



REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF TRADE
AND INDUSTRY



UNITED NATIONS

ECLAC



TRINIDAD AND TOBAGO TRADE POLICY

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TOWARDS SUSTAINABLE ECONOMIC GROWTH AND DIVERSIFICATION

TRINIDAD AND TOBAGO
TRADE POLICY

2019 - 2023

TOWARDS SUSTAINABLE ECONOMIC GROWTH AND DIVERSIFICATION

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ACRONYMS AND ABBREVIATIONS

ACP – African, Caribbean and Pacific
ADB – Agricultural Development Bank
Aft – Aid for Trade
ASEAN – Association of Southeast Asian Nations
ASYCUDA – Automated System for Customs Data
CAD – Consumer Affairs Division
CARIBCAN – Caribbean-Canada Trade Agreement
CARICOM – Caribbean Community and Common Market
CARIFORUM – The Forum of the Caribbean Group of ACP States
CBTT – Central Bank of Trinidad and Tobago
CBERA – Caribbean Basin Economic Recovery Act
CBPTA – Caribbean Basin Trade and Partnership Act
C&ED – Customs and Excise Division, Ministry of Finance
CEE – Centre of Export Excellence
CIC – Cross-Agency Implementation Committee
CSME – CARICOM Single Market and Economy
EMA- Environmental Management Authority
EPA – Economic Partnership Agreement
EPC – Export Promotion Council
ETTIS – Export from Trinidad and Tobago Incentive Scheme
EU – European Union
FinTech – Financial Technology
FTA – Free Trade Agreement
EXIMBANK – Export-Import Bank of Trinidad and Tobago
GATS – General Agreement on Trade in Services
GATT – General Agreement on Tariffs and Trade
GDP – Gross Domestic Product
GORTT – Government of the Republic of Trinidad and Tobago
ICT – Information and Communication Technologies
IPR – Intellectual Property Rights
IPO - Intellectual Property Office
IRA – Industrial Relations Act
MALF - Ministry of Agriculture, Land and Fisheries
MAGLA - Ministry of the Attorney General and Legal Affairs
MEEI - Ministry of Energy and Energy Industries
MSME – Micro, Small and Medium Enterprise
MOE - Ministry of Education
MOF - Ministry of Finance

MOH - Ministry of Health
MFCA - Ministry of Foreign and CARICOM Affairs
MOLSED- Ministry of Labour and Small Enterprise Development
MNS- Ministry of National Security
MTI – Ministry of Trade and Industry
MPA - Ministry of Public Administration
MPD - Ministry of Planning and Development
MPU - Ministry of Public Utilities
MOWT - Ministry of Works and Transport
NAMDEVCO – National Agricultural Marketing and Development Corporation
NDS – National Development Strategy – Vision 2030
NEDCO- National Entrepreneurship Development Company Limited
NGO – Non-Governmental Organization
NQP – National Quality Policy
OPM – Office of the Prime Minister
PATT – Port Authority of Trinidad and Tobago
PSTA – Partial Scope Trade Agreement
SAEO – Special Authorized Economic Operator
SIDS – Small Island Developing States
SDGs – Sustainable Development Goals
SPS – Sanitary and Phytosanitary
SVEs – Small Vulnerable Economies
TBT – Technical Barriers to Trade
THA – Tobago House of Assembly
TLU – Trade Licence Unit, Ministry of Trade and Industry
TPTWG – Trade Policy Technical Working Group
TRIPS - Trade-Related Aspects of Intellectual Property Rights
TTBS – Trinidad and Tobago Bureau of Standards
TTCIC - Trinidad and Tobago Chamber of Industry and Commerce
TTCSI – Trinidad and Tobago Coalition of Services Industries
TTMA – Trinidad and Tobago Manufacturers’ Association
TTRA – Trinidad and Tobago Revenue Authority
TTTP – Trinidad and Tobago Trade Policy
UNECLAC – United Nations Economic Commission for Latin America and the Caribbean
UTT – University of Trinidad and Tobago
UWI – The University of the West Indies, St. Augustine Campus
VAT – Value-added Tax
WTO – World Trade Organisation

FOREWORD

Trinidad and Tobago is a small open economy, in which trade and investment play an important role in the well-being of the nation. Accordingly, the Government of the Republic Trinidad and Tobago (GORTT) recognizes this fact and views international trade as a crucial driver of economic growth and development while simultaneously being a means to alleviate poverty and reduce unemployment. In so doing, Trinidad and Tobago's participation in international trade allows it to reach beyond our resource constraints utilizing our energy, ingenuity and diversity of human capital to access export markets in order to improve the standard of living and quality of life of our citizens.

To achieve this, Trinidad and Tobago must continue to forge strategic alliances with trading partners by pursuing effective commercial diplomacy, while striving to reduce or remove barriers to trade. Trinidad and Tobago must also strive to be globally competitive while always seeking to discover new markets and create new goods and services. Government policies and agencies must also be geared towards facilitating this effort so that the gains of international trade can truly redound to the benefit of Trinidad and Tobago.

Accordingly, the GORTT of the Republic of Trinidad and Tobago recognizes that true transformation of Trinidad and Tobago's export base requires the formulation and implementation of a coherent trade-related policy that takes advantage of the country's comparative advantage, while at the same time, moving up the production value-chain.

The Trinidad and Tobago Trade Policy 2019 – 2023: Towards Sustainable Economic Growth and Diversification (TTTP) outlines the GORTT's trade-related policies aimed at improving competitiveness, economic and export diversification, as well as, the country's foreign exchange earning potential. The TTTP not only draws from the lessons learned from previous trade policies, but also seeks to incorporate policies and strategies included in the National Aid for Trade (Aft) Strategy 2016-2019; the National Quality Policy (NQP) 2018-2030; and the National e-Commerce Strategy 2017-2021.

In order for the TTTP to be successful, there must be commitment and coordination from and among all stakeholders. The private sector plays a central role in the restructuring and export diversification process, and therefore is embedded within the TTTP's framework. The Ministry of Trade and Industry is the lead state agency involved in the implementation and roll out of the TTTP. As such, the Ministry of Trade and Industry shall proceed assertively to implement the TTTP. The process will be transparent and collaborative so as to ensure widespread support and buy-in.



ACKNOWLEDGEMENTS

The Trinidad and Tobago Trade Policy 2019-2023: Towards Sustainable Economic Growth and Diversification (TTTP) is the product of a collaborative effort between the Ministry of Trade and Industry and the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) Subregional Headquarters for the Caribbean. Special thanks must be extended to Mr. Sheldon Mc Lean, Coordinator, Economic Development Unit, UNECLAC Subregional Headquarters for the Caribbean and the UNECLAC technical team¹ who were the principal drafters of the TTTP and provided invaluable technical advice, research and analysis. Their work is demonstrative of UNECLAC's commitment to supporting the growth and sustainable development of Caribbean Economies through its "Caribbean First" initiative.

The support of Senator the Honourable Paula Gopee-Scoon, Minister of Trade and Industry must also be recognized. The Minister played an influential role in providing key policy guidance, comments and recommendations to shape the formulation of the TTTP in accordance with the GORTT's key trade and economic priorities.

The success of the TTTP would not have been possible without the cooperation of several key ministries and trade-related agencies and the private sector that provided pertinent feedback. Specific mention must also be made to the Permanent Secretary and Technical Officers of the Ministry of Trade and Industry who also assisted with the development of the TTTP and who, in large part, will be charged with ensuring its implementation.

¹Mr. Hidenobu Tokuda, Economic Affairs Officer; Mr. Machel Pantin, Economic Affairs Assistant; and Dr. Don Charles, Economic Affairs Assistant.

EXECUTIVE SUMMARY

Trinidad and Tobago's National Development Strategy (NDS) - Vision 2030 is the country's long-term framework which guides the formulation of policy and strategy to take Trinidad and Tobago into developed country status by 2030. Accordingly, the Trinidad and Tobago Trade Policy 2019 – 2023: Towards Sustainable Economic Growth and Diversification (TTTP), has been formulated within this framework, with guidance from the World Trade Organization (WTO) Trade Policy Review 2012 and the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC). It builds on and integrates policies and strategies detailed in the National Aid for Trade (AfT) Strategy 2016-2019, the National Quality Policy (NQP) 2018-2030 and the National e-Commerce Strategy 2017-2021.

In addition, the TTTP has been shaped by internationally agreed development goals and disciplines, especially the Sustainable Development Goals (SDGs), and international and regional trade agreements to which the country is signatory. Significant among these are the World Trade Organization (WTO) agreements and the Revised Treaty of Chaguaramas, along with, the ACP Cotonou Agreement and the follow-up Economic Partnership Agreement (EPA) with the European Union (EU).

International trade plays a pivotal role in the development of Trinidad and Tobago's economy, as indicated by the rising ratio of trade to Gross Domestic Product (GDP) (currently estimated at 132%) and the ratio of exports to GDP being 68% and the ratio of imports to GDP at 64%. For the Government of the Republic of Trinidad and Tobago (GORTT), trade is seen as a crucial driver of economic growth, poverty alleviation, unemployment reduction and development. In order for trade to support the achievement of the goals of the NDS and allow for the accrual of the envisaged welfare gains, it is imperative that existing export-impeding structural gaps be addressed.

Collective efforts at diversification have shown some measure of progress over the past two decades as indicated by an increasing export share of mid-tech products. However, the diversification achieved so far

has largely been horizontal in nature and insufficient to either adequately improve the country's economic resilience or boost economic growth. Furthermore, the country's exports are, on average, far too specialized in a few products when compared to the world average or even with that of other Small Island Developing States (SIDS). As a consequence, the country's foreign exchange earnings are

dependant largely on light manufacturing, downstream energy and mineral resources exports. This export profile makes the country's foreign exchange earning capacity extremely vulnerable to external shocks.

Transforming Trinidad and Tobago's exports to ensure that the country increasingly produces high-value goods and services, with growing global demand, is seen by the GORTT as a crucial first step in the right direction. This however first necessitates the formulation of a coherent trade policy which sets the economy along a path of comparative advantage-based production, that increasingly moves up the value-chain.

Emerging protectionist sentiments globally threaten to derail the foundations of the multilateral system and reverse many of the gains derived from the quickening of multilateral and regional economic integration over the last two decades. Hence, it has become increasingly urgent that Trinidad and Tobago develop a holistic strategy for ensuring that private sector development, trade and domestic trade-related reform become tools of development and catalysts for stimulating sustainable economic growth. Such an approach to policy-setting will also go a long way in building economic resilience thereby reducing the country's vulnerability to external shocks, particularly those relating to commodity prices, global demand, climate change and geo-politics.

Accordingly, the TTTP articulates the GORTT's trade-related policies aimed at enhancing the competitiveness and diversification of the economy and the country's exports, as well as, increasing foreign exchange earnings. This has emerged as a policy priority in view of the challenges experienced in the energy sector in the last few years, given that the country has traditionally been over-reliant on earnings from the energy sector. The TTTP is an explicit expression of the GORTT's commitment to diversifying the economy and its exports.

