Bermuda, British Virgin Islands, Turks and Caicos Islands and the Cayman Islands.

intellectual property rights. In fact, some of the trade support institutions such as the newly-formed Regional Competition Authority are experiencing great difficulties in recruiting staff for their operations.

Trinidad and Tobago is the most developed member state in CARICOM and has the most advanced manufacturing sector. As a result, it has benefited substantially from regional integration, accounting for approximately 80-90% of intra-CARICOM goods exports. In addition, several firms have used regional markets as a stepping stone to launch off into international markets. Although no comprehensive studies exist on the extent to which regional competitiveness has contributed to international competitiveness, there are a few 'success stories' involving local businessmen breaking into international markets after gaining experience on the regional market. The most famous case is that involving "Chubby", the first Caribbean brand of soft drinks that is listed by major US retailers such as Wal-Mart and Kmart, and is currently available in 60 countries on four continents (Fairbanks et al, 2004).⁷ In general, some firms in Trinidad and Tobago have managed to develop limited exports to neighbouring Latin American countries but the majority focus on the guaranteed, CARICOM markets.

A major contention within the CSME is that Trinidad and Tobago, which accounts for approximately 90% of intra-CARICOM goods exports, stands to gain the most from deepening integration. In 2006, it exported US\$2.4M in goods to CARICOM but imported only US\$97,433 (Central Statistical Office, Trinidad and Tobago, 2006). Another source of friction within the CSME is that the free movement of labour would cause skilled labour to migrate to the larger and more developed countries such as Trinidad and Tobago and lead to a 'brain drain' in the less developed ones.

In response to growing resentment against it, the government of Trinidad and Tobago launched a Caribbean Trade Support Programme (CTSP) for the period 2004-2007, the main component of which was a US\$16M Technical Assistance Fund to be disbursed in the form of interest-free loans to CARICOM firms (excluding those from Trinidad and Tobago). It also established a Petroleum Stabilisation Fund of US\$50M as a grant facility to assist countries experiencing economic hardships from oil price increases. Unfortunately, neither of these initiatives has helped to reduce the level of resentment against Trinidad and Tobago.

⁷ Fairbanks et al (2004) note that the manufacturer had conducted two years of exhaustive research and discovered an untapped market segment: soft drinks targeted to 4–10-year-olds. He also identified three product characteristics that drove success: 1) kids wanted the right size and fit for their small hands; 2) they were attracted to bright, transparent colors; and 3) they were fascinated by a world of fantasy, hence the need to develop a character around the new soft drink. The result was Chubby, a brightly-colored soft drink in a patented bottle exported worldwide.

CARICOM countries have sought to allay the fears of potential losers by agreeing to set up a CARICOM Development Fund (CDF) and a Regional Development Agency (RDA) to help countries adjust to the CSME. The CDF will be capitalised at US\$250 million, with US\$120 million to be contributed by member states and the remainder by the region's private sector and regional development partners. Trinidad and Tobago has already made a US\$20 million one-time contribution to the Fund. However, there has been a delay in setting up the CDF due to varying opinions about its location. The key question regarding the CDF, however, is whether its resource base will be large enough to fulfill its purpose.

2.2.5 The CARIFORUM-EC EPA

On December 16, 2007 Trinidad and Tobago, along with other CARICOM members and the Dominican Republic (which form the CARIFORUM grouping), signed an Economic Partnership Arrangement (EPA) with the EU (EU, 2007b). This reciprocal arrangement replaces the previous non-reciprocal one that granted CARICOM exports preferential access to the EU market under the Cotonou Agreement signed between the African, Pacific and Caribbean (ACP) group and the EU in 2000. The Cotonou Agreement represents the most recent framework for ACP-EU co-operation and is due to expire in the year 2020. The EPAs, which will be WTO-compatible, are considered to be more comprehensive than previous ACP-EU trade agreements. They target not only trade expansion but poverty alleviation and sustainable development; and gives strong support to regional integration and development cooperation.

The EPA, which came into effect on January 1, 2008, is expected to bring many benefits to the CARIFORUM region: access to EU markets which have an estimated 455 million consumers, increased investment, and a reduction in the cost of imports sourced from the EU. The latter is expected to benefit both producers and consumers and generally improve domestic and regional firms' competitiveness in international markets. The agreement covers numerous areas: market access, services and investment, trade related issues, legal and institutional issues and development co-operation. Market access provisions include the following:

- Removal by the EU of all remaining tariffs and quotas, with the exception of rice and sugar (until 2010 and 2015 respectively);
- Gradual liberalization (overall 25 year time frame) of 86.9 per cent of EU imports into CARIFORUM and an exclusions list that includes most agricultural products and other locally produced goods;
- Market access commitments from the EU in 93% of the international services sectoral classification and from Trinidad and Tobago in 75%;
- Exclusion of sensitive industrial sectors; and
- An 'infant industry clause' that allows the reinstatement of tariffs in the future if Trinidad and Tobago wishes to protect a growing industry.

The 'development cooperation' aspect of the EPA is an important part of the EPA since it recognizes that in order for firms to seize new trading opportunities, they will need assistance to prepare structural reforms and trade policies, adjust to the changes they bring and enhance infrastructure and competitiveness. Assistance is expected to take both financial and non-financial forms. Financial assistance, however, is expected to consist of the following:

- (i) €165 Million, which will come from the 10th EDF Caribbean Regional Indicative Programme (CRIP); and
- (ii) An “equitable share” of EU Member States’ Aid for Trade contributions earmarked for all ACP States.

The package of assistance also envisages the provision of funds to the CARICOM Development Fund (CDF).

The EPA will bring both challenges and opportunities for Trinidad and Tobago. In terms of opportunities, firms will have access to a much wider market – 450 million persons in the EU as opposed to 6 million in CARICOM. Numerous investment opportunities will also open up, which will allow firms to scale up their activities both in terms of quantity and quality. Further, with a reduction in imported inputs, firms’ will be able to increase their competitive edge in external markets. On the challenges side, though, businesses will have to ensure that they can compete in the EU markets where standards are much higher, particularly in areas such as food products. The EU has signed trade agreements with other countries, which means that competition in the EU market would imply having to compete with other countries. Finally, Trinidad and Tobago firms would face increased competition in regional and domestic markets from EU firms that now have duty-free access in a wide range of areas.

Since 2005, Trinidad and Tobago has been aware of emerging challenges on the international markets and to this end, devised a National Strategic Plan and a series of industry plans to guide its policies and programmes for the future. The country’s trade-related development priorities contained in these plans are discussed in the next section.

3. KEY TRADE-RELATED DEVELOPMENT PRIORITIES

3.1 The Draft National Strategic Plan

Trinidad and Tobago’s trade-related priorities are expressed in a range of documents, the most comprehensive of which is the *Draft National Strategic Plan, 2005-2020* (known as “Vision 2020”) and the accompanying *Operational Plan, 2007-2010*. There is also a series of plans covering specific sectors or sub-sectors such as agriculture, food and beverages, and printing and packaging which spell out more specific priorities. The selection of trade-related priorities for this study relied on many of these plans although the *Operational Plan, 2007-2010* informed much of the work carried out.

Vision 2020 was the culmination of work undertaken in 2003 by 28 sub-committees, which were charged with developing a national strategy to help the country become a developed nation by the year 2020. The committees covered the following areas: Macroeconomy and Finance; Energy; Agriculture; Industry and Entrepreneurship; Financial Services; Tourism; National Security and Public Safety; Infrastructure; Pre-primary, Primary and Secondary Education; Tertiary Education; Skills Development and Training; Health; Housing; Culture and Attitudes; Environment; Poverty Alleviation and Social Services; Governance and Institutional Structures for Development; Science, Technology and Innovation; HIV/AIDS; Population; Regional Development and Sustainable Communities; International Relations, Regional Co-operation and Trade; Labour and Social Security; Youth, Sport and Recreation; Gender and Development; Administration of Justice; Law Administration and Legal Affairs; and Public Utilities.

The Vision Statement formulated for Trinidad and Tobago is as follows:

By the year 2020, Trinidad and Tobago will be a united, resilient, productive, innovative and prosperous nation with a disciplined, caring, fun-loving society, comprising healthy, happy and well-educated people and built on the enduring attributes of self-reliance, respect, equity and integrity.

Vision 2020 mapped out some broad development priorities for Trinidad and Tobago under five “development pillars” as follows:

1. Developing Innovative People
2. Nurturing a Caring Society
3. Governing Effectively
4. Enabling Competitive Business
5. Investing in Sound Infrastructure and Environment

Trade-related priorities are expressed under Pillars No.4 and No. 5. The aim of Pillar No. 4 is to provide an enabling environment for businesses to compete effectively in external markets and with imported goods and services. In general, an “enabling environment” includes supportive physical infrastructure. But this, together with other enabling infrastructure such as telecommunications, is included under Pillar No. 5. Infrastructure is addressed separately in Vision 2020 in order to (a) emphasize the need for expansion and upgrading of the country’s existing infrastructure in light of its rapid economic growth; and (b) highlight the possibilities for utilizing infrastructure as a traded item.

3.1.1 Enabling Competitive Business

Three goals are set out in respect of providing an enabling environment for business. They are: macroeconomic stability will be maintained; a business climate that attracts investors and encourages competitive businesses to start and grow will be created; and competitive businesses will transform Trinidad and Tobago into a diversified economy with exciting growth opportunities. A series of strategies are mapped out for each goal.

The trade-related ones are listed below.

Maintaining macroeconomic stability

- (a) To maintain a stable and competitive exchange rate; and
- (b) To increase trade and generate export led growth.

Transformation into a diversified economy with exciting growth opportunities

- (a) To produce for the global market, high-end or high value added, differentiated products in the following areas:
 - (i) food and beverages;
 - (ii) fish and fish processing;
 - (iii) printing and packaging;
 - (iv) merchant marine;
 - (v) yachting
 - (vi) film; and
 - (vii) music and entertainment

- (b) To create world-class upstream industries and related services in the energy sector
 - (i) geological modelling
 - (ii) deep-sea drilling; and
 - (iii) construction of drilling platforms
- (c) To promote a high-value, differentiated tourism product; and
- (d) To develop agriculture and reduce the food import bill.

