

ADDRESS BY

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MINISTER IN THE MINISTRY OF FINANCE**

**AT THE OPENING OF THE SEMINAR:
POSITIONING THE CARIBBEAN CONSTRUCTION
SECTOR IN THE CONTEXT OF REGIONAL AND
MULTILATERAL AGREEMENTS, NOTABLY EPAS**

9:00 AM, MONDAY 5TH DECEMBER, 2005

**TRINIDAD AND TOBAGO
CHAMBER OF INDUSTRY & COMMERCE,
COLUMBUS CIRCLE
WESTMOORINGS**

Christian Mouttet, President, Trinidad and Tobago Chamber of Industry and Commerce; Paul Quesnel, President, TTMA; Representatives of the business community; Representatives of the construction sector; Ladies and Gentlemen.

Thank you for inviting me to speak with you this morning on the subject of the Construction Sector, given its importance as a major generator of economic activity in the fields of goods and service. I also wish to commend the work being conducted by the ITNU, TRINNEX and PROINVEST and I am pleased to view this presentation of the results of the study on the capabilities and challenges of the Construction sector in the CARIFORUM-European Union Economic Partnership Agreements (EPAs).

In the current trade scenario, globalization and liberalization are facts of life. Traditional barriers are falling continuously and no longer is any one nation buffered by geographic location, or historic and cultural privileges and ties. It has been generally accepted that liberalization of trade in goods can create healthy economies, generate economic growth, investment and employment worldwide through expanding markets, facilitating competition and disseminating skills and technology.

Trade in services has also more recently been brought under scrutiny as a major element of the trade liberalization process. Open markets

for services are expected to encourage quality improvements; product and process innovation; reduce resource waste; constrain the power of individual economic operators and ensure continued service availability at reasonable prices to users.

Services negotiations generally, and with particular reference to the EPAs, are especially significant, given the importance of services sector activity to economic development in the Caribbean, and the repositioning of economic and business relationships under the current Cotonou Agreement, which has spawned the EPAs.

Along with other trade negotiations taking place bilaterally and multilaterally, our region is engaged in the negotiation of EPAs. The Second Phase has been completed and the Third Phase was launched on September 30, 2005. The negotiations on Services in the EPA are important because of the market access opportunities for the region, particularly in the area of mode 4, movement of natural persons.

In Trinidad and Tobago the Services Sector is the largest sector in the economy, contributing annually on average \$US 5 billion (\$TT 35 billion) to Gross Domestic Product (GDP)¹. Over the period 2001 – 2005, services accounted for an average of 55% of GDP. In terms of employment, services industries employed an average of 79% of the labour force, some 425, 000 persons over the period 2001 – 2004.. Services has also been a net contributor to the balance of payments

¹ At constant prices. Source: Review of the Economy 2005.

In light of this and a growing recognition of the need (at the regional and national level) to enhance the sector, the Government of Trinidad and Tobago intends to actively promote and expand the services sector by creating the facilitative environment for further growth and development. There is no doubt that the services sector will, in the coming years, generate additional employment and contribute to wealth-creation.

In pursuit of this mandate, the Ministry of Trade and Industry has undertaken the development of a Services Trade Policy, which, in conjunction with other policy documents on trade, industry and investment, will guide the future direction of the services sector, in a holistic and structured manner.

The Services Trade Policy is in the final stages of Drafting and will then be subjected to a comprehensive public consultation before submission to Cabinet. As part of the consultative exercise which generated the initial Policy document, the Ministry conducted a survey of services establishment during the months April to June 2005, whose findings revealed that:

- A substantial proportion of service providers (42%) were already exporting to the CARICOM region, with 23% exporting extra-regionally;

- The movement of natural persons was the most prevalent mode of supply;
- The main problems in exporting services were insufficient market information, regulatory barriers and strict requirements for establishment of a commercial presence in foreign markets; and
- Government intervention was most needed in the areas of domestic regulations (laws governing the sector's operations), incentives, training and market intelligence.

Accordingly the Services Trade Policy of Trinidad and Tobago, 2006-2010 will focus on measures to address the deficiencies in the system, in particular regulatory reform in all services sectors.

You may also be aware that the Ministry is facilitating the establishment of a Trinidad and Tobago Coalition of Services Industries (TTCSI). This is basically an alliance of services organizations, associations and professionals coming together one common institutional cover to advise, coordinate, collaborate and lobby on services trade related issues.

Among the Coalitions' objectives is the need to prepare sector stakeholders for the challenges and opportunities arising from services trade liberalization, and to partner with the public sector in the development of the Region's Services Sector. The TTCSI will be launched in January 2006.

In addition as part of our commitment to the concept of public/private partnership, Ministry of Trade and Industry's staff has held a series of meetings with sector associations to formulate strategies to address the specific challenges they face.

In light of these plans for the services sector, today's focus on the Construction sector is timely and appropriate. Construction services are a vital aspect of our economy. In fact, construction and related engineering services are fundamental activities, since they not only provide the necessary physical infrastructure for other sectors of the economy and create the built environment, but the sector is also strategically important for the creation of jobs; cross-sectoral linkages; trade in services, equipment and inputs; and for overall economic growth.

In Trinidad and Tobago, the Construction sector (along with Quarrying) is the third largest services contributor, adding some \$US 964 million (\$TT 6,073.2 million) to GDP in 2004-2005 and accounting for 16.2% of employed persons.

Given its significant contribution to development, major issues of concern for the sector include the need to fill regulatory gaps, especially as we strive to develop a first-class construction industry; Issues of licensing; ensuring quality service; and prompt payment for contracted work.

At the regional level, where we negotiate under the EPA, we must determine a stance on issues such as how much liberalization is desired within the EPA; what levels of local content or local use requirement should be applied to our markets; and what specific requests for improvements in commercial presence restrictions and mode 4 commitments should be made to the EU.

In light of the negotiations and the national efforts to improve the services sector, the report of the consultants on the issues, limitations and options within trade negotiations for the Construction sector are quite timely.

Also at the regional level, the CARICOM Single Market and Economy (CSME) is expected to bring additional benefits to service providers.. The creation of a single CARICOM economic space to facilitate regional trade, production and investment, will go beyond the liberalization of intra–regional trade, and also strengthen the sub-regional grouping in all of its dimensions. The CSME will enable CARICOM to respond more effectively to the challenges and opportunities presented by the changes in the global economy. The Single Market is expected to be operational in all thirteen participating Member States by January 1st 2006, while the Single Economy is set to be on stream by 2008.

The free movement of capital and persons is a critical element of the Single Market component of the CSME, since with free movement it will be more cost effective to apply regional resources towards

production, capital formation and growth. In essence, businesses will be able to source the capital and the best human resources wherever they are located in the Region, to enhance their competitiveness.

The CSME is intended therefore, to strengthen the Region's economic strength and allow for a more beneficial participation in the global economy. We believe that the CSME will be our bridgehead into the Free Trade Area of the Americas (FTAA), the European Union (EU) and the entire global economy being shaped in the World Trade Organization (WTO).

At the multilateral level, within the WTO, liberalization in services started in the Uruguay Round with the General Agreement on Trade in Services (GATS) and is now one of the key issues of the Doha Development Round.

As small developing states, CARICOM has chosen to participate in the various international trade negotiations as a collective group in order to minimize our size constraints and to enhance our unified strength. Our prime directive is to protect our current trade privileges and ensure that new trade rules are adequate in addressing our particular circumstances of smallness and vulnerability to economic and other shocks.

I look forward to the comments and suggestions from you, the stakeholders on how to address these challenges, as we partner in positioning the services sector for success under the global trade system.

I Thank you.