OVERVIEW OF TRINIDAD AND TOBAGO'S PRODUCTION AND EXPORT STRUCTURE:

Trinidad and Tobago is the leading manufacturing economy in the Caribbean Community (CARICOM). However, 90% of all the country's exports are concentrated among a few energy and energy-based products along with a few food and beverage and tobacco products. As a result, export earnings over the years have fluctuated due to international energy prices and demand shocks, while import volumes have been trending upwards and values trending downwards.

The country's vulnerability to these shocks suggests that there is need to explore other export sectors, including services, and provides a compelling argument in favor of diversifying and expanding the country's trade in line with its emerging areas of comparative advantage.

Trinidad and Tobago has considerable potential to benefit from increased services export, since services now account for about 57% of its GDP. Indeed, Trinidad and Tobago's services export has been accelerating since 2010, reaching approximately US\$1.118 billion in 2017. However, services account for only approximately 10% of the country's US\$11.04 billion of exports. Therefore, the opportunity for services trade remains a major stimulus to domestic and foreign investment to diversify and grow the national economy. The country's unrealized potential to achieve high growth lies mainly in the services sector, which includes most of the country's capacity to produce and employ domestic capital.

The TTTP therefore seeks to increase economic growth by diversifying the country's goods and services trade profile. Such measures would transform the country's economy from one that is primarily dependent on traditional exports, into one that is based on innovation and value-added in both the goods and services sectors. Economic transformation of this nature would reduce vulnerability to the damaging effects of periodic price and demand shocks affecting the country's traditional

exports, as well as, build capacity for sustainable growth. In this regard, the GORTT views investment in innovation and research and development as crucial for closing the technology gap with developed economies, thereby facilitating the country's entry into tertiary industries.

OVERARCHING OBJECTIVES AND STRATEGIES:

The TTTP rests on certain enduring principles, pursues specific goals, and is founded on objectives and key strategies. The TTTP is also formulated within the context of the international trade agreements to which Trinidad and Tobago is signatory.

Set in the context of current trends in the global environment and trends in Trinidad and Tobago's production, exports and imports, the TTTP was formulated through an extensive consultative process. All stakeholders, cutting across the public and private sectors, as well as, the Tobago House of Assembly, were able to provide inputs into the TTTP. The process culminated in a series of day-long strategy sessions chaired by the Ministry of Trade and Industry (MTI).

The TTTP drew from the lessons learned from the successes and challenges in implementing past trade policies. The measures and strategies identified satisfy five key guiding principles of simplicity and clarity, realism, predictability, transparency, and modesty, long adopted in policymaking by the GORTT.

The TTTP has as its goals for the next five (5) years the following:

Goal 1: An improved facilitative and enabling environment for international trade

Goal 2: Growth in the production and export of non-energy goods and services

Goal 3: Growth in the production and export of high value-added goods and services

Goal 4: Growth in share of CARICOM trade, inclusive of trade in services

Goal 5: Growth in market share within traditional and non-traditional markets

The goals identified above will be facilitated by the following objectives:

obj1: Improvement of the supply (output) capacity and characteristics of the trade, business and Investment environment

obj2: Upgrade of the policy environment

obj3: Increased market access and penetration

To achieve the objectives articulated above, The TTTP proposes the adoption of five (5) key strategies:

Strat1: Firstly, that action be taken to improve the country's marginal labour productivity. This is needed to ensure a positive industrial climate to facilitate trade.

Strat2: Secondly, that measures be adopted to increase the level of export market penetration by growing the share of existing markets, exploring new market opportunities and pursuing commercial diplomacy.

Strat3: Thirdly, that action be taken to further strengthen the country's trade-related institutional capacity critical to supporting the country's trading agenda by creating new institutions, capacity building and the strengthening of existing institutions.

Strat4: Fourthly, that action be taken to accelerate national trade facilitation efforts by reducing the cost of doing business, increasing the efficiency of transport logistics and cargo handling, standardisation of customs procedures and upgrading of associated regulatory measures.

Strat5: Finally, that Trinidad and Tobago increases its efforts at environmental sustainability within the framework of commitments under the Sustainable Development Goals (SDGs). The development of Green Industries would therefore be pursued given the potential it affords for not only achieving sustained growth but also generating employment in new areas.

KEY ELEMENTS OF THE APPROACH TO PRODUCTION AND EXPORT DIVERSIFICATION:

The TTTP advances key elements of an export diversification strategy that is rooted in a broader industrial policy, and seeks to nudge the country towards increased production and exports in industries where the country has comparative advantages. In the area of goods, these industries include agriculture and agro-processing, fish and fish processing, light manufacturing, downstream as well as upstream energy products.

The TTTP will also strengthen backward and forward linkages between the country's energy sector and other goods and services industries. In this regard, ship repair and dry-docking services, as well as, down-stream aluminium products are proposed as important new export sectors of dedicated focus. Development of Trinidad and Tobago's Green Industries will also be pursued for export, as well as, for inputs into manufacturing. Opportunities for the export of high-value added products will be exploited in areas such as electronic assembly, textile and garment manufacture for the fashion industry, pharmaceutical, perfume/cosmetic/cleanser, printing and packaging and petrochemical products.

The wider Caribbean, as well as South American, Central American, Asian and European economies will be targeted for export expansion in the first instance. The data suggests significant underutilized potential exists to expand trade in Latin America, the EU and in Asia, including India, China and the ASEAN bloc. There is also significant potential to expand exports to the USA, where the existence of a large Caribbean diaspora can provide an anchor for such exports.

There exists significant opportunities to increase Trinidad and Tobago's intra-industry-intra-regional trade. This could provide a basis for a regional integration process which is predicated on production integration as originally envisaged by the architects of the CARICOM Single Market and Economy (CSME).

However, the country's competitiveness and export performance continue to be constrained by the existence of several structural gaps. In addressing these gaps, investment in innovation is viewed by the GORTT as central to delivering the requisite structural transformation. The GORTT is moving swiftly towards instituting mechanisms for encouraging private sector investment in innovative production practices, as well as, fostering innovation and technology creation. Given that research and development and movement up the value-chain require an adequate stock of human capital,

investment and development cooperation, initiatives to educate, train and retool the labour force will also be accelerated.

The GORTT also sees infrastructure investment as having a positive knock-on effect not only on competitiveness and productivity but also on economic development, which in turn is reflected in welfare gains. Moreover, the quality and availability of infrastructure often influence investment decisions and business locations, while the existence of modernized key economic infrastructure, particularly in the areas of energy, transport and ICT, facilitates economic activity.

Trade financing is another major input in improving Trinidad and Tobago's performance in trade. It is a major challenge facing traders, including MSMEs, especially in newly emerging sectors such as services. As such, avenues for the financing of long-term investments and working capital identified in the capital budgets of innovative trade-related projects; in the creative industries and more generally the services sector, MSMEs and the manufacturing sector, will be enhanced.

The services sector will be developed in parallel with the manufacturing and energy sectors. The GORTT is cognisant that the services sector has significant potential to contribute to the growth of the economy of Trinidad and Tobago. A major challenge of the country is identifying and taking the appropriate steps to increase the scope, quality, and efficiency of tourism; medical and health services; creative industries and entertainment services; key business services including law, accounting and auditing education and training; ICT; commercialization of innovation utilizing IP; data collection and analysis for marketing and customer service; credit allocation; and risk and financial management.

In this regard, there are close linkages between efforts to upgrade the scope and competitiveness of business services and the efforts to upgrade infrastructure, capacity for e-Commerce, and human capital. Successful liberalization of these aspects of the domestic market and the attraction of foreign investment into the development of human capital and physical infrastructure will also make business services more competitive and attractive as a services export. In turn, this will improve the scope and competitiveness of the emerging business process outsourcing industry.

Furthermore, the GORTT views investment in modernizing ICT (including e-Commerce) infrastructure and related services as a strong driver of economic

growth and export competitiveness by reducing transaction costs and fuelling increased domestic output across sectors. Modernized ICT infrastructure can also serve to lower the cost of information acquisition and enhance market participation. The ultimate goal of the GORTT is to reduce the digital gap between Trinidad and Tobago and developed economies. In this respect, the GORTT also recognizes growth of the ICT sector as a necessary precursor to the quickening of the pace of industrialization and private sector development.

In particular, Tobago faces the challenge of identifying the steps needed to increase the scope, quality, and efficiency of the services it seeks to export. In this regard, it is recognized that there are close linkages between efforts to upgrade the scope and competitiveness of services produced in Tobago and the efforts to upgrade infrastructure, capacity for e-Commerce and human capital.

Accordingly, the GORTT will collaborate with the Tobago House of Assembly (THA) to develop capacity to formulate supporting trade policy initiatives for the development of competitiveness in all areas of the services sector in which Tobago's stakeholders are interested. In addition, to the standard tourism platform of transportation and geography, the GORTT is interested in making the island a focal point for national development of services export capacity in education, healthcare, the creative industries, ICT, yachting and other maritime services.

INTEGRATION INTO THE MULTILATERAL TRADING SYSTEM:

Over the period 2019-2023, the GORTT will continue to pursue a policy of integration into the multilateral trading system while strengthening trading relationships with traditional trading partners and establishing new arrangements with other countries or blocs of emerging interest based on empirical analyses; private sector advocacy; the country's economic development agenda; and prevailing geo-politics. The GORTT will also continue to actively engage the private sector and Business Support Organizations (BSOs) and other private sector organizations as key partners in the process of prioritizing its trade and investment negotiating agenda, as well as the process of negotiating trade agreements.

The Ministry of Trade and Industry will also continue to work closely with exporTT and CreativeTT to create export platforms and prepare profiles of potential buyers, importers and agents in countries of interest, as well as, develop export guidelines to assist domestic firms to take advantage of market access opportunities under existing

trade agreements. The Ministry of Trade and Industry will also collaborate with exporTT and CreativeTT, the Ministry of Rural Development and Local Government to establish a framework for the periodic conduct of market intelligence, including in-depth analyses of the export potential of markets, and a mechanism for the dissemination of the results established. This information will be compiled into a database of, inter alia, tariffs and non-tariff measures; market entry requirements; business and trade regulations; buyers, suppliers and distributors; business support organizations and sector profiles etc.

GENDER AND YOUTH:

The GORTT is also committed to identifying, understanding and removing obstacles to the full participation of women and youth in the development of trade. There are significant differences in the opportunities available to, and the challenges faced by, women and men seeking entrepreneurial opportunities in the formal economy. Women are still the main operators of the home, the informal economy, and in petty trading and itinerant vending. The youth are still the age group with the greatest challenge in finding good jobs. In an effort to ensure that adequate broad-based economic growth and social development is achieved, effective investment and trade programmes will be designed to facilitate active participation of women and the youth in the formal economy.

MONITORING, EVALUATION AND PUBLIC SENSITIZATION:

For the GORTT, successful implementation of the TTTP hinges on the creation of a robust monitoring and evaluation framework both at the policy and project levels. This is necessary to determine the extent to which outputs are being realized and to assess the impact on the attainment of policy objectives.