3.1.2 Investing in Sound Infrastructure and Environment

Of the four goals in this area, two are trade-related: support for modern physical infrastructure of a high quality; and a technologically-advanced society with modern ICT systems. The priorities in these areas are as follows:

- (a) To modernize and expand sea port facilities;
- (b) To build a first-class air transport sector with modern and secure airport facilities; and,
- (c) To facilitate open and effective competition in the telecommunications sector.

4. POLICY (IN) COHERENCES: OBJECTIVES

The areas in this study cover a range that include, firstly, the formulation of trade objectives in national and industry planning documents and their implications for the fulfilment of trade-related priorities. The industry plans mentioned below cover the seven industries identified in Vision 2020 to further the goal of diversifying the economy and promoting exports to global markets.

- (i) Draft National Strategic Plan, 2005
- (ii) Vision 2020: Operational Plan, 2007-2010
- (iii) WTO Trade Policy Review, 2005
- (iv) Strategic Plan for the Development of the Fish and Fish Processing Industry in Trinidad and Tobago,
- (v) A Strategic Plan for the Development of the Merchant Marine Industry, 2005
- (vi) Strategic Plan for the Film Industry of Trinidad and Tobago, 2005
- (vii) A Draft Strategic Plan (Update) for the Food and Beverages Industry
- (viii) Printing and Paper Industry of Trinidad and Tobago: Strategic Action Plan, 2006-2012
- (ix) Strategic Plan for the Entertainment Industry of Trinidad and Tobago, 2006
- (x) Strategic Plan for the Yachting Industry of Trinidad and Tobago, 2005.

4.1 Strategic Plans and Trade Objectives

In drawing up trade strategies it is important for countries to ensure that:

- (a) In their national development strategies, trade objectives and targets are specified at a fairly detailed level; and
- (b) In their trade policy documents, objectives are in line with development priorities.

If objectives are not clearly specified or compatible with each other serious problems will arise in implementation and it will be difficult to achieve desired outcomes.

An examination of Trinidad and Tobago's strategic planning documents and overall trade policy statement reveals three types of incoherence. Firstly, the plans do not *comprehensively* address the key challenge of export competitiveness, given Dutch Disease conditions. They are therefore not coherent with the trade-related priority of diversifying the economy and promoting non-oil exports. Secondly, there are inconsistencies between the focus of plans at the national level and in the overall trade policy statement. Thirdly, the objective of generating export earnings (from non-oil exports) will be difficult to monitor and achieve, given the absence of detailed specification of trade objectives and targeted outcomes in many of the planning documents.

Both the Draft National Strategic Plan, which covers the period up to 2020 and the Operational Plan, which relates to the 2007-2010 period have a central theme of *business competitiveness* where the focus is on the provision of an enabling environment for business. The specific issue of *export competitiveness*, however, is given little attention in either of the two documents. In the section on "Trade" in the Draft National Strategic Plan there is no mention of the government's overall trade policy focus although there are many statements on markets, the need to be competitive and industries to be supported. There is also no reference to the strengthening of trade support institutions in areas such as standards, competition policy and sanitary and phytosanitary measures; and the important role of the CSME in building regional trade support institutions is not mentioned. However, since the seven industry plans place a high priority on institutional strengthening, this clearly represents an area of incoherence. Further, while the section on "Sound Infrastructure" in the Draft National Strategic Plan correctly identifies the need for modernizing port operations to reduce the cost of port services, core trade facilitation issues are not addressed such as modern techniques to enhance customs clearance and proper co-ordination of inspection agencies at the Port.

For the most part, trade issues in both the Draft National Strategic Plan and the Operational Plan revolve around finding new markets. However, there is an incoherence between the broad objective in parts of the documents of producing "world class products" for "global markets" and an emphasis in the "Trade" Sections on regional markets in Latin America. The Draft National Strategic Plan states that:

The 'competitive businesses' priority is built on a vision of an economy diversified through investments in agriculture, energy, financial services, industry and entrepreneurship, tourism and finance – quality elements that underpin our nation's ability to generate revenues that will drive the transformation. Our relations with our neighbours are important because we recognise that our economic future is tied to the economic and social well-being of our neighbours and others in the region. (p. 44)

The Operational Plan states that "Government will also intensify efforts to make Spanish the first foreign language of Trinidad and Tobago. This will enhance the ability of exporters to exploit opportunities in the Latin American market." (p. 143)

The lack of comprehensiveness of trade issues in the Draft National Strategic Plan is perhaps related to the fact that the detailed work for an overall trade policy had not been carried out prior to the national planning exercise. This illustrates an operational incoherence in the planning process. The *Trade Policy for Trinidad and Tobago, 1997-2001* document is only now being updated.

In order to fill the gap in overall trade policy-formulation, the Government enunciated its key trade policy objective in 2005 as follows:

Trinidad & Tobago's main trade policy objective is the positioning of Trinidad & Tobago as the manufacturing base, trans-shipment and financial hub of the Western Hemisphere. This envisages the full exploitation of Trinidad & Tobago's location as the gateway to South America and its integration into the Latin American economy. (WTO, 2005b, p. 5)

The “hub” concept relates to the development of cost effective air and sea transport to key regional markets. This focus is different from national strategic planning documents that emphasize industrial development and the promotion of non-oil exports. An important point to note is that in order for Trinidad and Tobago to develop as a major hub in the Western Hemisphere, a considerable amount of human and financial resources would have to be devoted to meeting its requirements, particularly in the short- to medium-term. For example, modern infrastructure and facilities would have to be erected at sea ports such as container terminals, harbours and a high-frequency feeder network; new processes would have to be introduced such as electronic, streamlined Customs procedures; and an efficient 24-hour operations would have to be guaranteed (Point Lisas Industrial Port Development Corporation, 2007). The latter will require a ready supply of labour, a reduction in bureaucratic rules, and implementation of modern management systems. On the air transport front, the country will have to introduce an open skies policy, one that has not introduced to date given Trinidad and Tobago’s aim *inter alia* to protect its State-owned national airline.⁸

Without a full feasibility study that illustrates the export earning potential of a hub, it is difficult to assess the desirability of a trade policy that emphasizes such an initiative. Unless there is considerable private sector interest in the development of a hub, government will have to utilize substantial foreign exchange earnings to promote it. If government resources are to be used, a trade policy focus on a hub will not be consistent with the country’s trade-related priority of generating earnings from non-oil exports in the short- to medium-term.

A final point in regards to objectives and targeted outcomes is that unless these are defined well- defined and specific, actions in support of them are unlikely to lead to the fulfillment of trade-related priorities. There are two related issues. Firstly, if objectives are not clearly stated, it will be difficult to design appropriate interventions to achieve outcomes; and secondly, if targets are not specified, there will be problems of measuring outcomes. Table 5 provides relevant information for plans undertaken at both the national and industry levels. Looking at the types of outcomes specified in the seven industry plans (e.g. “new exports of high value goods and services” and “new export markets penetrated”), it will be difficult to monitor their effectiveness in promoting non-oil exports and generating foreign exchange to replace non-oil income.

⁸ See World Bank (2006) for a discussion on the need for open skies policies in the Caribbean.

Table 5: Policy, Goals and Objectives

Policy Document	Goals	Trade-Related Objectives	Targeted Trade-Related Outcomes
Vision 2020: Operational Plan, 2007-2010 <i>Enabling Competitive Business</i>	Macro-economic stability will be maintained	Increase trade and generate export led growth ¹	New export markets penetrated
	Competitive business will transform Trinidad and Tobago into a diversified economy with exciting growth opportunities	Reverse the decline in agriculture	The food import bill is reduced by 10 per cent
		Develop new business clusters in the non-energy sector	New exports of high value goods and services emerge
Vision 2020: Operational Plan, 2007-2010 <i>Investing in Sound Infrastructure and the Environment</i>	Our development efforts will be supported by modern physical infrastructure that embodies the highest standards of quality, aesthetics and functionality	Develop a modern, integrated transportation network that provides for safe, convenient and efficient movement of people and goods within, into and out of the country	Improved inter-island air and sea transport in operation New ports developed in Galeota, Cap-de-Ville, Brighton and Chatham
		Trinidad and Tobago will be an interconnected technologically advanced society with modern information and communication systems driving innovation, growth and social progress	The internet is used by at least 50% of businesses in the country
WTO Trade Policy Review <i>Report by the Government</i>	Diversification and growth of the economy	The positioning of Trinidad and Tobago as the manufacturing base, trans-shipment and financial hub of the Western hemisphere	

Food and Beverages Strategic Industry Plan	Diversification of the economy	To be a reliable supplier of a wide range of high quality value added products, at internationally competitive prices, that meets the highest international standards of food safety; is based on the application of state of the art knowledge, and is an expanding and sustainable market for local and regional primary and downstream industries.	
Fish and Fish Processing Industries Strategic Plan		To create a profitable, competitive and innovative sector	
Strategic Plan for the Printing, Paper and Packaging Industry		To be a globally competitive, world class printing and packaging industry; in an atmosphere of total co-operation within the industry and associations, with the full participation of government	
Strategic Plan for the Film Industry		To create an international motion production center located in Trinidad and Tobago	An increased number of films made in Trinidad and Tobago
Strategic Plan for the Entertainment industry		To build a sustainable, globally competitive entertainment industry	
Strategic Plan for Maritime Transport		To build a globally competitive maritime hub	Forecasted growth of 110% by 2010.
Strategic Plan for the Yachting Industry		To be the premier destination for yacht repair services in the Caribbean and to be a must-see destination on a yachting tourist's Southern Caribbean cruising schedule	To achieve a 20% growth in yacht arrivals

5. POLICY (IN) COHERENCES: IMPLEMENTATION AND IMPACT

The areas selected for detailed study in regard to the implementation of trade and trade-related policies are as follows:

- (i) Food and Beverages Industry;
- (ii) Printing and Packaging Industry;
- (iii) Telecommunications Services Sector; and
- (iv) 'Aid for Trade' and EPAs

Both the printing and packaging industry and select areas of the food and beverages category have experienced rapid growth in recent years and appear to have good export potential. The trade and trade-related policies examined include regional integration, the common external tariff, sanitary and phytosanitary measures, trade facilitation, telecoms liberalization and subsidies. Finally, 'aid for trade' is examined given its significance in assisting countries utilize aid more effectively to exploit new trading opportunities associated with agreements such as the EPAs.

5.1 The Food and Beverages Industry

The food and beverages industry has backward and forward linkages with many sectors such as agriculture, printing and packaging and tourism. It also requires the co-ordination of a range of institutions in areas such as food safety, labelling standards and agricultural research & development. Given the complexity of the industry and its environment, a range of trade policies are needed to facilitate the development of exports. This analysis examines the impacts of several trade and trade-related policies and their incoherence with key development priorities relating to the promotion of non-oil exports and the production of high end, high value added, differentiated products for the global market.

5.1.1 The Common External Tariff and Regional Integration

Analysis of the impact of the CET on exports of food and beverages demonstrates a case of *vertical incoherence* whereby an agreement made at the *regional* level for a high common external tariff to protect domestic industries and generate revenue is inconsistent with Trinidad and Tobago's *national* objective of promoting non-oil exports.

Trinidad and Tobago achieved full implementation of the CET in 1998 and, along with its CARICOM partners, revised it substantially in 2002. The revision, however, largely affected industrial goods, which were reduced from an average of 35% to 20%. Agricultural protection remained higher, at a maximum level of 40%. The high levels of tariffs in the agriculture sector have hurt exporters of food and beverages, given the industry's dependence on imported inputs from outside the CARICOM region. Table 6 shows that some of the highest applied tariffs are on meat products, fruit and vegetables, which feed into the meat processing and fruit and vegetable processing sub-sectors.

Table 6: Trinidad and Tobago's MFN Tariff, 2004

	No. of lines	Average	Range
Agriculture	1,052	17.1	0 - 60
Animals and products thereof	151	22.9	0 - 40
Dairy products	24	12.5	0 - 40
Coffee and tea, cocoa, sugar etc.	170	17.2	0 - 60
Cut flowers, Plants	56	7.5	0 - 40
Fruit and vegetables	259	23.8	0 - 40
Grains	29	14.5	0 - 40
Oil seeds, fats and oils and their Products	96	15.7	0 - 40
Beverages and spirits	108	21.1	0 - 40
Tobacco	10	21	0 - 30
Other agricultural products n.e.s.	149	2.5	0 - 40

Source: WTO (2005)

The bulk of food and beverage exports go to CARICOM markets, which offer duty-free access and where a high CET provides protection from foreign imports. Such protection, however, serves as an impediment to the development of global export competitiveness. An exercise undertaken in 2004 by the Inter-American Development Bank to examine the international competitiveness of Trinidad and Tobago's exports (at the SITC 3-digit level) revealed that 22 of the 36 categories in the "Food and Live Animals" grouping were "underachievers" in global markets (Jessen and Vignoles, 2004).⁹ The seven groups classified as "champions" are:

1. Meat and edible offals (salted)
2. Eggs and yolks (fresh, dried, or other)
3. Wheat (including spelt) and meslin
4. Maize (corn) (unmilled)
5. Vegetables, roots and tubers (prepared)
6. Feed Stuff (for animals)
7. Margarine and shortening

The main reason offered for protecting agriculture was that it would stimulate regional development. But according to a study carried out on the CET as far back as 2001, "high tariffs have proved inadequate to encourage regional sourcing in the order of magnitude previously thought possible..... in several instances, the policy of stimulating agricultural development through high tariffs has simply not worked." (CARICOM Secretariat/Institute of Inter-American Institute of America, 2001 p. 66). The impact of the CET illustrates another case of *vertical incoherence* since its implementation has not led to fulfillment of a key trade-related development priority at the regional level, which is to stimulate agricultural development.

⁹ An "underachiever" refers to a product group that has been unable to maintain its market share because its exports have either declined or grown less dynamically than world trade; a 'champion' group consists of products where global demand is expanding and where Trinidad and Tobago has increased its share in world exports.

The lack of international competitiveness of the food and beverage sector is partly related to the weak performance of agriculture in Trinidad and Tobago. As mentioned earlier, a serious problem facing agricultural development relates to labour shortages, which have been exacerbated by Dutch Disease conditions. This situation reveals another layer of *vertical incoherence*. A key element of the CSME is the free movement of labour across the region. However, to date governments have agreed to a phased approach to the movement of labour that includes mainly skilled workers. Some countries are fearful of the impacts of the movement of unskilled workers but a more general concern is to ensure that social security and related issues are settled before full movement of labour takes place. The case of vertical incoherence exists to the extent that an agreement at the *regional* level to delay the free movement of unskilled labour does not permit Trinidad and Tobago to source low-cost, labour from the region in furtherance of its objectives to increase self-sufficiency in agriculture and promote non-oil exports.

On the import side, and in the context of an oil boom and rising food prices globally, the high CET has contributed to rising inflation. The latter, in turn, has affected the competitiveness of individual sectors such as tourism and more generally, impacted the real exchange rate and export competitiveness. Rising demand associated with the oil boom has led to a rapid increase in food imports since 2000. The recent global crisis in food prices, however, has brought into focus the role of the CET. To the extent that the CET rates on food items are among the highest and they are *ad valorem* the cumulative impacts of higher freight charges and higher costs of food have been phenomenal. Table A10, Annex II shows the extent of price increases for selected food categories in the more recent years and compared to the earlier 1999-2002 period.

The above analysis of the impact of the CET has demonstrated layers of vertical and horizontal incoherence between a regional trade policy and a range of national trade-related priorities. The latter includes the promotion of non-oil exports, self-sufficiency in agriculture and the maintenance of a stable exchange rate.

5.1.2 Sanitary and Phytosanitary (SPS) Measures

In recent years, food safety has become an important element in exporting food products abroad, particularly to developed countries where health and safety regulations are stringent. In order to adhere to international standards, Trinidad and Tobago signed the SPS agreement at the end of the Uruguay Round. But like many developing countries, this agreement has not yet been fully implemented for a variety of reasons including the lack of financial and human resources. As a result, and as pointed out in the Strategic Plan for the Food and Beverages industry, the major weakness in the local industry is the lack of modern food and safety regulations. Related problems are weak enforcement and inadequate co-ordination among relevant institutions. These conditions are incoherent with the trade-related development priority of producing high end, high value added, differentiated products for the global market.

Box 1 below shows key pieces of legislation that are relevant to the food and beverages industry, and which have to be updated. The most comprehensive of these is the Food and Drugs Act, 1960 which covers practically all processed foods. This Act must be updated urgently, given the need for Trinidad and Tobago to adopt the Hazard Analysis Critical Control Points (HACCP) standard¹⁰ and to address the issue of an inspectorate. The HACCP makes provisions for the regulation of microbial pathogens in food, and companies in the EU and the USA are required to comply with the standard.

Box 1: Key Food and Safety Legislation in Urgent Need of Update

- Food and Drugs Act, No. 8 of 1960; latest amendment, 1998
- Water and Sewerage Act, No. 16 of 1965; latest amendment, 1994
- Pesticides and Toxic Chemicals Act No. 42 of 1979; latest amendment 1993
- Animal (Diseases and Importation) Act 19 of 1954; latest amendment 1997
- Plant Protection Act 13 of 1975; latest amendment 2001

Source: Ministry of Legal Affairs, Trinidad and Tobago

Aside from legislation, the enforcement of existing rules is weak. The Strategic Planning Team observed that:

In many instances they (the inspectorates/regulatory agencies) are understaffed and do not have the required equipment and facilities to undertake their responsibilities. Complaints are being made by local food processors concerning the dumping and improper labelling of certain foreign manufactured foods being sold on the local market. In addition, WASA (the Water and Sewerage Authority) must also be mandated to provide water analysis and assurance certification as part of the requirements for food safety (food inputs have to be verified as being safe). Some food processors have been requesting this type of information from WASA but without any success. (p. 11)

Given weak enforcement, only the large multinational companies meet international food safety requirements.

In addition to the horizontal inconsistencies associated with legislative and enforcement issues, there are also *operational inconsistencies* that work against the trade-related priority of producing high end, high value added, differentiated products for the global market. There are numerous agencies involved in ensuring food safety in Trinidad and Tobago but little co-ordination exists among them. (See Box 2 below). This results in long delays in getting export approval and high transaction costs for businesses – a situation that goes against the trade-related priorities of providing an enabling environment for businesses and reducing costs for them.

¹⁰ The HACCP is used in the food industry to identify potential food safety hazards so that key actions, known as Critical Control Points (CCP's), can be taken to reduce or eliminate the risks of the hazards being realized. The system is used at all systems of food production and preparation processes, including packing and distribution. The HACCP has been implemented in Trinidad and Tobago in the fish and fish processing sector.

5.1.3 Trade Facilitation

The Draft National Strategic Plan highlighted the need to improve port efficiency and to this end, port improvements are currently being made. However, customs clearance remains a challenge for traders. Delays on the port are particularly disadvantageous to food importers and exporters since many of the goods involved are perishable ones.

Box 2: Key Agencies Involved in Food Safety in Trinidad and Tobago

- Ministry of Agriculture, Land and Marine Resources
Plant Quarantine Service
- Ministry of Health
Chemistry and Food and Drugs
Public Health Inspectorate
Veterinary Public Health Unit
- Ministry of Trade and Industry
Bureau of Standards
- Ministry of Legal Affairs
Consumer Affairs Division
- Ministry of Planning, Housing and the Environment
Environmental Management Authority

In providing advice to prospective food exporters to Trinidad and Tobago, the US Department of Agriculture cautioned that:

The entire import clearance process for foods can be difficult and lengthy. Scrutiny, particularly for new to-market items, can be intense. Customs clearance usually takes about 3 to 5 days for most food products. Perishable products are usually handled more expeditiously. However, customs delays are not uncommon and payment of overtime fees is often necessary in order to expedite the process. (Hanson and Gonzalez, 2007, p.8).

The reasons for the lengthy delays are related to the absence of modern trade facilitation systems. A recent study on Trade Facilitation Systems in the Caribbean found that only Jamaica had a high level of useable systems to enhance trade facilitation (Adair, 2006). Trinidad and Tobago fell well below the implementation requirements required by international agencies such as the WTO and the UN, meeting only 10 of the 23 “Best Practices” (See Box A-2, Annex). Areas of deficiency included electronic processing for the trading community, electronic cargo release and electronic means of payment.

This discussion on trade facilitation demonstrates a case of horizontal incoherence whereby outdated trade facilitation systems are incoherent with the trade-related development priority of providing an enabling environment for business.