Accordingly, at the policy level, a Cross-Agency Implementation Committee (CIC) will be established to receive and review semi-annual monitoring and evaluation reports from the Ministry of Trade and Industry. At the project level, a Trade Policy Technical Working Group (TPTWG) comprised of the senior officials of the Ministry of Trade and Industry and focal points selected from across the private and public sectors, civil society, academia and key development partners will also be commissioned. The TPTWG will be tasked with not only formulating, but also monitoring and evaluating, projects and programmes geared towards the implementation of the TTTP and the achievement of its objectives. The

Ministry of Trade and Industry will retain responsibility for compiling the semi-annual reports of the TPTWG for consideration by the CIC. In turn, the mechanism of the Joint Select Committee will be utilized to facilitate dialogue and public awareness on the outcomes, impacts and activities of the TTTP.

The GORTT also has an appreciation of the need for the TTTP to be malleable so as to be updated as new priorities and/or exogenous shocks emerge. Consequently, monitoring the implementation of the strategy and the impact of the strategic interventions contained therein will seek to gauge the realisation of objectives and continued relevance of the elements of the strategy and related programmes and projects. In this regard, the work of the CIC and TPTWG will be adjusted accordingly over the implementation horizon to ensure that the TTTP remains on track to achieve its objectives.

Public sensitization, with a view to fostering buy-in by all stakeholders, particularly the general public and civil society, is viewed as crucial to the successful implementation of the TTTP and the achievement of its objectives. In this regard, the Ministry of Trade and Industry will undertake a comprehensive programme of public education and sensitization in respect of the imperatives of the TTTP.

THE WAY FORWARD:

Over the next five years the country's trade-related industrial policy-setting will be guided by understanding that beyond the intra-regional market, the wider-Caribbean, as well as, the South and Central American and Asian economies provide the most viable options for facilitating the process of self-discovery. This economic restructuring is necessary for building the resilience of the Trinidad and Tobago economy.

For the GORTT, the medium to long-term remedy for delivering broad-based export growth, particularly in high-value exports, lies in increasing production and trade in emerging areas with comparative advantage across the goods and services sectors. Key sectors for export diversification have been identified in the TTTP and the appropriate elements of the policy framework to support their development have been clearly articulated. Moreover, the private sector will play a central role in the industrial restructuring and export diversification process, and therefore shall be embedded within the framework of wider public policy intervention as outlined further in the TTTP.



CHAPTER 1

INTRODUCTORY PERSPECTIVES

1.1. BACKGROUND AND OVERARCHING PRINCIPLES OF THE POLICY

Trinidad and Tobago's National Development Strategy (NDS) - Vision 2030 is the country's long-term framework which guides the formulation of policy and strategy to help transform Trinidad and Tobago into a developed country. The Trinidad and Tobago Trade Policy 2019-2023: Towards Sustainable Economic Growth and Diversification (TTTP) has been formulated in this framework, with guidance from the World Trade Organization (WTO) Trade Policy Review 2012. It also builds on and integrates policies and strategies detailed in the National Aid for Trade (Aft) Strategy 2016-2019, the National Quality Policy (NQP) 2018-2030, the National e-Commerce Strategy 2017-2021 and National ICT Policy 2018-2022.

In addition, the TTTP has been shaped by internationally agreed development goals and disciplines, especially the United Nations Sustainable Development Goals (SDGs), and international and regional trade agreements to which the country is a signatory. Significant among these are the WTO agreements and the Revised Treaty of Chaguaramas along with the ACP Cotonou Agreement and the follow-up Economic Partnership Agreement (EPA) with the European Union (EU) and a myriad of bilateral free trade agreements (FTAs) and partial scope trade agreements (PSTAs) with Western Hemispheric countries.

For the GORTT, trade is seen as a crucial driver of economic growth, poverty alleviation, unemployment reduction² and development. However, the continued absence of key facilitatory conditions within the domestic economy has not only constrained the expansion of the export of goods and services, but also the wealth equalising impact of the country's trade liberalization agenda. In order for trade to support the achievement of the goals of the National Development Strategy and allow for the accrual of the envisaged welfare gains, this must be remedied and existing export-impeding structural gaps addressed.

OVERARCHING POLICY RATIONALE

As a member of CARICOM, and the CARICOM Single Market and Economy (CSME), Trinidad and Tobago has duty-free and quota-free (DFQF) access to the markets of all CARICOM Member States. As a member of CARICOM, Trinidad and Tobago has signed a number of preferential trading agreements (PTAs) with various extra-regional regions and countries³. Additionally, Trinidad and Tobago benefits from preferential access into the US market under the Caribbean Basin Initiative (CBI) (1984), and the Caribbean Basin Trade Partnership Act (CBTPA) (2000). Trinidad and Tobago is also granted preferential access to the Canadian market under the Caribbean - Canada Trade Agreement (CARIBCAN 1986).

Notwithstanding the aforementioned Agreements which seek to increase Trinidad and Tobago's market access, there is cognizance that emerging protectionist inclinations threaten to derail the foundations of the multilateral system and reverse many of the gains derived from the quickening of multilateral and regional economic integration over the last two decades. Hence, it has become increasingly urgent that Trinidad and Tobago develop a holistic strategy for ensuring that private sector development, trade and domestic trade-related reform become tools of development and catalysts for stimulating economic growth and poverty reduction. Such an approach to policy-setting will also go a long way in building economic resilience thereby reducing the country's vulnerability to external shocks, particularly those relating to commodity prices, global demand, climate change and emerging global political trends.

Accordingly, the TTTP articulates the GORTT's trade-related policies aimed at enhancing the competitiveness and diversification of the economy and the country's exports, as well as, increasing foreign exchange earning capacity. This has emerged as a policy priority in view of the challenges experienced in the energy sector in the last few years, given that the country has traditionally been over-reliant on earnings from the energy sector. It is an explicit expression of the GORTT's commitment to diversifying the economy and its exports.

PRODUCTION AND EXPORT STRUCTURE

Trinidad and Tobago is categorized as one of the leading manufacturing economies in the Caribbean Community (CARICOM). Mining and quarrying, industry and manufacturing contribute more than 50% to the total value added in the economy.⁴ Over 90% of all the country's exports are concentrated in a few energy and energy-based products along with a few food and beverage and tobacco products. As a result, export earnings have been fluctuating due to international energy price and demand shocks, while import volumes have been trending upwards and values trending downwards.⁵ This has also impacted the country's foreign exchange earnings.

²The TTTP will seek to facilitate increased employment of intermediate and highly skilled labour by the private sector.

³The PTAs include: the CARICOM - Venezuela Agreement on Trade and Investment (1992); the CARICOM - Colombia Trade, Economic, and Technical Cooperation Agreement (1994); the CARICOM - Dominican Republic Free Trade Agreement (1998); the CARICOM - Cuba Trade and Economic Cooperation Agreement (2000); the CARICOM - Costa Rica Free Trade Agreement (2004); the CARIFORUM - European Union Economic Partnership Agreement (2008); the Trinidad and Tobago - Panama Partial Scope Trade Agreement (2013) (MTI 2016).

⁴In 2018, the contribution of these sectors (mining and quarrying, manufacturing, electricity and gas, water supply and sewerage and construction) was 51.1 per cent at constant prices (42.5% at current prices).

⁵Using data from the United Nations Statistics Division (UNSD), National Accounts Section

The country's vulnerability to these shocks is an indicator that there is need to explore other sectors, including services, and a compelling reason to diversify and expand the country's trade in line with its emerging comparative advantage.

International trade has, however, contributed to enhanced competitiveness of the country's economy. Global market liberalisation has increased access at reduced unit costs for raw materials, intermediate inputs, and capital goods which the country itself cannot produce. Global market liberalisation has also contributed to price stability and enhanced food security, two (2) key elements of the national policy framework.

It is noteworthy that the country's exports are, on average, far more specialized in fewer products when compared to the world average or even with that of other Small Island Developing States (SIDS). As a consequence, the country's foreign exchange earnings are dependant largely on light manufacturing, downstream energy and mineral resources exports. Over the period 2009-2017 the country's top ten (10) goods exports included natural gas; inorganic chemicals; petroleum; organic chemicals; iron and steel; fertilizers; metal scrap and beverages and cereals. Together these accounted for, on average, 94.4% of total goods exports; with energy and petrochemical products accounting for just over 83%.

This export structure makes the country's foreign exchange earnings extremely vulnerable to external shocks. Indeed, due to the declines of global energy prices⁶, as well as, low level of local oil and natural gas production, foreign exchange earnings decreased from US\$11,497.1 million or 12.9 months of import cover at the end of 2014 to US\$7,622.0 million or 8.3 months of import cover at August 2018. Growth in the manufacturing sector (excluding petroleum and chemical products) has recovered to 2.5% in 2018, mirroring the trend in the energy sector.

In addition, Trinidad and Tobago's exports, like that of Caribbean economies in general, are typically concentrated in a few major markets, particularly the US, CARICOM and the EU where the country's exports benefit from preferential trading arrangements, with the intra-regional market being the third largest.⁷ Over the period 2000-2017, North America accounted for 46% of Trinidad and Tobago's total goods exports, however, with the shale revolution occurring in the US, the country's exports of LNG have been decreasing. Currently, Trinidad and Tobago exports less than 5% of its LNG to the US. Contrastingly, the Asia-Pacific region's share of total exports has been increasing over the years, accounting for 10% of Trinidad and Tobago's exports in 2017.⁸ This is largely due to the export of LNG to that region.