5.2 The Printing and Packaging Industry

The printing and packaging industry currently employs about 4,000 persons and exports US\$57.1M in paper, paperboard and paper products, which account for 5.3% of non-energy exports (Central Statistical Office, Trinidad and Tobago). Its focus on regional markets, however, has led to a pattern of product specialization that is inconsistent with Trinidad and Tobago's trade-related development priorities, reflecting a case of *vertical incoherence*. In particular, a policy of regional integration has encouraged the production of low-value, homogeneous products, given the small and relatively unsophisticated markets in CARICOM. This outcome is incoherent with one of Trinidad and Tobago's key objectives to produce *high-value, differentiated* products for the *global* market. Table 7 shows the limited range of low-value products that are exported. Roughly 50% of exports consist of cartons, boxes, bags and other containers made from paper; and another 30% comprise toilet paper and other similar paper such as baby napkins and facial tissue. In these two categories, exports are concentrated in CARICOM markets.

Table 7: Exports of Major Paper and Paper Products, 2006

Items	Value (US\$M)	Main Importing Countries
Cartons, Boxes, Cases, Bags and Other Containers	25.4	Jamaica (21%), Guyana (18%), Dominican Republic (10%), Barbados (8%), Suriname (6%).
Toilet Paper and Other Similar Paper	17.0	Jamaica (46%), Barbados (18%), Suriname (12%).
Cigarette Paper	7.1	Guyana (25%), Barbados (15%)
Note books, Accounts Books, etc.	3.9	
Envelopes, Cards and Correspondence	1.3	
Total	54.7	

Source: Central Statistical Office, Trinidad and Tobago

In recent years, a few firms in the industry have begun to shift production to higher-value products such as self-adhesive labels and adhesive paper. However, exports in these areas are very limited. In 2006, they amounted to US\$357,000.

Fairbanks et al (2004) highlight the need for Trinidad and Tobago to shift to high-value products, using an example from the wider "plastics, printing and packaging" industry as follows:

The key is to move away from cheap food and beverage containers to more sophisticated, higher value products like plastic drug delivery systems for the pharmaceutical industry. Though the petrochemical and high-end plastic moulding segments have highly sophisticated, downstream industries, plastic lawn chairs, unfortunately, are a more common output than custom casing for surgical instruments.

In the packaging industry, experts state that cans, cartons and glass packaging are increasingly migrating to flexible packaging for safety, weight and/or disposal/environmental reasons (Mykytiuk, 2006). These are the innovative materials for the future where value can be added and to which the industry should be moving if it has to contribute significantly to the trade-related development priority of generating revenues to replace oil income.

The Strategic Plan for the Printing and Paper industry states that the Vision of the industry is:

To be a globally competitive, world class printing and packaging industry; in an atmosphere of total co-operation within the industry and associations, with the full participation of government. (p. 8)

Horizontal and operational inconsistencies within the industry, however, make it difficult to achieve the above objective. Whereas the government is actively promoting development of the printing and packaging industry in an attempt to boost non-oil exports, its inability to manage the oil boom has resulted in continued reliance on the oil industry, which has drawn labour away from the printing and packaging industry. The industry relies on trained workers to operate printing presses and other specialized machinery, and to assist with equipment maintenance. Buoyant demand in the oil industry, however, for skilled persons such as machine operators, and electronic and mechanical technicians have pulled labour away from the printing and packaging industry.

Another layer of incoherence, stemming from the government's failure to manage the oil boom, is seen from the importing side and in relation to the creation of forward linkages with the food and beverage industry. Angostura Limited, a company that produces high-quality rums for European and other markets, imports *high quality* labels from the United Kingdom. It is interesting to consider its reasons for a recent price increase of its rums:

Angostura Limited yesterday announced price increases on several of its popular rum brands. Angostura blamed the increases on increasing prices of packaging and labelling materials imported from the UK and other parts of Europe as a result of the strengthening in the value of the pound sterling and the euro. It also cited the increasing cost of shipping and the effect of delays in clearing goods from the country's ports as additional factors. (Sunday Guardian, October 25, 2007)

Another area of horizontal incoherence, which affects all industries including printing and packaging, is seen through the high costs of telecommunication services and their impact on the creation of a world class printing and packaging industry. In addition to utilizing telecommunication services for general communication, the printing and packaging industry has an additional need given the increasing focus on digital printing and the need to download complex designs and artwork from clients abroad.

5.3 Telecommunications Services

Compared to its neighbouring competitors and those outside the region, Trinidad and Tobago is at a serious disadvantage in its telecommunications package. Table 8 below shows that the quoted rates for internet broadband services in Trinidad and Tobago are considerably higher than those in other countries such as Jamaica, Barbados and Costa Rica. This situation is unfortunate since Trinidad and Tobago was the first Caribbean country to consider liberalizing its telecommunications sector. A Telecommunications Authority Act was drafted as far back as 1991 but it was never put into force since the Government felt that the Telecommunications Authority would be given too much independence. In fact, it took a full 10 years for the Government to enact legislation to liberalize telecoms services. This was done through the Telecommunications Act. No. 4 of 2001, and subsequent to Trinidad and Tobago signing the WTO Basic Agreement on Telecommunications Services in 1997. A further delay occurred, however, and it was not until 2004 that the Act was eventually promulgated and a regulatory body, the Telecommunications Authority of Trinidad and Tobago (TATT) was established.

The reasons for the high telecommunication rates in Trinidad and Tobago are complex but by and large, they can be traced to the existence of numerous operational incoherencies within government that have delayed and curtailed competition despite liberalization. In analyzing developments in the telecoms sector, Mitchell (2006) stated that “Trinidad and Tobago had experienced until recently a fluid institutional arrangement for the governance of the domestic telecommunication sector that underwent numerous changes. This had the effect of stalling rapid advances in telecommunications policy formulation and implementation.” (p. 61) Mitchell (2006) further noted that during 1991-2002 the responsibility for telecommunications shifted several times among agencies as follows:

- 1989-1998 Office of the Prime Minister
- 1998-1999 Ministry of Information, Communications, Training and Distance Learning
- 1999-2000 Office of the Prime Minister (Information and Communications)
- 2000-2002 Ministry of Communications and Information Technology
- 2002-present Ministry of Science, Technology and Tertiary Education

A lack of institutional stability and differing opinions about the role and independence of a regulatory authority undoubtedly affected progress in telecoms liberalization.

Table 8: Monthly Charges for Broadband Internet Access, Selected Countries, 2006*

Country	Service Provider	Entry Level Access			Middle Range Access			Upper Range Access		
		Speed (Kbps)		US \$/month	Speed (Kbps)		US \$/month	Speed (Kbps)		US \$/month
		Down	Up		Down	Up		Down	Up	
Trinidad and Tobago	TSTT	128	64	181.39	512	128	481.59	1544	256	682.93
Jamaica	C&W Jamaica	256	128	40.00	1024	256	40.00	2048	512	50.00
Barbados	C&W Barbados	256	64	31.60	768	128	86.3	1544	256	108.1
Costa Rica	ICE	128	64	24.90	512	128	73.00	2048	256	204.50
Canada	Bell Canada	128		22.40	1000		31.30	5000		44.80
USA	Verizon				768	128	15.00	3000	768	30.00
UK	BT							8000		33.5

Source: Stern (2007)

* Excluding Installation and Activation

The TATT started operations in 2004 with the full backing of legislation to guide its regulation of the sector. However, it has not been able to address core issues such as interconnectivity and rate-setting nor to settle disputes between providers. One area of complexity is the fact that the Telecommunications and Services Company of Trinidad and Tobago Ltd. (TSTT), the domestic monopoly provider of public-switched local and international telecommunications services, is owned jointly by Cable and Wireless (UK) and the Government of Trinidad and Tobago. Therein lies a source of horizontal incoherence. Although in its Draft Strategic Plan the government promises to “facilitate open and effective competition in the telecommunications sector,” its role as both a regulator and competitor in the industry serves as a major contradiction. In its 2006 Annual Report, TATT noted two major problems:

- the anti-competitive conduct of the incumbent carrier, TSTT which refused to allow Digicel (a competitor in the mobile market) interconnection. Other disputes between the two companies were in relation to mobile and fixed termination rates, fixed transit rates and SMS charges; and
- low international bandwidth and the inability of TATT to assess the reasonableness of prices charged by TSTT to smaller internet providers.
- refusal of some companies to submit core data to the TATT and adhere to their terms of reference.

From its very inception, a fundamental problem that plagued the telecoms reform exercise was the lack of separation of the policy-making and regulatory functions between the oversight agency and the regulatory one. Although the Telecommunications Act specified the functions of these two agencies, it did not spell out clearly the relationship of the regulatory body with Government. To complicate matters, the TATT started its work in the absence of any transitional plan or strategy to facilitate liberalization. It has also faced difficulties in recruiting staff with *regulatory* experience since practically all of the requisite skills reside within the industry where salaries are much higher. It should also be pointed out that the oversight agency faced similar staffing difficulties since it could not easily recruit staff with *policy* experience. Overall then, horizontal and operational coherences within the telecommunications sector have prevented the fulfillment of the trade-related priority of stimulating open and effective competition.

This case study shows that in order to achieve the benefits of liberalization, simply eliminating barriers to entry in the market is not enough. Proper domestic regulations that allow foreign market access and curbs market power also play an important role. In addition, the regulatory body has to be equipped with qualified staff to monitor compliance and the framework has to be in place to facilitate the enforcement of rules.

5.4 Aid for Trade and EPAs

5.4.1 The Negotiating Phase

At the start of the ACP-EU trade negotiations in 2002 the EU agreed to fund ACP countries' participation in the negotiations. This would complement capacity-building exercises and other 'aid for trade' provided by the donor community. A review of the 'aid for trade' provided during the EPA negotiations, however, reveal vertical inconsistencies between the 'aid for trade' provided and the fulfilment of CARIFORUM's trade-related priority to negotiate the most favourable deals for the region. Two examples of these inconsistencies are described below.

- (i) Since 2000, Trinidad and Tobago has been receiving assistance from the EU and other donors to improve their trade negotiating skills. A substantial part of such 'aid for trade' was made available through the Caribbean Regional Negotiating Machinery (CRNM), which co-ordinated the bulk of capacity-building programmes in the region. A recent inventory of the CRNM's 'aid for trade' programmes, however, revealed that whereas the Caribbean had been signalling its intentions to develop its services sectors for some time, assistance continued to be given for the negotiations in goods. Only three of the 200 trade-related projects had specifically targeted services (Chaitoo, 2006). They were:
- Establishment of a Services Trade Unit at the CRNM (US\$600,000 – DFID and CDB);
 - Creation of a Services Trade Unit in the Trinidad and Tobago Chamber of Commerce (C\$100,000 – CIDA); and
 - An awareness-raising programme to allow the Caribbean Association of Industry and Commerce to inform Caribbean services firms of the implications of the GATS, FTAA and the CARICOM Single Market (C\$100,000 – CIDA).

The inventory included the CDB, CIDA, DFID, EC, IDB, OAS, UNDP, USAID and some small European bilateral donors.

The impact of the above vertical policy incoherence was reflected in the recent EPA negotiations. Whereas negotiations in goods were completed in time for the December 2007 deadline, there were difficulties with the services negotiations. The EU complained that whereas it had opened up virtually all its services sectors, the Caribbean's offer was too limited. Part of the problem experienced by Trinidad and Tobago (and other CARIFORUM countries) was its unfamiliarity with negotiations in the services area. Recent commentaries by those in the entertainment sector, for example, indicate that there was not a full understanding of the implications of services liberalization. The view now being expressed is that "perhaps it would have been wiser for us to postpone the signing of the agreement relating to Trade in Services while entering into a pact affecting the trade in goods...." (Caribbean Cultural Industries Network, 2007).

- (ii) A total of €1.089 M had been earmarked by the EU to assist CARIFORUM countries participate in the EPA negotiations. Countries were pleased with this offer since it meant they would not have to divert resources from limited national budgets nor approach other donors for support. But the numerous layers of bureaucracy in the EU system and resultant cumbersome EU approval and disbursement procedures led to a situation whereby the CRNM was unable to access much-needed funds for time-sensitive EPA negotiations. The initial aid agreement was due to expire in January 2005. However, owing to a delay in the implementation of the 9th EDF Caribbean Integration Support Programme and other administrative problems, the programme had to be extended five times. The final disbursement of funds was made in April 2007 and the EPA was signed in December 2007. During the period when no funds were available, the CRNM had to postpone or cancel meetings scheduled to discuss the co-ordination of negotiating positions. On a few occasions, it sought and found alternative sources of funding.

It should be pointed out that the EU's cumbersome procedures are widely known and documented. In an evaluation of European Community support to the private sector in five countries (Jamaica, Mexico, Morocco, Vietnam and Zambia) covering the period 1994-2003, the following comments were made [1, p. 35]:

Two factors inhibit the efficiency of many European Community programmes: the complexity of EC procedures and the delays incurred at different stages of the programme cycle.....procedures are slow and heavy to the point that several sources declared their preference for working with other donor agencies.

In spite of the above evidence, the EU procedures continue to be complex and burdensome.

5.4.2 The Agreement

The EPA negotiations are over and the resulting agreement contains a Joint Declaration on Development Co-operation with promises for the channeling of development financial resources to assist countries adjust to the challenges brought about by the EPA. As pointed out in Section 2, this Declaration mentions two sets of financial commitments: €165 Million, which will come from the 10th EDF Caribbean Regional Indicative Programme (CRIP); and an additional amount as part of the EU Aid for Trade Strategy. Whereas the amount for the CRIP is clearly stated, the “aid for trade” component of the development co-operation package is vague and illustrates an existing vertical incoherence.

In 2005, the EU signed the Paris Declaration on Aid Effectiveness and committed itself to meeting the challenge of ensuring more “predictable, multi-year financing.” (Paris Declaration on Aid Effectiveness, 2005). However, the ‘aid for trade’ commitment in the EPA is not specific and does not allow for the predictability of resources. This illustrates a case of vertical incoherence whereby an agreement signed by the EU at the bilateral level (EPA) is not coherent with that signed at the international level (Paris Declaration on Aid Effectiveness).

The Joint Declaration on Development Co-operation in the EPA states that:

Member States of the European Union confirm their intention to ensure that an equitable share of Member States’ Aid for Trade commitments will benefit the Caribbean ACP States, including for funding programmes related to the implementation of this Agreement.

This statement does not allow Caribbean countries to determine what amount will be available to help them to meet the adjustment challenges associated with the EPA.

The EU Aid for Trade Strategy announced in October 2007 envisages that Member States' Aid for Trade commitments will reach €2 billion by 2010, 50% of which will come from the EC budget and 50% from Member States' aid budgets. This amount, however, will have to be shared among all developing countries. The Joint Declaration on Development Co-operation therefore states that Caribbean ACP States will be entitled to an "equitable share" of these commitments. Since there is no formula for deciding what is an "equitable share" and only a part of this "equitable share" will be devoted to funding EPA programmes, the amount of 'aid for trade' for EPA-related adjustments is clearly indeterminate.

6. CONCLUSIONS AND RECOMMENDATIONS

Trinidad and Tobago is at a major turning point in regards to its economic and trading future. Since 2006 the country has benefited from substantial inflows of oil and gas revenue, which it has used *inter alia* to build its skills base, improve physical infrastructure and develop non-energy industries. However, Trinidad and Tobago's non-energy export base is still narrow and existing Dutch Disease conditions threaten its future trade competitiveness, if not managed effectively. On the external front, the recently-signed CARIFORUM EC-EPA offers new trading opportunities in EU markets. But there will also be several challenges. Exporters will have to compete with both the EU and other countries that have duty-free access to the EU. Local firms will also have to compete with EU goods in the CSME as well as more competitively-priced goods from the Dominican Republic. With such dramatic changes taking place, it will be important for Trinidad and Tobago to analyse and review its present situation. Specific areas to address include the following:

- A review of its trade objectives, policies and plans to ensure that they are in line with trade-related development priorities;
- Resolution of existing policy inconsistencies and pursuit of necessary reforms; and
- Analysis of interests in future external trade negotiations.

6.1 Resolving Policy Inconsistencies

This study identified several policy inconsistencies - horizontal, vertical and operational – which are summarized in Table 9. As mentioned earlier, it is not possible for a country to achieve complete policy coherence. But efforts should be made to ensure that policies are at least moving in the same direction. In the present case, it will not be possible for all policy inconsistencies to be addressed at the same time. Therefore, the inconsistencies identified in this paper are listed below in order of priority, based on the scale of their impacts on trade-related development priorities.

- (i) Exchange rate policy;
- (ii) Overall trade policy and planning ;
- (iii) Regional integration;
- (iv) Telecoms services liberalization ;
- (v) Trade facilitation;
- (vi) SPS; and
- (vii) Aid for trade

Table 9: Summary of Policy Inconsistencies

Areas	Trade and Trade-Related Policies	Major Type of Incoherence	Action Required
Macro Economic Policy	Exchange Rate Policy	Horizontal	Improve fiscal and monetary policy management.
Strategic / Industry Planning	Overall Trade Policy and Planning	Horizontal	Re-formulate trade objectives and targets in national and industry plans; monitor progress of all industry plans
Food and Beverages	Regional Integration (the CET)	Vertical	CARICOM to lower/ remove the CET in areas where trade competitiveness is needed.
	Sanitary and Phytosanitary Measures	Operational	Upgrade all legislation concerned with food safety; improve law enforcement; set up a Food Safety Authority.
	Trade Facilitation	Horizontal	Implement ASYCUDA+++; ensure customs modernization systems meet international standards.
Printing, Paper and Packaging	Regional Integration – Markets	Vertical	Undertake study on trading opportunities in the EU, especially for high-value items of interest to Trinidad and Tobago.
	Regional Integration - Labour Mobility	Vertical	CARICOM countries to implement measures to facilitate the movement of all workers in the CSME.
Telecommunications Services	Liberalization of the Telecoms Sector	Operational	Improve inter-agency co-ordination; increase independence of the TATT; improve staffing at policy and regulatory levels.
Aid for Trade	Aid for Trade	Vertical	Donor community to enforce adherence to the principles enshrined in the Paris Declaration of Aid Effectiveness

6.1.1 Exchange Rate Policy

An appreciation of the real exchange rate has a negative impact on *all* exports – both goods and services – and directly affects export earnings. Since Trinidad and Tobago’s key trade-related development objective is to promote non-oil exports and generate export earnings (to replace/complement oil revenues) its exchange rate policy should be given top priority.

It is recognized that exchange rates are not only determined by domestic policies. But government actions can influence fulfillment of its key macro-policy objective “to maintain a stable and competitive exchange rate.” In fact, in 2007 the government instituted a series of measures to control inflation, which included a tightening of monetary policy, greater fiscal restraint and the implementation of various initiatives to increase agricultural supply. These measures helped to dampen increases in inflation and the rate fell slightly from 8.3% in 2006 to 7.9% in 2007. Current efforts will have to continue, however, in order to sustain improvements that were made in 2007. By the end of January 2008, inflation had shot up to 10%, with core inflation (which excludes food prices) rising to 5.7% compared to 3.9% one year earlier (Central Bank of Trinidad and Tobago, 2008).

Improving macro-economic management, and in particular controlling domestic inflation will involve many trade-offs. For example, a tighter fiscal policy implies reduced government spending. Since “loans and subsidies” is the largest component of government expenditure, their reduction will have economic and political consequences. Similarly, since the bulk of the public sector investment programme (PSIP) consists of social sector projects, a reduction in the size of the PSIP will have implications for the reduction of poverty. Fortunately, the Ministry of Social Development is currently reviewing its portfolio of projects and the results of such a review could feed into a wider discussion on trade and development linkages.

6.1.2 Overall Trade Policy and Planning

The Ministry of Trade and Industry is currently in the process of formulating an overall trade policy, which is the first step towards resolving inconsistencies observed in the country’s overall trade policy and planning. Once this is completed, it will be necessary to re-work trade objectives at the national level and ensure consistency between planning at the national and industry levels. In carrying out such an exercise attention should be given to the following:

- The trade competitiveness challenge, in light of the EPA;
- The need for a market strategy that embraces both South-South and North-South trade;
- The specification of well-defined targets in plans, particularly at the industry levels;
- The importance of trade support institutions, especially those aimed at food safety and standards;
- The nature of the trading infrastructure that is needed, particularly in regards to telecommunications and trade facilitation; and
- The role of the CSME in helping to reduce transaction costs for firms across the region.