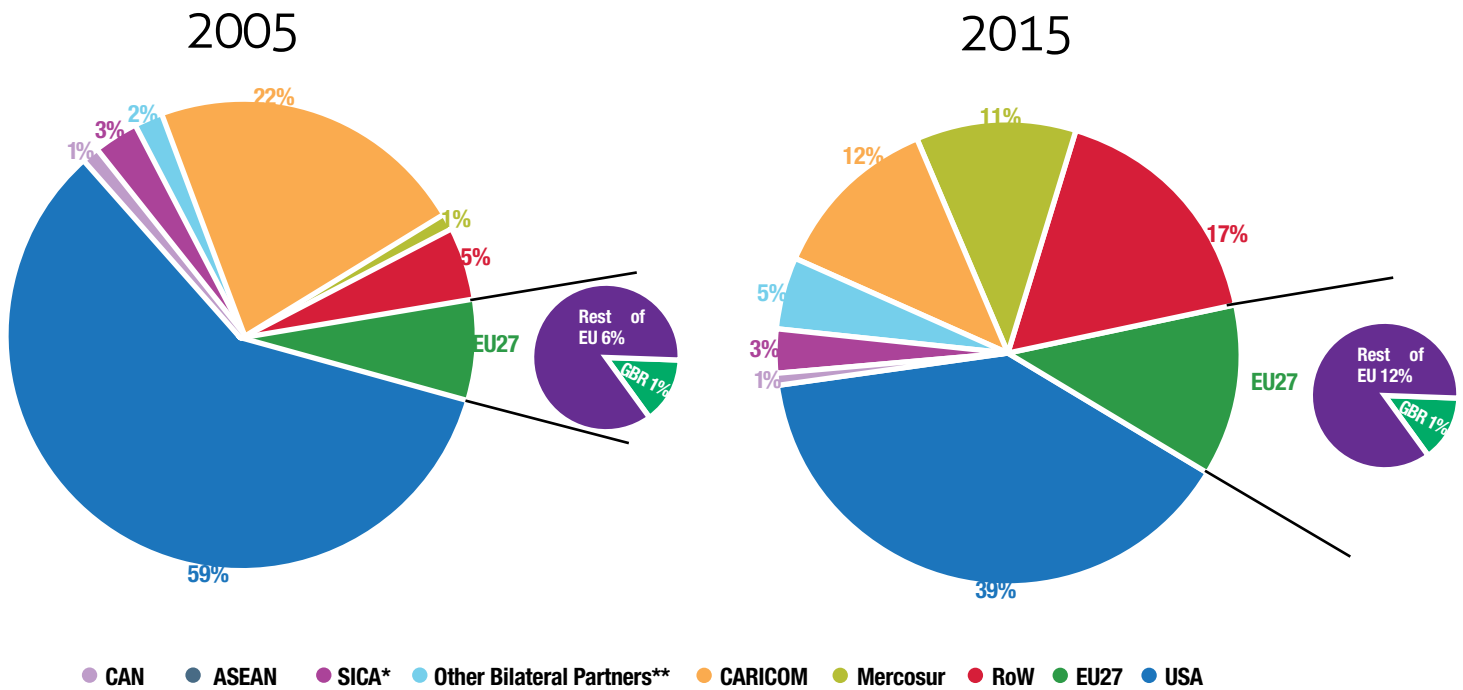
The evolution of Trinidad and Tobago's export markets from 2005 to 2015 is illustrated in the figures below. While there has been some diversification of markets, the majority of exports still go to CARICOM, the EU and USA. In 2005 these three (3) accounted for 87.2% of Trinidad and Tobago's exports, while in 2015 that number fell to 62.8% (see figure 1). Significant expansion was made in the MERCOSUR market, which grew from 1.2% to 10.7%, and in exports to the rest of the world, which grew from 5.5% to 17.1%.

⁶ Crude oil price (WTI) declined from US\$105.79/bbl in June 2014 to US\$68.06/bbl in August 2018. Natural gas spot price (Henry Hub) declined from US\$6.00/mmbtu in February 2014 to US\$2.96/mmbtu in August 2018.

⁷ In this regard, over the period 2006 to 2015 70 to 90 per cent of Caribbean exports were to Canada, the Caribbean, the European Union, the Mercosur bloc, the SICA bloc, the United States and the wider Caribbean region.

⁸ It is important to note that mirror data were used to compute 2016 and 2017 data points.

Figure 1: Trinidad and Tobago's Exports by Major Partners, 2005 and 2015 (%)



Source: COMTRADE via WITS

*SICA excludes Belize, which is included in CARICOM

** Colombia and Cuba

TRADE COMPLEMENTARITY AND INTRA-INDUSTRY TRADE

Empirical analyses conducted by UNECLAC reveals that Trinidad and Tobago's strongest trade complementarity⁹ lies with Caribbean economies, followed by Latin and Central America. Thus Trinidad and Tobago's exports best match the imports of Caribbean countries, when compared to its other trading partners.

While the country's export specialization profile does not match the import profiles of its major global trading partners, the country has relatively stronger trade complementarity with Central America, Latin America, Africa and Asia¹⁰, which are emerging as Trinidad and Tobago's more natural trading partners (see figure 2). It is however, interesting to note that, over the period 2012-2015, Trinidad and Tobago's trade complementarity declined for all regions examined¹¹.

This was not due to Trinidad and Tobago incurring any balance of trade deficit. Instead the data suggests a balance of trade surplus was generated over the period in question.

Rather, the trend in the Trade Complementarity Index suggests that while the import structure of all its trading partners has not changed, Trinidad and Tobago's exports have decreasingly 'matched' the import structure of these regions (i.e. the Caribbean, East-Asia Pacific, EU-27, North America, Latin America and Africa).

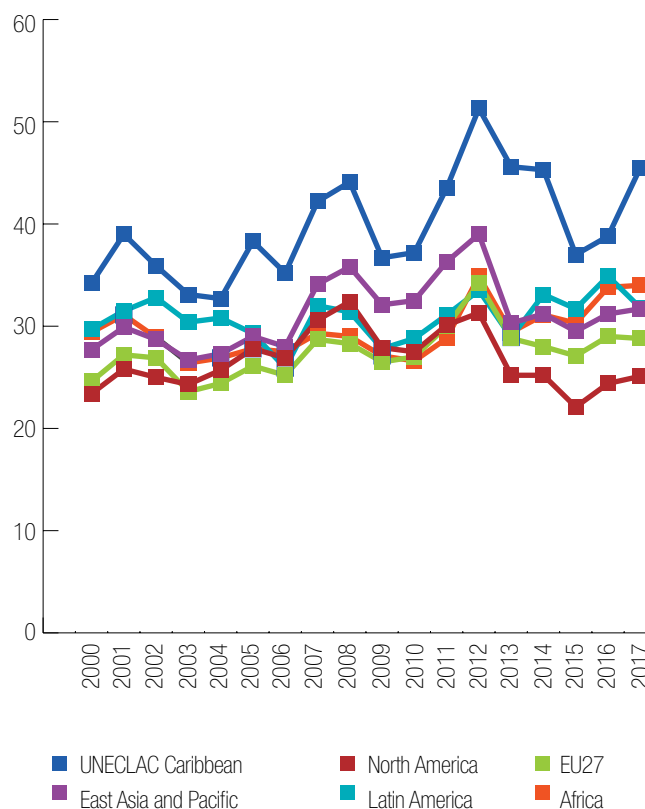
⁹The trade complementarity index measures the extent to which the export profile of one country (or country group) complements or matches the import profile of another country (or country group). An index value of zero indicates no correspondence between both countries, while a value of one indicates a perfect match in their export/import pattern. Theory suggests that if two countries or groups of countries share strong bilateral trade complementarity in diverse products, then greater trade can be generated between them (Schiff 2001). However, high transportation and transaction cost may limit the actual gains that can accrue from trade between trading partners, which possess strong trade complementarity.

¹⁰In 2015, natural gas (41.4% of total export to Asia) and organic chemicals (35.1%) are the two major export products from Trinidad and Tobago to Asia. Top five destination markets are South Korea, China, Singapore, North Korea and Japan, but there is a fluctuation by year.

¹¹ i.e. the Caribbean, East Asia-Pacific, EU-27, North America, Latin America and Africa.

Figure 2: Trade Complementarity Index of Trinidad and Tobago with Selected Trading Partners, 2000-2017

| | UNECLAC Caribbean | North America | EU27 | East Asia and Pacific | Latin America | Africa |
|------|-------------------|---------------|------|-----------------------|---------------|--------|
| 2000 | 34.2 | 23.4 | 24.6 | 27.7 | 29.7 | 29.4 |
| 2001 | 39.0 | 25.8 | 27.2 | 29.9 | 31.5 | 31.1 |
| 2002 | 35.9 | 25.0 | 26.9 | 28.7 | 32.8 | 28.9 |
| 2003 | 33.1 | 24.3 | 23.6 | 26.7 | 30.4 | 26.4 |
| 2004 | 32.7 | 25.7 | 24.4 | 27.3 | 30.8 | 26.9 |
| 2005 | 38.3 | 27.8 | 26.1 | 29.0 | 29.3 | 27.8 |
| 2006 | 35.2 | 26.9 | 25.2 | 28.0 | 25.9 | 27.5 |
| 2007 | 42.2 | 30.6 | 28.7 | 34.1 | 32.0 | 29.3 |
| 2007 | 44.1 | 32.4 | 28.3 | 35.8 | 31.4 | 29.0 |
| 2009 | 36.7 | 27.9 | 26.5 | 32.1 | 27.8 | 27.1 |
| 2010 | 37.2 | 27.5 | 27.0 | 32.5 | 28.8 | 26.6 |
| 2011 | 43.5 | 30.1 | 30.0 | 36.3 | 31.1 | 28.8 |
| 2012 | 51.3 | 31.3 | 34.2 | 39.0 | 33.5 | 34.9 |
| 2013 | 45.6 | 25.2 | 28.8 | 30.3 | 28.9 | 29.4 |
| 2014 | 45.3 | 25.2 | 28.0 | 31.2 | 33.1 | 31.1 |
| 2015 | 37.0 | 22.1 | 27.1 | 29.5 | 31.7 | 30.3 |
| 2016 | 38.8 | 24.4 | 29.0 | 31.2 | 34.9 | 33.8 |
| 2017 | 45.5 | 25.1 | 28.8 | 31.7 | 31.8 | 34.0 |



Source: Comtrade through WITS

Note: UNECLAC Caribbean refers to English speaking Caribbean countries¹²

Hence the perception is that to a large extent the country does not export the products and services that its major trading partners and neighbouring economies import. It also implies that the country's major trading partners are not its natural trading partners. It appears that in the past the country's export patterns have been influenced by factors such as market proximity, the existence of preferences or historical trading arrangements, with insufficient consideration of the intra-industry trade, comparative advantage, trade complementarity and trade facilitation necessary to sustain trade creation and boost welfare.

In addition, an examination of computed Grubel-Lloyd indices¹³ for selected trading partners suggests that there is increasing potential for intra-industry¹⁴ trade with Caribbean¹⁵ and Latin American countries (see figure 3).

Traditionally, Trinidad and Tobago largely engages in inter-industry (factor-endowment type) trade. Trinidad and Tobago is not involved in significant intra-industry trade, especially with its major trading partners (North America and the EU), as the indicators are generally low, typically below 25. As bilateral trade is predominantly intra-industrial in nature, this suggests the need for policies that encourage stronger production linkages (integration), either vertical or horizontal, between these economies or groups of economies.

¹²Antigua and Barbuda, The Bahamas, Belize, Barbados, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, Suriname, Trinidad and Tobago and St. Vincent and the Grenadines.

¹³The Grubel-Lloyd index captures various types intra-industry commerce such as (i) horizontal trade in similar products (with regard to, for instance, price and market segment) differentiated by brand etc. (e.g. cars); (ii) trade in vertically differentiated products based on quality and price; and (iii) vertical specialization of production (OECD 2002). Grubel-Lloyd index in the range 10-70 suggests potential for bilateral intra-industry trade, while an index value in-excess of 70 indicates the existence on some a greater intensity of intra-industry trade. A Grubel-Lloyd index lower than 10 indicates that existing bilateral trade is largely inter- industry, with no production integration.

¹⁴Within industry or exchange of products belonging to the same industry

¹⁵From 2005 to 2015, CARICOM's import product share from the world increased in the following products (among top 20 import products): Industry special machine, Electrical equipment, Telecomms etc. equipment, Cereals/cereal preparations, Railway/tramway equipment, Vegetables and fruit, Pharmaceutical products, Meat and preparations, Misc. food products, Beverages, Perfume/cosmetic/cleanser, Dairy products and eggs. Therefore, expanding existing exports, diversification of the economy and moving up of value chain into some of these new sectors are the crucial steps to exploit the potential for increased regional trade.

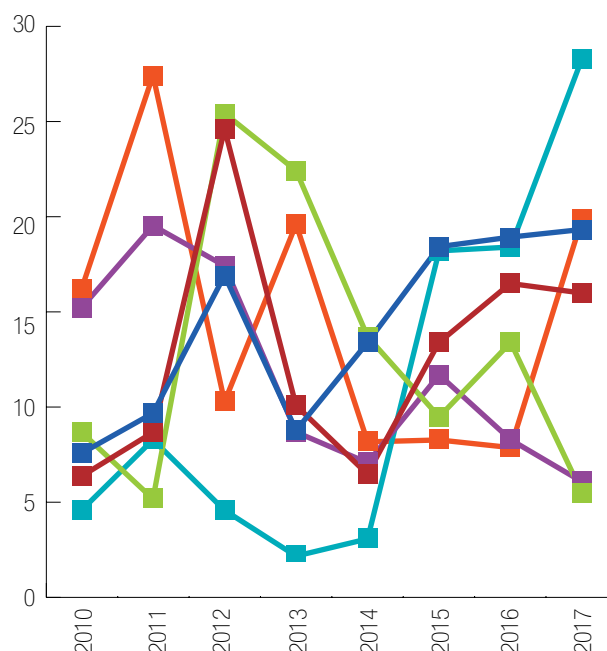
Figure 3: Grubel-Lloyd (Intra-Industry Trade) Index of Trinidad and Tobago with Selected Trading Partners, 2010-2017

| | UNECLAC Caribbean | North America | EU27 | East Asia and Pacific | Latin America | Africa |
|------|-------------------|---------------|------|-----------------------|---------------|--------|
| 2010 | 7.6 | 6.4 | 8.7 | 15.2 | 4.6 | 16.2 |
| 2011 | 9.7 | 8.7 | 5.2 | 19.5 | 8.3 | 27.4 |
| 2012 | 16.9 | 24.6 | 25.4 | 17.4 | 4.6 | 10.3 |
| 2013 | 8.8 | 10.1 | 22.4 | 8.7 | 2.2 | 19.6 |
| 2014 | 13.4 | 6.5 | 13.7 | 7.1 | 3.1 | 8.2 |
| 2015 | 18.4 | 13.4 | 9.5 | 11.7 | 18.2 | 8.3 |
| 2016 | 18.9 | 16.5 | 13.4 | 8.3 | 18.4 | 7.9 |
| 2017 | 19.3 | 16.0 | 5.5 | 6.1 | 28.3 | 19.9 |

■ UNECLAC Caribbean ■ North America ■ EU27
■ East Asia and Pacific ■ Latin America ■ Africa

Source: Comtrade through WITS

Note: UNECLAC Caribbean refers to English speaking Caribbean countries (see footnote 12).



Indeed, the notion of economic diversification is not new to Trinidad and Tobago and was one of the leading drivers of the Caribbean regional integration movement as far back as the 1950's¹⁶. However, the global economic crisis of 2008-2009, which precipitated a 50.2 per cent decline in the country's exports, brought this idea back to the fore. For Trinidad and Tobago, and indeed the Caribbean in general, the spill-over effects of the economic crisis laid bare the perils of having a narrow range of exports and markets, since it magnified the income volatility of small vulnerable economies and negatively affected medium term growth¹⁷.

This notwithstanding, the country's efforts at diversification have traditionally been horizontal in nature, focusing on mitigating the deleterious effects of fluctuations in global commodity prices. However, this was often done without an accompanying broader economic restructuring to facilitate a parallel process of vertical diversification. The latter of these entails supplying a range of different innovative products by moving up the supply chain through, inter alia, manufacturing, processing, marketing or bundling i.e. increasing exports at the extensive margin (exports of new products).

From a strategic standpoint this allows economies to spread risks and build economic resilience by offering a number of products in different markets, while facilitating flexibility to move away from mature or declining markets into new growth areas. This economic restructuring entails a process of redesigning policies and instituting economic infrastructure with a view to facilitating entry into more dynamic sectors such as non-traditional services, manufacturing, industry, non-traditional agriculture and agro-industry.

The fact is that over the period 2005-2015, Trinidad and Tobago exported a total of 197 products¹⁸. However, 33 products were at the intensive margin, but only 5 products were at the extensive margin, including meat products, wood products, and organic and non-organic compound of chemicals¹⁹. These results suggest that whenever Trinidad and Tobago experiences growth in trade it is typically derived from growth in the export of old products rather than growth in new products. The analysis suggests that there is significant potential for diversification into new products.

¹⁶ As well as a major objective of the CARIFORUM-EU Economic Partnership Agreement.

¹⁷ Chris Papageorgiou and Nikola Spat. (2014) Economic Diversification in LICs: Stylized Facts and Macroeconomic Implications. IMF staff Discussion Note. December 14, 2012 SDN/12/13.

¹⁸ At the s.i.t.c rev 3 triple digit level.

¹⁹ The intensive margin of trade refers to the growth in the export of "old products" in new and existing markets. The extensive margin of trade refers to the generation of new exports.

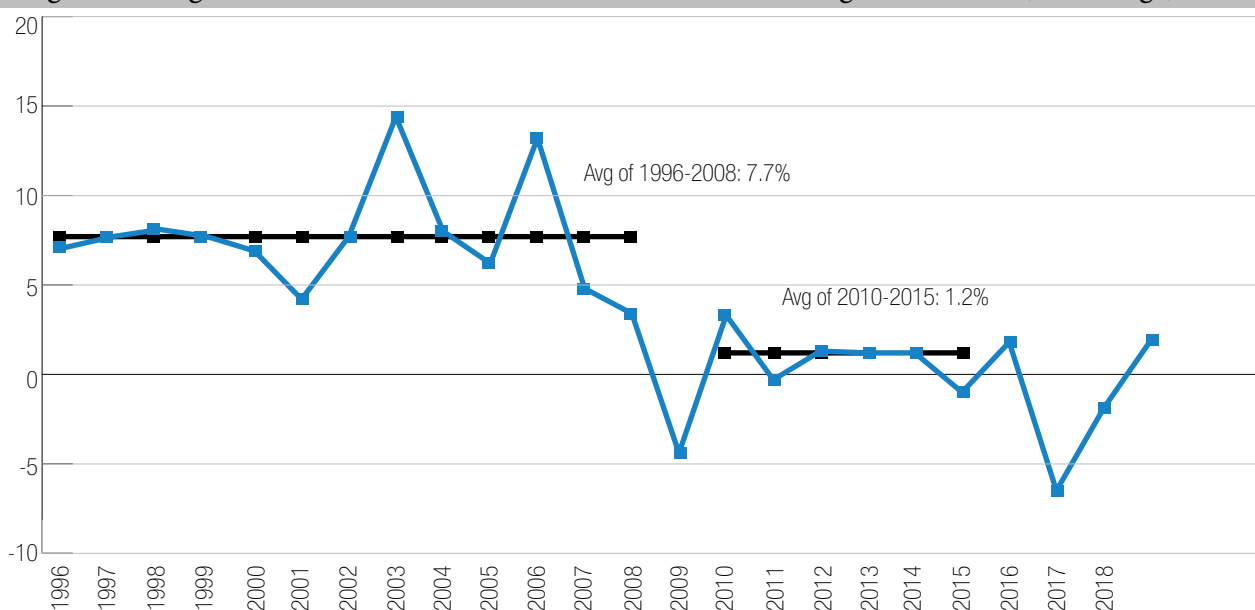
1.2. ROLE OF TRADE IN DOMESTIC ECONOMY

International trade plays a pivotal role in the development of the Trinidad and Tobago economy, as indicated by the rising ratio of trade to GDP to 132% by 2016 with the ratio of exports to GDP being 68% and the ratio of imports to GDP 64%.

Trinidad and Tobago's economic growth has declined during the last decade. Before 2009, the long-term average growth rate was around 8%, but it decreased to around 1% after 2009 due to a series of negative shocks to global commodity demand and prices attendant on a general slowdown in global growth²⁰. This 1% growth rate is significantly lower than the growth rate of other developing countries²¹ (average growth rate of developing countries was 5.5% for this period).

In order to overcome this prolonged period of subdued growth, the GORTT intends to accelerate its economic diversification efforts. Collective efforts at diversification have shown some measure of progress over the past two decades, which is indicated by the fact that the export share of mid-tech products has increased (Figure 4). However, the diversification achieved has so far not been enough to either significantly improve the country's economic resilience or drive economic growth²². This is because the country's exports continue to be based largely on exports from the energy sector, together with, non-energy exports primarily from the food and beverage sub-sector.

Figure 4: Long Term Trend of Growth Rate for Trinidad and Tobago, 1996-2018 (Percentage)



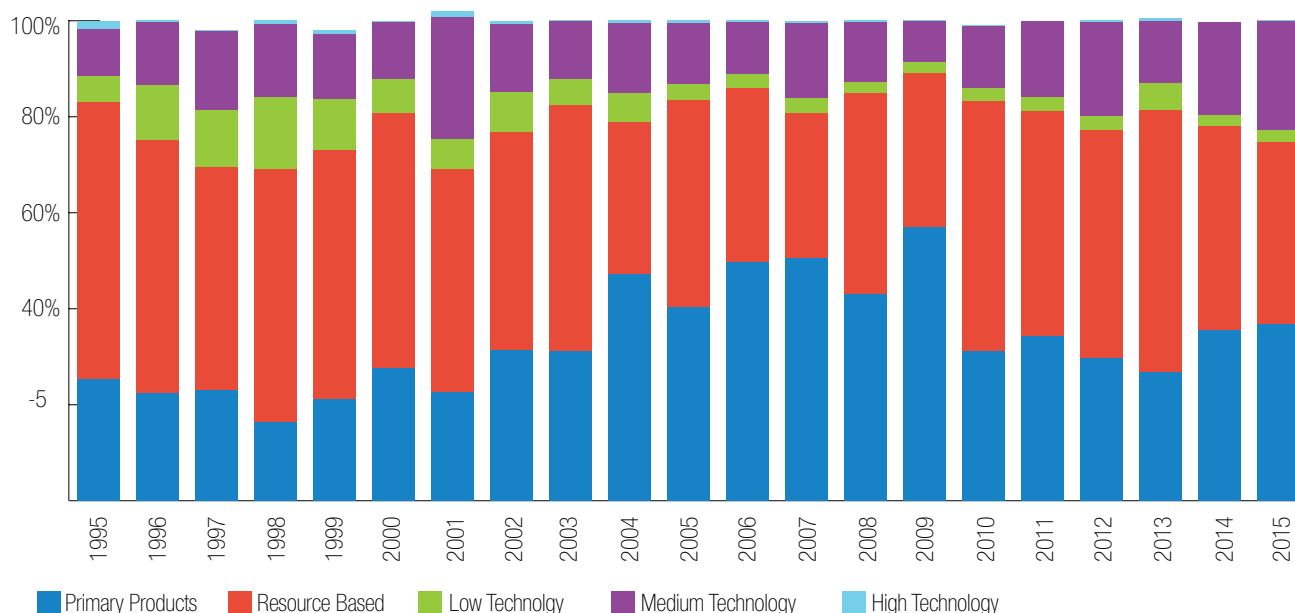
Source: Central Statistical Office

²⁰Global economic growth over the period 1999-2008, which stood at 4.2%, declined to 3.4% over the period 2009-2018 and is projected to increase marginally to 3.6% for the period 2019-2023. Suggesting that the global economy is not expected to return to pre-2008 growth rates in the near future.