The seven industry plans should be reviewed both individually and collectively to ascertain their contribution to the broader objective of generating non-energy export earnings. Collectively, these plans highlight operational inconsistencies in relation to trade support institutions, an area that deserves specific attention. A monitoring system should also be put in place to assess the progress of the seven industries, both in terms of their use of resources (e.g. through subsidies) and their generation of export earnings.

Re-working trade objectives and targets in existing plans should not be difficult but will require the co-ordination of all agencies involved in trade policy planning. The latter should benefit from an institutional structure that is already in place to facilitate discussions on trade negotiations.

6.1.3 Regional Integration

As pointed out in Section 2, regional integration has benefited Trinidad and Tobago's manufacturing sector tremendously in the past. However, the implementation of the CET has adversely affected trade competitiveness in areas such as processed fruit and vegetables. Fortunately, CARICOM Heads of Government recently took a decision to remove the CET in selected areas for a period until 2010 (CARICOM Secretariat, 2008).¹¹ Steps are therefore being taken to resolve inconsistencies involving the CET. Removal of the CET, however, means that some businesses will no longer be protected from external competition.

An examination of the printing and packaging industry in Trinidad and Tobago demonstrated the impact of a vertical incoherence – a focus on regional markets has encouraged the production of fairly homogeneous, low-value products such as carton boxes and toilet paper. Resolving this incoherence is quite important since the export of high-value, differentiated goods will yield a much higher level of export earnings than low-value ones. With access to a much larger market in the EU (450 million consumers), manufacturers will have an incentive to explore more varied production lines.

In order to encourage firms scale up their operations and shift to high-value products, the Government could provide initial assistance to the private sector by undertaking a study of trade expansion possibilities in EU markets with a focus on high-value products.

6.1.4 Services Liberalization – Telecoms

Telecommunications liberalization can benefit not only the telecoms sector but all other sectors. This study pointed to numerous operational inconsistencies in the telecoms sector and their impacts in limiting effective competition. It was seen that businesses in neighbouring countries (e.g. Jamaica, Barbados and Costa Rica) benefited from much lower internet charges and Trinidad and Tobago was at a considerable disadvantage in its telecommunications package. Fortunately, there have been some improvements in the telecoms sector over the past year and new competitors are now operating in the internet business.

Eliminating inconsistencies within the sector will not be easy, partly because of the government's involvement in the sector both as a competitor and regulator, but also on account of institutional weaknesses and difficulties associated with clarifying roles between the regulator and the policy-maker. On the other hand, however, since resolution of inconsistencies is largely within the control of the government, it will be possible to rectify the situation once there is a commitment to act.

Actions required in the sector include improving inter-agency co-ordination, increasing the independence of the TATT; and improving staffing at policy and regulatory levels.

¹¹ The specific list of items on which the CET is to be removed has not yet been made public.

6.1.5 Trade Facilitation

As pointed out in Section 5, the government is currently undertaking major port improvements, which have reduced the time that traders have to spend on the port to clear goods. Port charges have also been lowered. However, since transport costs are an important element of export competitiveness and modern trade facilitation systems lower the cost of doing business, it is equally important to address this area. An exercise aimed at modernizing the country's trade facilitation systems is underway but it is not moving fast enough. This is particularly in regard to electronic transactions. In order to resolve operational inconsistencies, the exercise needs to be given a much level of priority and adequate resources (particularly human resources) devoted to it since the absence of modern trade facilitation systems adversely affects all trade in goods.

6.1.6 SPS

Two areas of operational incoherence were identified in the study. One concerns the absence of modern legislation and enforcement on food safety; and the other involves inadequate co-ordination of the various agencies involved in food safety. These weaknesses have adversely affected the growth of exports in the food and beverages sector since, as pointed out in Section 5, only the large, multinational firms currently adhere to international food standards such as the HACCP.

Modernization of legislation will be difficult to achieve quickly. This is partly because of the shortages of legal expertise but also because of the backlog of laws that need to be updated. The strengthening of food safety institutions will also be difficult because of the number of agencies involved that span several government ministries. In resolving these inconsistencies, Trinidad and Tobago could benefit greatly from the setting up a Food Safety Authority. It could also draw upon regional trade support institutions being set up to facilitate development of the CSME.

6.1.7 Aid for Trade

'Aid for trade' can be an important instrument for achieving the goal of diversifying the economy and promoting non-oil exports. It could help fund trade support institutions, customs modernization, and also facilitate macro-economic planning and regional integration. An investigation of the EPA process and resulting agreement, however, highlighted a number of vertical inconsistencies that cast doubt on the potential usefulness of 'aid for trade.' Despite its commitment to the Paris Declaration on Aid Effectiveness, the EU has not clearly stated how much 'aid for trade' will be channeled to CARIFORUM to assist with adjustments needed as a result of implementation of the EPA. There are also numerous difficulties in accessing aid for trade because of the complexity of EU procedures.

Aside from the vertical inconsistencies identified in this study, there are also numerous horizontal inconsistencies involving in-country processes and the utilization of aid for trade. Although this study did not specifically examine these areas, it should be mentioned that if the reviews of trade policy and planning suggested in this paper are carried out they would benefit the planning and programming of 'aid for trade.' This is because the implementation of projects under an 'aid for trade' initiative would be guided by the priorities and policies established at the national and/or regional levels.

In terms of resolving vertical inconsistencies, the outlook is bleak. To date, the EU has shown a great deal of inflexibility in reducing its bureaucratic processes. Continued efforts to improve the delivery of aid do not appear to have been hugely successful. The donor community will have to enforce adherence to the principles enshrined in the Paris Declaration of Aid Effectiveness.

6.2 Action Plan to Reduce Inconsistencies

Table 9 provides a synthesis of the detailed actions needed to reduce incoherence in the areas investigated. An Action Plan could initially target areas of domestic policy and those that do not require large injections of financial resources. An indicative plan is shown below.

6.2.1 Domestic Policy Areas

Areas where few financial resources needed

- (i) Improve fiscal and monetary policy management.
- (ii) Re-formulate trade objectives and targets in national and industry plans; monitor progress of all industry plans.
- (iii) Improve inter-agency co-ordination in the telecoms sector; increase independence of the TATT; improve staffing at policy and regulatory levels.
- (iv) Undertake study on trading opportunities in the EU, especially for high-value items of interest to Trinidad and Tobago.

Areas which will require large amounts of resources

- (i) Upgrade legislation concerned with food safety; improve law enforcement; set up a Food Safety Authority.
- (ii) Implement ASYCUDA+++; introduce other customs modernization systems and ensure they are in line with international standards.

6.2.2 External Policy Areas

- (i) CARICOM to lower/ remove the CET in areas where trade competitiveness is needed.
- (ii) CARICOM to implement measures to facilitate the movement of all workers within them CSME; and
- (iii) Donor community to enforce adherence to the principles enshrined in the Paris Declaration of Aid Effectiveness.

6.3 Elements of a Country Trade Negotiating Strategy

Although this study addressed only selected areas of policy inconsistencies, the analyses undertaken provide some guidance on the establishment of a country trade negotiating strategy for Trinidad and Tobago. As a starting point, the Government will need to agree its overall trade policy objective and then set specific trade and trade-related policy objectives. Suggestions are provided below along these lines.

6.3.1 Setting an overall trade policy objective

It is recommended that the thrust of the existing trade policy be changed from one emphasizing locational advantages to the achievement of export competitiveness. As mentioned in Section 3, the current focus of Vision 2020 is on business competitiveness. Such an emphasis may have been appropriate in 2004 when the aim was to improve business performance. But besides the fact that some progress has now been made on that front, the internal and external environments have changed and a shift is now needed towards export competitiveness. The focus of an overall trade policy statement should therefore be:

To stimulate the efficiency and export competitiveness of national producers of goods and services.

The above statement is in line with Trinidad and Tobago's key trade-related development priorities of promoting non-oil exports and producing high-value, differentiated products for the global market.

6.3.2 Setting objectives of specific trade and trade-related policies

Several objectives are listed below, which will have to be decided upon at the domestic and external levels in order to secure changes needed.

a) Domestic Level

- To maintain a stable exchange rate;
- To revise trade objectives and targets and subsidies in all planning documents;
- To examine trading opportunities for high-value products as a result of the EPA.
- To strengthen trade support institutions such as those relating to food safety and standards and enforce legislation;
- To accelerate the modernization of trade facilitation systems; and
- To strengthen the institutional, policy and regulatory frameworks in the telecommunications sector.

b) External Level

- CARICOM governments to reduce/remove the CET in areas of export interest;
- CARICOM governments to speed up the movement of all workers across the region; and
- Donor community to clarify 'aid for trade' provisions and improve approval and disbursement procedures.

6.4 Advancing Interests at Bilateral, Regional and Multilateral Negotiations¹²

6.4.1 Negotiating Fora: multilateral vs. regional vs. bilateral

The indefinite suspension of talks in the Doha Round has led to the idea that since multilateral agreements are difficult to negotiate little attention should be given to them. But while it is necessary for Trinidad and Tobago to be pragmatic in its search for market access, it should be pointed out that as a small country, it stands to gain the most from a *multilateral* trading agreement. On the import side, it could source the best and most competitively priced goods and services from the widest markets; and on the export side, businesses would have access to the broadest markets for their products. Trinidad and Tobago could also increase its bargaining power in multilateral negotiations by forging alliances with countries that have similar interests. An example of this is the 'small and vulnerable countries' grouping that has been negotiating in the Doha Round. Further, multilateral rules afford small countries a high level of protection when trade disputes arise since everyone has to follow the same rules. A case in point is that of Antigua and Barbuda, which won its case on online gambling against the United States of America.¹³

¹² Trade negotiations have both an economic and a political dimension. In this section, suggestions are made principally along the lines of Trinidad and Tobago's economic interests.

¹³ See summary of findings of this dispute in (WTO, 2008).

Bilateral arrangements can be useful for securing supplies of specific goods and services e.g. raw materials not widely available, or for gaining market access in the absence of a multilateral arrangement. They could also be important for achieving non-economic objectives. However, bilateral arrangements are potentially trade diversionary and bring much fewer benefits than multilateral or regional agreements. Further, when countries are weak and/or small they are at a disadvantage when negotiating with larger or stronger ones.¹⁴ In future bilateral negotiations such as the forthcoming one with Canada, Trinidad and Tobago would have to be aware of the existing power relations and their implications.