²¹It is noteworthy that for the first time in three years, largely driven by recovery in the energy sector, Trinidad and Tobago returned to positive growth (1.9%) in 2018.

²²For instance, growth in the non-energy sector was flat (0.1%) in 2018 and the manufacturing sector contracted by 2.1% over the period 2015-2017 and therefore has largely been unable to drive economic growth when the energy sector is experiencing the effects of negative exogenous (e.g. price) or endogenous (e.g. output) shocks.

Figure 5: Technology Intensity of Trinidad and Tobago Goods Exports, 1995-2015
(Percentage of total exports)



Source: COMTRADE via WITS. Note: Export categories are as defined in Lall (2000)²³

EVOLUTION OF THE COUNTRY'S TRADE, EXTERNAL AND FISCAL PERFORMANCE

Figures 6 and 7 illustrate the evolution of Trinidad and Tobago's trade performance from 2009 to 2017. The relationship between the external energy markets and the country's trade is clearly discernible from the charts. From 2009 to 2013, exports, the trade balance and the current account balance all increased along with the price of oil²⁴, which grew from US\$ 62 per barrel in 2009 to US\$ 98 in 2013, notwithstanding a dip in 2012²⁵. In 2013, Trinidad and Tobago had a trade balance of 22.4% of GDP and a current account balance of 20% of GDP. While imports have been declining within recent time, it is still in excess of 30% of GDP, hence it is necessary to develop a trade policy with the need to increasingly satisfy a broader spectrum of domestic consumption from local production. This, however, must be balanced with the facilitation of inflows of key capital goods and absorption of technology.

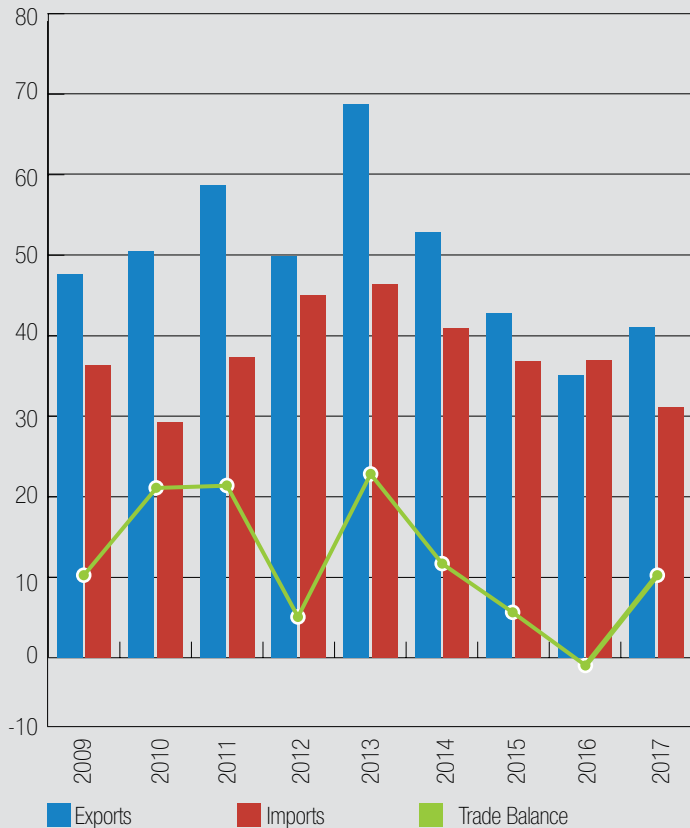
Following the sharp decline in oil prices, which started in mid-2014, the economy experienced a steady decline in exports, imports and the current account balance, culminating with a trade balance of -1.9% of GDP and a current account balance of -3.9% of GDP in 2016 (the first current account deficit since 1998). The trade indicators increased slightly in 2017 with a rebound in the oil price and the commencement of new natural gas projects, such as the Juniper, Angelin, Dolphin and Starfish fields.

²³ Lall, Sanjaya. (2000). "The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998". QEH Working Paper Series – QEHWPS44. Queen Elizabeth House, University of Oxford

²⁴ West Texas Intermediate (WTI) price.

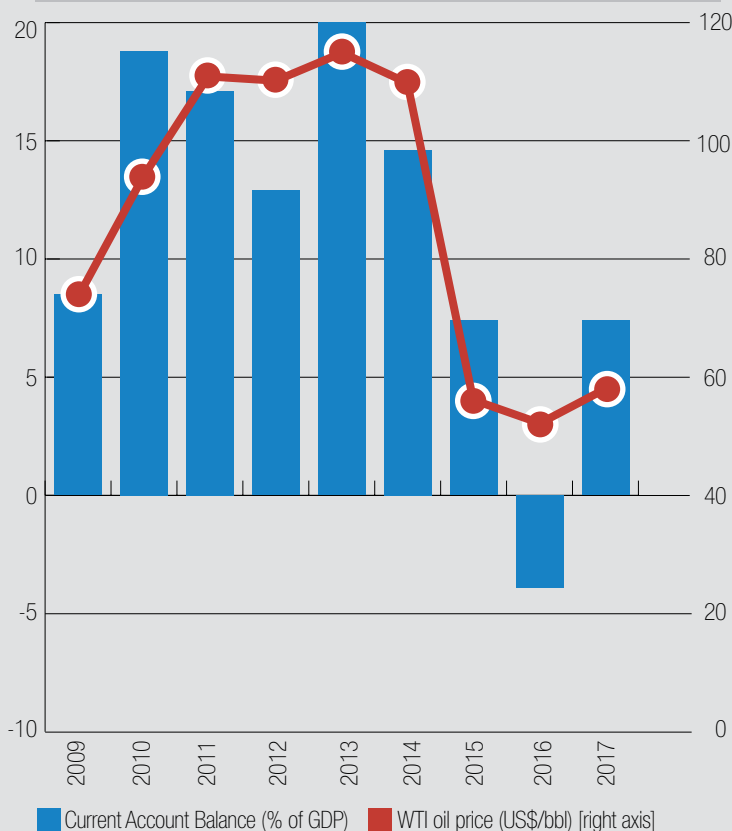
²⁵ While the oil price is used as a proxy for energy prices, Trinidad and Tobago's primary energy product is natural gas. The dip in 2012 is as a result of a fall in the natural gas price (Henry Hub spot price) from US\$ 4.00 in 2011 to US\$ 2.75 in 2012, which stemmed, in turn, from the expansion of shale gas production in the United States

Figure 6: Trinidad and Tobago Trade Performance, 2009-2017 (Per cent of GDP)



Source: WITS, Central Statistical Office of Trinidad and Tobago

Figure 7: Trinidad and Tobago Current Account Performance, 2009-2017 (Per cent of GDP- US\$/bbl)



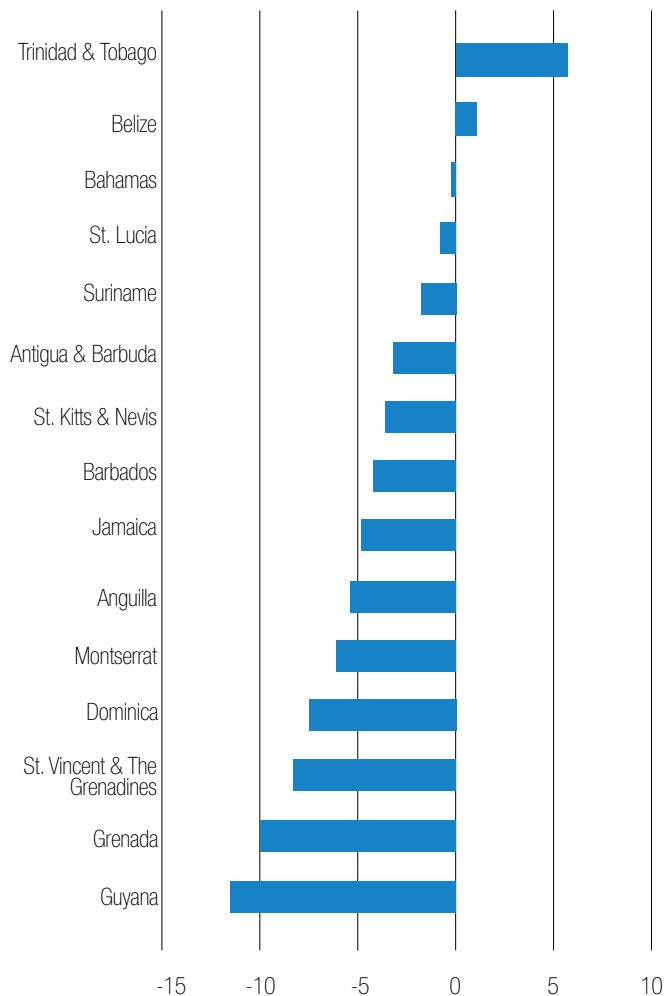
Source: Central Bank of Trinidad and Tobago, UNCTAD STAT; EIA

Moreover, over the period 2009-2017, Trinidad and Tobago (5.7% of GDP) and Belize (1.1% of GDP) were the only countries to generate positive trade balances with other CARICOM countries. In addition, Trinidad and Tobago also registered positive trade balances with the US, MERCOSUR, the EU-26 (not including the UK) and SICA, countries which collectively accounted for just over 78% of the country's exports over the period in question.

Trinidad and Tobago's external and fiscal performance relative to the Caribbean can be seen in the Figures 10 and 11 below. While Trinidad and Tobago's current account balance was mostly positive over the period 2009 to 2017, the average Caribbean current account balance was consistently negative. Conversely, while average Caribbean FDI inflows were consistently positive and ranged from 6.9% of GDP to 18.7%, Trinidad and Tobago's FDI inflows fluctuated between -7.4% of GDP and 3.7% of GDP. Figure 11 compares Trinidad and Tobago and the rest of the Caribbean's fiscal and debt indicators. For the first seven (7) years of the period, Trinidad and Tobago's fiscal balance mostly followed the movements in the Caribbean.

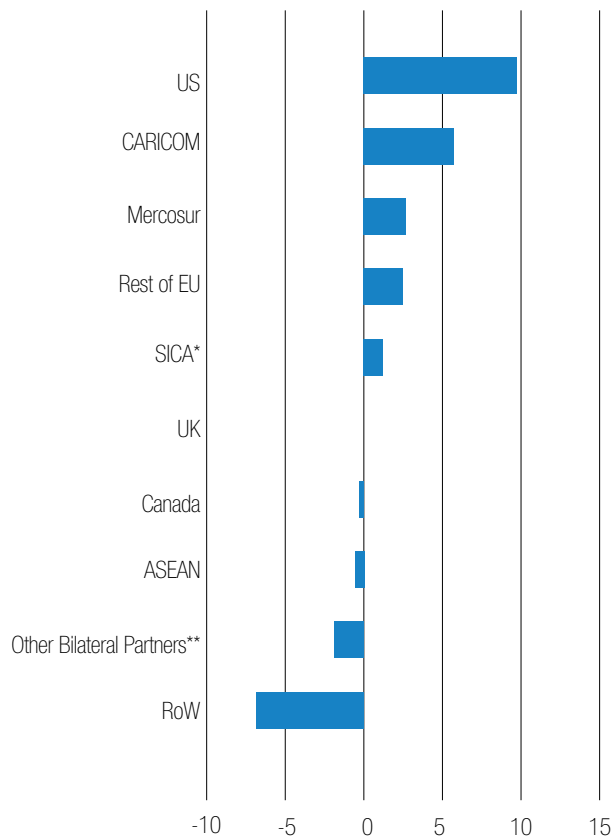
In fiscal 2009, there was a deficit due to the impact of the global financial crisis, and from 2011 to 2013 expansionary fiscal policy drove the deficit. However, there has been some divergence in 2016 and 2017, with the country's fiscal deficit increasing significantly due to stagnated energy prices and domestic energy production, while the rest of the Caribbean has continued with fiscal consolidation. Net public sector debt increased over the period for both Trinidad and Tobago and the Caribbean average.

Figure 8: Trade Balance with CARICOM, 2009-2017 (average)(% of GDP)



Source: UNCTAD STAT

Figure 9: Trade Balance of Trinidad and Tobago with Major Trading Partners, 2009-2017 (average)(% of GDP)

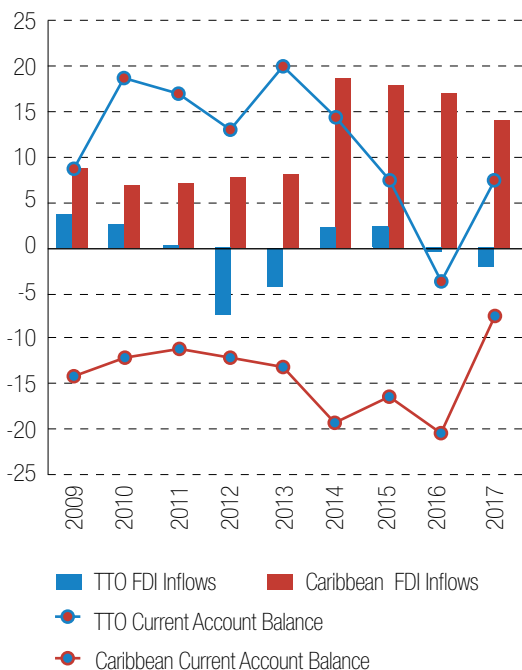


Source: UNCTAD STAT

*SICA excludes Belize, which is included in CARICOM

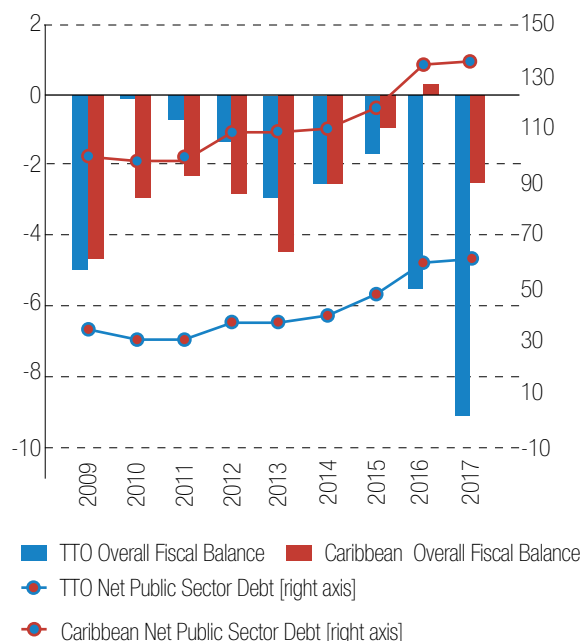
** Colombia and Cuba

Figure 10: Trinidad and Tobago and Caribbean External Performance, 2009-2017



Source: Ministry of Finance of Trinidad and Tobago, UNECLAC on the basis of official figures, UNCTADstat

Figure 11: Trinidad and Tobago and Caribbean Fiscal and Debt Performance, 2009-2017(% of GDP)



Source: Ministry of Finance of Trinidad and Tobago, UNECLAC on the basis of official figures, UNCTADstat

A CONSIDERATION OF THE POTENTIAL FOR INCREASING TRADE IN SERVICES

Goods have traditionally dominated the country's exports, but trade in services has increased in significance, rising to 18.3% of GDP in 2017. Trade in services has similarly increased in significance in international trade.²⁶ According to World Bank data, trade in services now accounts for 12.78% of global GDP, or about US\$10.4 trillion. This is an increase from 8.54% of global GDP in 1995 when the GATS agreement came into effect.²⁷ This implies that global services trade is growing faster than global trade in goods.

Over the same period, global exports of goods and services increased from US\$6.347 trillion to US\$22.845 trillion, a 2.6-fold increase, while global exports of services increased from US\$1.295 trillion to US\$5.367 trillion, a 3.14-fold increase. Trinidad and Tobago has considerable potential to benefit from this trade, since services now account for about 57% of its GDP. Indeed, Trinidad and Tobago's services exports have been accelerating since 2010 reaching about US\$1.118 billion in 2017.

At the sectoral level, as alluded to earlier, the country's exports is highly specialized. Many of these export-competing sectors, which include energy and downstream manufacturing of petrochemical intermediate inputs, food and agro-industrial manufacturing, as well as, the hotels and guesthouses sector and elements of the creative industries, rely mainly on external demand to sustain their production. The food and agro-industrial manufacturing sectors and the hotels and guesthouses sector contribute about 25% of national employment²⁸. International trade by these sectors has been a significant contributor to the national goal of ensuring an adequate supply of foreign exchange to meet import needs, improve job opportunities, grow incomes, and raise the national standard of living.

In general, the opportunity for services trade remains a major stimulus to domestic and foreign investment to diversify and grow the national economy. The country's main unrealized potential to achieve high growth lies largely in the services sector, which includes most of the country's capacity to produce and employ domestic capital. For comparative assessment, an econometric analysis was conducted on Caribbean Economies from 1985-2017 using annual growth data on real per capita GDP, services growth and manufacturing growth. The analysis sought to determine the effect of growth in services and manufacturing on GDP growth. The results suggested that for Trinidad and Tobago, over the period, 58% of services growth spills over to Real Per Capita GDP growth, while the manufacturing sector only transmits 13% of its growth to the economy (i.e. in the form of Real Per Capita GDP growth).

Thus, the empirical evidence suggests that services growth provides a greater contribution to real per capita GDP growth for the Trinidad and Tobago economy, when compared to the traditional manufacturing sector, including manufacturing downstream of the energy mining sector, which depends mainly on imported capital. This point to significant untapped potential that exists in the services sector and speaks to the fact that, ceteris paribus, the sector has significantly more potential to contribute to the growth of the economy of Trinidad and Tobago than manufacturing. Notwithstanding the foregoing, there will be a dedicated policy focus towards transforming the domestic manufacturing sector in order to optimize its contribution to economic growth.

The TTTP will therefore seek to develop the services and manufacturing sectors on parallel and complementary tracks. Accordingly, there is no need for one to cannibalize the other when searching for policy prescriptions for trade and trade-related investment drivers of the country's growth and economic transformation moving forward.

²⁶Trade in services covers a wide range of activities that have been affected by the implementation of commitments by Trinidad and Tobago under the WTO General Agreement on Trade in Services (GATS) and CARICOM-linked agreements. These activities include: business services (including energy services); maritime services; communication services; distribution services; financial services; and transport, tourism and related travel services.

²⁷ World Bank Databank (<https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS?locations=TT&view=chart>)

²⁸Estimated by ECLAC using Labour Force Survey and Index of Employment. In Labour Force Survey, Other agriculture, forestry, hunting and fishing sector, Wholesale and retail trade, restaurants and hotels sector and Industry sector (sum of Petroleum and gas, including production, refining and service contractor sector, Other manufacturing sector, Other mining and quarrying sector and Electricity and water sector) contribute 3.5%, 19.5% and 12.1% of national employment, respectively. In Index of Employment, Food processing sector contributes 17.9% of Industry sector employment. (3.5% + 19.5% + 12.1%*17.9% = 25.1%)

INTRA-REGIONAL TRADE AS A PLATFORM FOR EXPANDING AND DIVERSIFYING EXPORTS

Exports have been concentrated in the traditional manufacturing sector. There are untapped opportunities to enhance the comparative advantage of the economy using the capacity-building potential of the services sector and its associated high marginal product of labour. Services account for only about 10% of the country's US\$11.04 billion of exports of goods and services. Trinidad and Tobago's exports, however, do not complement closely the imports of the CARICOM market.