Regional arrangements are also potentially trade diversionary and the benefits are often unevenly spread across countries. However, small countries can gain substantially from having easy access to a wider market and businesses can use it as a springboard for launching into international markets. As mentioned in Section 2, the manufacturing sector in Trinidad and Tobago has benefited greatly from CARICOM markets. With the EPA in place, however, such markets are no longer guaranteed and the scope for increased trade may be less than in the past. Since the CSME is much more than a trade arrangement, though, Trinidad and Tobago could derive important benefits from it. Two specific areas are access to a wider pool of skilled and unskilled labour at competitive prices, and institutional support in areas such as food safety, standards, intellectual property rights and competition policy. These benefits are qualitatively important since they would help to reduce production costs and increase overall trade competitiveness.

6.4.2 Negotiating Interests

This study has explored several areas in which Trinidad and Tobago's exports have been growing over time, where it has become competitive or has the potential to become internationally competitive. Trade negotiations will have to focus on these together with other export areas that were not identified as part of this exercise. On the import side, Trinidad and Tobago's interests lie in sourcing goods and services at the lowest cost, particularly for inputs that are needed to feed into the key export industries. Areas of negotiating interests are listed below.

- a) Exports
 - (i) Goods
 - Plastics, printing and packaging;
 - Fruit and vegetable processing;
 - Fish and fish processing; and
 - Metal processing.
 - (ii) Services
 - Energy services; and
 - Construction services.

¹⁴ For example, CARIFORUM negotiators have stated that the EPA negotiations were particularly difficult because unlike the multilateral negotiations, they had no support from other countries and hence, far less bargaining power.

- b) Imports
 - Food, raw materials, manufactured products
 - Skilled and unskilled labour
 - Investment, technology
- c) Other
 - Aid for Trade

Export interests in the “goods” category above could be served in different negotiating fora. Market access is best negotiated in a multilateral forum but in the present circumstances bilateral negotiations either with developed countries such as Canada or with Latin America could be beneficial. As mentioned earlier on, since many exporters manufacture low-value, homogeneous products their long-term sustainability will depend on their ability to innovate, upgrade and expand their operations. Trinidad and Tobago will therefore have to negotiate in multilateral, regional and bilateral fora for increased investment, technology and skills.

Trinidad and Tobago has a demand for raw materials for its export industries such as iron ore and paper. It will be easier and cheaper to source these from within the Latin and Central American region. Bilateral arrangements would therefore be appropriate, given Trinidad and Tobago’s interests in sourcing reliable supplies and low-cost inputs.

Lower- and middle-level skills could be sourced regionally through the CSME (e.g. technicians for the paper and printing industry). In the short run, negotiations will have focus on special arrangements since at present only certain categories of workers can move across the region freely. The medium-term objective however, is to negotiate for the free movement of all workers. In terms of higher level skills and investment, the best forum for this will be multilateral but bilateral negotiations with advanced countries such as Canada will be extremely useful.

The CET has adversely affected the exports of food and beverages because of the high tariffs on agricultural products. As mentioned above, CARICOM Heads of Government have recently lowered the CET on selected items up to 2010. A sufficiently large reduction in tariffs will be needed, though, to improve the competitiveness of Trinidad and Tobago’s products in EU and other markets.

Given the constraints of small size and the need to achieve economies of scale, it is in Trinidad and Tobago’s interests to encourage other CARICOM to facilitate the building of trade support institutions and regulatory frameworks. These include institutions that relate to standards and labeling, sanitary and phytosanitary measures, competition policy, intellectual property rights and legislation in specific areas such as telecommunications.

Regarding services, market access is needed globally, particularly for energy services and in light of the global shortages of engineering and other skills. This study has not examined the energy industry but exports in this area are very important for Trinidad and Tobago, given the considerable amount of engineering expertise built up through the oil industry. The Government is also expanding the country’s stock of engineering and related skills through a variety of short- and long-term training programmes.

In the future, Trinidad and Tobago will require substantial resources to strengthen its trade support institutions, undertake capacity-building programmes for SMEs and other businesses and to build physical infrastructure. 'Aid for trade' will therefore become increasingly important. But since financial resources are to be shared among many countries worldwide and, in the case of the EPA, with other ACP countries it will be necessary to negotiate effectively with the donor community. Negotiations will have to address not only the quantum of resources but the method of accessing them.

In summary, Trinidad and Tobago should pursue its trading interests on all fronts - multilaterally, regionally and bilaterally – taking into account the immediate need for market access and low-cost inputs as well as longer-term needs for technology, skills and investment.

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ANNEX I: LIST OF PERSONS CONSULTED

Ministry of Trade and Industry

Roslyn Khan-Cummings	Deputy Permanent Secretary
Wayne Punnette	Director, Trade and Investment
Ramesh Sarabjit	Senior Economist
Donna de Four	Senior Economist
La Shaun Prescott	Senior Economist
Carol Bickram	Acting Senior Economist
Claire Moolchan	Statistician I
Nyron Mohammed	Jr. Research Economist

Trinidad and Tobago Manufacturers Association

Mrs. Karen De Montbrun	President
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Printing and Packaging Council

Mr. Richard Lewis	Chairman and Manager of Label House
Mr. Neil Chan	Managing Director, Hyline Lables

Ministry of Public Administration and Information

Mr. Peter Mitchell	Director, Telecommunications Unit
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Telecommunications Authority of Trinidad and Tobago

Dr. Ralph Henry	Former Chairman
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ANNEX II: TABLES

Table A1: Selected Economic Indicators, 2000 and 2006

Economic Indicators	2000	2006
Per Capita GDP (US\$)	6,479.7	19,700
Growth of Real GDP (%)	7.3	12.0
Unemployment (%)	12.2	6.2
Overall Central Government Surplus (% of GDP)	-0.2	6.5
Overall External Account Surplus (% of GDP)	6.6	9
Debt Service Ratio (Debt/Exports)	6.9	2.8
Gross Official Reserves (US\$M)	1,405.5	5,134.1
Economic Contribution of the Energy Sector		
Share of Total Employment	2.0	3.5
Share of GDP	31.3	45.1
Share of Government Current Revenues	30.2	61.7
Share of Merchandise Export Receipts	81.2	91.0

Source: Central Bank of Trinidad and Tobago (2004), (2006); Central Statistical Office, Trinidad and Tobago

Table A2: Inflation Rates, 2000-2006 (January 2003=100)

	Overall Inflation (%)	Food Inflation (%)
2000	3.6	14.0
2001	5.5	10.2
2002	4.2	13.4
2003	3.8	12.3
2004	3.7	20.6
2005	6.9	22.6
2006	8.3	22.0

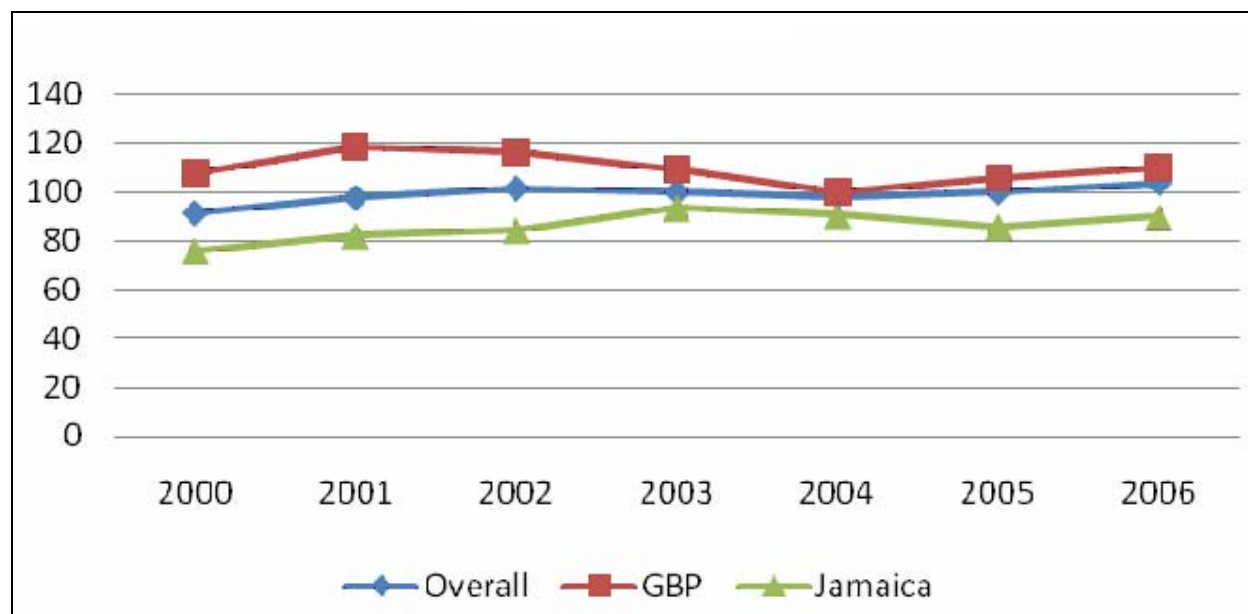
Source: Williams (2007)

Table A3: Effective Exchange Rates, 2000-2006

	Real Exchange Rate	Nominal Exchange Rate	Effective Inflation Rate
Index (1990-100)			
2000	91.48	145.34	62.94
2001	97.76	152.07	64.28
2002	101.50	156.40	64.90
2003	100.13	155.06	64.58
2004	98.10	152.30	64.41
2005	100.05	151.98	65.83
2006	103.79	151.02	68.74
Percentage Changes			
2000	2.7	3.0	-0.3
2001	6.9	4.6	2.1
2002	3.8	2.8	1.0
2003	-1.4	-0.9	-0.5
2004	-2.0	-1.8	-0.3
2005	2.0	-0.2	2.2
2006	3.7	-0.6	4.4

Source: Central Bank of Trinidad and Tobago (2004), (2006).

Figure A1: Real Exchange Rates, 2000-2006



Source: Central Bank of Trinidad and Tobago

Table A4: Energy and Non-Energy Trade, 2000 and 2006 (US\$'000M)

EXPORTS	2000	2006	Growth 2000-2006
Total	4,213	14,006	27%
Energy	3,536	12,920	30%
Non-Energy	677	1,086	10%
IMPORTS			
Total	3,333	6,518	14%
Energy	1,338	2,811	16%
Non-Energy	1,996	3,708	13%

Source: Central Statistical Office, Trinidad and Tobago

Table A5: Employment by Sector, 2000 and 2006

Sector	2000		2006	
	('000s)	%	('000s)	%
Agriculture	36.4	7.2	25.7	4.4
Petroleum & Gas (including Mining & Quarrying)	16.5	3.3	20.4	3.5
Manufacturing	55.0	10.9	55.5	9.5
Services	394.8	78.4	482.8	82.4
<i>Of which:</i>				
Construction (including Electricity & Water)	69.7	13.8	104.5	17.8
Transport, Storage & Communications	39.2	7.8	42.7	7.3
Other Services	285.9	56.8	335.6	57.3
<i>Wholesale & Retail</i>	95.2	18.9	106.6	18.2
<i>Community, Social & Personal Services</i>	151.4	30.1	181	30.9
<i>Finance, Insurance & Real Estate</i>	48.1	8.2
Not Classified	0.1	0.0	1.6	0.3
Total Employment	514.1	100	586.2	100

Source: Central Bank of Trinidad and Tobago (2003), (2006).

Table A6: Composition of Imports, 2000 and 2006

Category	2000	2006	Share of Total	Annual Growth 2000-2006
Food and Live Animals	243.2	440.4	6.8%	12.6%
Beverages and Tobacco	19.0	40.2	0.6%	16.2%
Crude Materials (Inedible)	80.6	298.9	4.6%	30.0%
Mineral Fuels, Lubricants & Related Materials	1,075.3	2,281.8	35.0%	16.2%
Animal & Vegetable Oils, Fats & Waxes	10.4	21.1	0.3%	15.3%
Chemicals	262.3	528.8	8.1%	15.1%
Manufactured Goods Classified Chiefly by Materials	442.9	800.3	12.3%	12.6%
Machinery & Transport Equipment	1,019.5	1,741.5	26.7%	11.3%
Miscellaneous Manufacturing	170.9	357.6	5.5%	15.9%
Commodities & Transactions	9.3	7.5	0.1%	-4.1%
TOTAL	3,333.3	6,518.2	100.0%	14.4%

Source: Central Statistical Office, Trinidad and Tobago

Table A7, Annex II: Direction of Trade, 2006

Countries	IMPORTS	EXPORTS
	Share of Total	Share of Total
United States	27.2%	59.5%
EU	10.9%	8.3%
<i>of which:</i>		
United Kingdom	2.6%	0.8%
Japan	3.6%	0.3%
Canada	2.0%	1.2%
CARICOM	1.6%	16.6%
Central and South America	24.4%	5.9%
<i>of which:</i>		
Brazil	10.0%	0.9%
Venezuela	5.0%	0.1%
Other	30.3%	7.2%
TOTAL	100%	100%

Source: Central Statistical Office, Trinidad and Tobago

Table A8: Top 15 Exports to the World and to CARICOM, 2006

	EXPORTS TO THE WORLD	Value (US\$M)	Share of Total	EXPORTS TO CARICOM	Value (US\$M)	Share of Total
1	Petroleum and products*	5,961.4	42.60%	Petroleum and products*	1,871.1	80.30%
2	Natural and manufactured gas	4,870.7	34.80%	Beverages, spirits and vinegar	62.3	2.70%
3	Organic chemicals	967.4	6.90%	Paper and paper articles	49.5	2.10%
4	Inorganic chemicals	933.6	6.70%	Base metals	47.8	2.10%
5	Iron and steel products	515.7	3.70%	Cereal, cereal preparations	38.6	1.70%
6	Fertilizers	154.9	1.10%	Vegetables and fruit preparations	32.1	1.40%
7	Beverages	110.6	0.80%	Plastics and plastic articles	27.3	1.20%
8	Paper and paper articles	58.0	0.40%	Tobacco Products	25.7	1.10%
9	Cereal, cereal preparations	51.3	0.40%	Soap, and other organic products	23.1	1.00%
10	Misc. manufactured articles	43.8	0.30%	Mineral Products	19.1	0.80%
11	Sugar and sugar confectionery	42.8	0.30%	Sugar and sugar confectionery	17.8	0.80%
12	Vegetables and fruit preparations	41.3	0.30%	Electrical machinery and equipment	13.6	0.60%
13	Metal manufactures	35.2	0.30%	Misc. manufactured articles	11.5	0.50%
14	Non-metal mineral manufactures	35.1	0.30%	Printed books, newspapers	10.7	0.50%
15	Machines for particular industries	34.1	0.20%	Iron and steel products	9.8	0.40%
	Memo Item:					
	Energy Exports**	12,920.0	92.20%	Energy Exports**	1,946.0	83.5%
	Non-Energy Exports	1,086.0	7.80%	Non-Energy Exports	385.0	16.5%

Source: Central Statistical Office, Trinidad and Tobago

** Includes Items in SITC 3: Mineral Fuels, Lubricants and Related Materials and Items in SITC 5: Chemicals

Table A9: Trinidad and Tobago's Trade Agreements

Partner	Type of Arrangement	Status
WTO April 1994 January 1995 (entered into force)	Multilateral trade agreement, covering goods, services and trade-related issues	Uruguay agreements being implemented; Doha Round initiated in 2002
CARICOM October 1972 January 1993	Broad integration movement including Single Market and Economy (CSME), covering the movement of goods, services and skilled persons, Common External Tariff(CET) right of establishment, macro-economic policy co-ordination, harmonization of economic policies, and common sector policies (agriculture, services, transport and industry)	Free trade in goods and CET established; single market established; single economy pending
Venezuela October 1992 January 1993 (entered into force)	Preferential partial-scope agreement with CARICOM, offering improved market access to the Venezuelan market	In force.
Colombia July 1994 January 1995 (entered into force)	Preferential partial-scope agreement with CARICOM, offering improved market access to the Colombian market. Revised May 1998 to include reciprocity for MDCs	In force.
Dominican Republic August 1998 December 2001 (entered into force)	Reciprocal FTA with CARICOM MDCs and non-reciprocal with LDCs. Trade free for commodities; MFN for sensitive goods; services reciprocal, but no timetable set. Includes investment and government procurement provisions.	In force.
Cuba July 2000 December 2002 (entered into force)	Reciprocal trade liberalization (partial scope) arrangement with CARICOM, covering goods. Trade liberalization according to positive list approach. Provisions for trade promotion and special treatment of goods from Export Processing Zones.	In force.
Costa Rica 2001 (Trinidad and Tobago) March 2004 CARICOM	Reciprocal FTA with CARICOM MDCs and non-reciprocal with LDCs. Goods trade free with some exceptions. Also provisions for dispute settlement, application of anti-dumping measures and enhancement of SPS regulations	In Force.
EPA between EU and CARIFORUM	Regional Economic Partnership Agreement, including reciprocal free trade and provisions for aid between the EU and CARIFORUM. WTO-compatible liberalization provisions covers "essentially all trade."	Started on January 1, 2008. Agreement initialed by CARIFORUM Governments on December 16, 2007

Source: Jessen and Vignoles (2006); EU (2007b)

Box A1: The CSME – Summary Status of Key Elements

a) <i>Institutional Support Mechanisms (Regional)</i>
i) The Caribbean Court of Justice (CCJ) set up in 2005 to handle trade disputes.
ii) The CARICOM Regional Organisation for Standards and Quality (CROSQ) created in 2002 (as a successor to the Caribbean Common Market Standards Council) to promote the harmonization of standards.
iii) The Regional Competition Commission inaugurated in January 2008.
b) <i>Free Movement of Goods, Services and Persons</i>
i) All import duties and discriminatory charges removed (with a few exceptions) on goods of CARICOM origin
ii) Legislative and administrative action taken to remove restrictions to the provision of services (with the exception of transportation services)
iii) Free movement of selected categories of workers: self-employed service providers, entrepreneurs, technical, managerial and supervisory staff, spouses and immediate dependent family members and persons consuming services abroad
iv) The Fourth Phase of the CET implemented in all countries except St. Kitts and Nevis.
c) <i>Harmonisation of Laws</i>
i) Drafting and review of model Customs legislation.
ii) Approval of a draft model of the regime for the rights of establishment services and capital;
iii) Approval of a draft model of competition law

Source: CARICOM Secretariat (2007)

Table A10: Trinidad and Tobago: Movements in Food Prices, Selected Periods (%)

	1999-2002	2003	2004	2005	2006
Food Prices	10.27	12.28	20.57	22.57	22.02
Meat	-0.19	14.86	6.53	7.11	15.4
Fish	-0.7	10.45	8.49	21.8	32.59
Fruit	-0.94	8.7	32.77	26.97	19.89
Vegetables	0.2	46.35	72.88	39.21	19.3
Oils and Fats	-0.02	15.1	3.82	4.1	5.78

Source: Central Bank of Trinidad and Tobago (2007)

Box A2: Trinidad and Tobago: Best Practices for Trade Facilitation

Areas where international standards are met

- Simplification of Customs Processes;
- Customs Modernization Programme;
- Completed or in Progress;
- Organized Programme for the Modernization of Trade Legislation & Regulations;
- Varying Processing Requirements for Categories of Importers & Exporters;
- Risk Assessment Capability;
- Formalized Process of Appeal;
- Formalized Mechanism for the Review of Fees and Procedures with Private Participation

Areas where country falls below international standards

- Full range of Trade & Customs Publications, inclusive of Internet;
- Re-engineered & Simplification of Port Processes;
- Established System of Authorized Traders with Know Criteria;
- Simplification of Requirements Relating to Licenses & Permits;
- Usage of Operational Standards for Customs, Ports, etc.;
- Automated Capacity for Agencies;
- End-to-end Automated Cargo Processing at Customs;
- Capacity for Electronic Manifest Utilization;
- Electronic Payment Mechanism;
- Electronic Cargo Release;
- Electronic Cargo Tracking at Terminal;
- Electronic Connectivity Between Stakeholders;
- Electronic Processing for Trading Community;
- Modern and Efficient Port;
- Port Accommodation for Customs and Other Agencies

Source: Adair (2006)