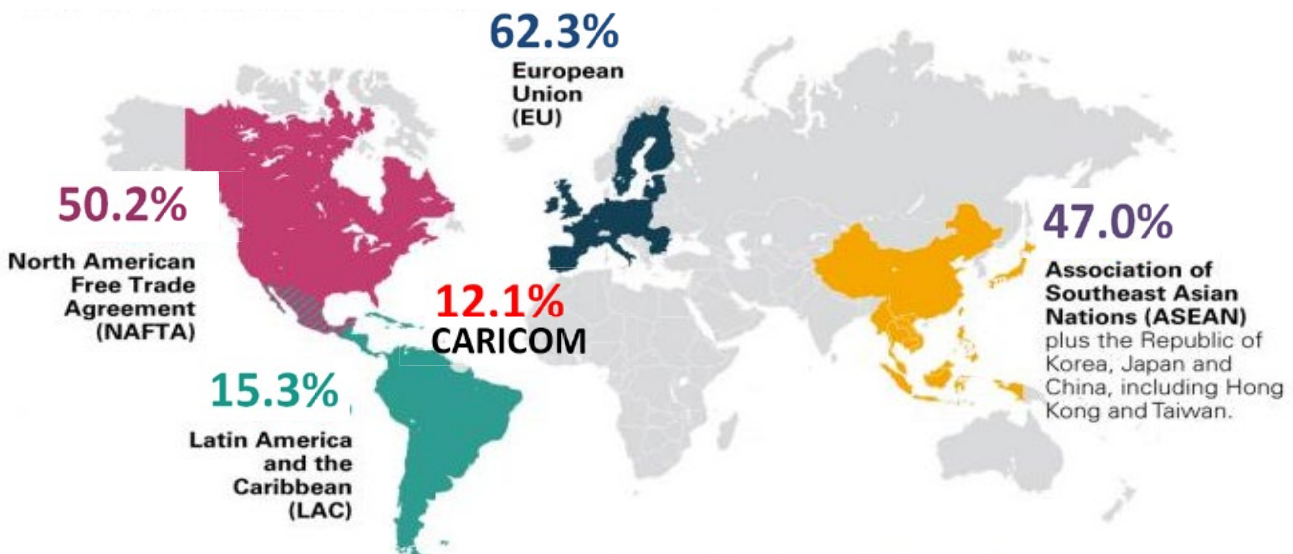
In addition, there exists significant untapped opportunities to increase Trinidad and Tobago's intra-industry, intra-regional trade in goods. This could provide a basis for a regional integration process which is predicated on production integration as originally envisaged by the architects of the CSME.

In this regard, the vast majority of the country's intra-CARICOM trade is inter-industry in nature. Additionally, opportunities for intra-industry trade in services have remained underexploited, as indicated by the intra-industry trade indices of less than 0.25 for trade with all trading blocs for most years since 2010.

Further, intra-regional exports within the Caribbean Community remain low, standing at 12.1% of total exports in 2017 and rising to a mere 15.3% if Latin America is included. This compares less favourably with other free trade areas globally for which intra-regional exports commonly account for in excess of 40% of total exports (See Figure 12 below).

Moreover, there is no trading bloc for which the degree of complementarity is increasing. Hence, there is considerable room to develop the Region's and by extension Trinidad and Tobago's export capacity to match the imports of all trading blocs.

Figure 12: Intra-regional Trade Shares for Selected Regions, 2017



As a consequence of the high export concentration, marginal degree of complementarity and the low level of intra-industry trade, Trinidad and Tobago's export performance has not grown as expected. The TTTP seeks to craft a path towards redressing this trend and substantively increasing the country's exports of goods and services in the medium-term.

1.3. GOALS AND FOUNDATIONS OF THE POLICY AND STRATEGY

The TTTP therefore seeks to increase economic growth by diversifying the country's trade in goods and services. Such measures would transform the country's economy from one that is primarily dependent on traditional exports of manufactures tied to the downstream energy subsector. This transformation would lead to the development of an economy that is based on innovation and value-added in both the goods and services sectors. Economic transformation of this nature would reduce vulnerability to the damaging effects of periodic price and demand shocks affecting the country's traditional exports and build capacity for sustainable growth. In this regard, the GORTT views investment in innovation and research and development as crucial for closing the technology gap with developed economies, thereby facilitating the country's entry into tertiary industries.

Guided by the NDS-Vision 2030, the TTTP rests on certain enduring principles, pursues specific goals, and is founded on objectives and key strategies. The TTTP is also formulated within the context of the international trade agreements to which Trinidad and Tobago is signatory. The principles, goals, objectives, and strategies are specified below along with the relevant international trade agreements to which the TTTP is aligned. The constraints and challenges, which limit the capacity of the country to take advantage of the market access opportunities provided by the trade agreements it has signed on to, are also identified. Thereafter, the policy prescriptions and attendant strategies that address the identified constraints and challenges are detailed. These include complementary policies and strategies that encourage development of the supply capacity and characteristics of targeted industries, which feature relatively high marginal productivity of labour and that can sustainably increase the country's opportunities to expand its trade in support of growth and development.



CHAPTER 2

METHODOLOGY, GOALS, OBJECTIVES AND KEY STRATEGIES

2.1. METHODOLOGY

Set in the context of current trends of the global environment and trends in Trinidad and Tobago's production, exports and imports, the TTTP was formulated through an extensive consultative process. Key stakeholders across the public and private sectors, as well as, the Tobago House of Assembly, were able to provide specific valuable input into the TTTP. The process culminated in a series of day-long strategy sessions chaired by the Ministry of Trade and Industry. This consultative process was complemented by detailed and robust empirical and econometric analysis (see Annexes 2-6).

The TTTP drew upon lessons learned from the successes and challenges in implementing previous trade policies and sought to ensure that procedural, project design, and budgetary bottlenecks encountered were limited. Accordingly, commitments on budgetary allocations have been secured to implement the TTTP for FY 2019-2020. To achieve desired results, continued budgetary support will be needed for FY 2020-2021, FY 2021-2022 and FY 2022-2023. Consistent with the recently formulated National Quality Policy and the National Aid for Trade Strategy (Aft), the TTTP has its basis in key guiding principles. The Policy also pursues specific goals, supported by appropriate objectives and key strategies.

2.2. GUIDING PRINCIPLES

The policies and strategies identified satisfy the five key guiding principles of simplicity and clarity, realism, predictability, transparency, and modesty, long adopted in policymaking by the GORTT:

1. **Simplicity and clarity of policy.** The GORTT aims to ensure that all its policies are stated and communicated with simplicity and clarity. In particular, the TTTP should be simple and clear. This applies even when dealing with complex and difficult matters such as the setting of tariffs; improving trade complementarity; specification of the preferential regime linked to bilateral agreements; the facilitation of imports; and identification and elimination of non-tariff barriers.
2. **Realism.** The TTTP takes full account of the interdependence between Trinidad and Tobago, its regional neighbours, and more distant trading partners. Most of the interdependent needs and commitments have already been agreed and addressed with the country's trading partners; especially through the multilateral process of the WTO and regional agreements such as the CARIFORUM- EU EPA. The country is cognizant of the multilateral (and by extension regional and bilateral) rules-based framework within which domestic trade-related policy must be set. The TTTP will therefore strive to be realistic about what autonomous domestic policy can be achieved and delivered.
3. **Predictability.** The trading partners of Trinidad and Tobago expect that, while the space to develop trade policy must be utilized, the resulting policy must be predictable. Predictability is achieved by adopting medium to long-term policies consistent with the country's trade agreements and sticking and supporting them with appropriate budgetary provisions. Moreover, clear timelines must be specified for changes in policies, taking into account the time it takes to develop these policies.
4. **Transparency.** The TTTP is designed to ensure equal and fair treatment of all stakeholders in the country, with particular regard to the industrial sectors and their constituent firms. It seeks to minimise room for opaque and arbitrary policy making by officials especially in key matters such as attraction of foreign investment. This principle is already expressed in the reciprocity built into the country's trade agreements.
5. **Modesty of expectations.** In general, in the absence of other supporting policies, especially an industrial policy, the TTTP may only have a modest impact on the national capacity to export and grow. Despite its long history as a significant exporter of energy-based output, Trinidad and Tobago is a small player in the global economy with a small domestic market and export capacity. Even in the context of CARICOM, the impact of the country's trade policy will depend on several factors, particularly the commitment of Member States of the Caribbean Community to deepen the regional integration movement. In the wider context of bilateral and multilateral agreements, many regional partners and the main players in international trade may choose to prioritise their coincident interests with other larger trading partners.

In addition to these established principles of simplicity and clarity, realism, predictability, transparency, and modesty, the TTTP pursues certain goals, supported by objectives and key strategies. The following is a summary of the goals, objectives and strategies of the TTTP.

2.3. GOALS

The TTTP aims to achieve the following goals by 2023:

- Goal1:** An improved facilitative and enabling environment for international trade
- Goal2:** Growth in the production and export of non-energy goods and services
- Goal3:** Growth in the production and export of high value-added goods and services
- Goal4:** Growth in share of CARICOM trade, inclusive of trade in services
- Goal5:** Growth in market share within traditional and non-traditional markets²⁹

2.4. OBJECTIVES

To achieve the goals articulated above, the objectives identified are as follows:

Obj1: Improvement of the supply (output) capacity and characteristics of the trade, business and investment environment, with specific regard to:

1. Augmentation of the country's physical and human capital, with special reference to infrastructure development and improved access to utilities, education and training
2. Technical and organisational upgrade of the standards architecture to improve product and process quality
3. Upgraded local standards in compliance with international standards
4. Labour productivity growth

Obj2: Upgrade of the policy environment, with specific regard to:

1. Credit and monetary policy, including a stable foreign exchange rate regime.
2. Tariff and tax regimes.
3. Industrial, investment and ICT policies and infrastructure.
4. Investment and export promotion.
5. Protection of intellectual property.
6. Effective and efficient disputes resolution.

Obj3: Increased market access and penetration, with specific regard to:

1. A nexus of multilateral, regional, and bilateral agreements.
2. New and revised trade agreements

2.5. KEY STRATEGIES

The TTTP has identified four main strategies based on: extensive consultations with stakeholders; evaluation of the Trinidad and Tobago Trade Policy and Strategy 2013-2017; the objectives; and emerging trends in global trade. These strategies are as follows:

Strat1: Improving marginal product of labour through employment of highly-skilled labour and modernized physical assets

Strat2: Increasing export market penetration by growing existing market share, exploring new markets and profit opportunities, and improving trade diplomacy and deepening regionalism

Strat3: Institutional development and strengthening by creating new institutions, capacity building, and strengthening of existing institutions

Strat4: Improved trade facilitation by reducing the cost of doing business, increasing the efficiency of transport logistics and cargo handling, standardisation of customs procedures and upgrading of associated regulatory measures

Strat5: Increasing environmental sustainability within the framework of commitments under the Sustainable Development Goals (SDGs)

²⁹ Wider-Caribbean, Central and Latin America and Asia.



CHAPTER 3

CURRENT INTERNATIONAL TRADE AGREEMENTS

As discussed earlier Trinidad and Tobago is party to a myriad multilateral, regional and bilateral trade agreements. Enshrined in these trade agreements are binding commitments aimed, to varying degrees, at lowering barriers to trade; expanding trade; increasing investment; and fostering economic restructuring and growth under free-market principles. Collectively, these agreements define, influence and constrain the breadth and scope of permissible and available policy instruments.

Nevertheless the TTTP aims to transform Trinidad and Tobago into an innovation-led economy with a more diversified export base. Each agreement and the country's attendant policy stances are summarized below for easy reference.

3.1. WORLD TRADE ORGANIZATION: MULTILATERAL TRADE AGREEMENTS

Trinidad and Tobago, like all other CARICOM Member States, with the exception of The Bahamas and Montserrat, is a member of the WTO.³⁰ Trinidad and Tobago is therefore bound by commitments enshrined in the various Agreements of the WTO, which set the legal framework for multilateral rules, not only on traditional trade issues but also on new elements such as intellectual property rights, services and investment.³¹

The purpose of these Agreements is to facilitate free-trade through, *inter alia*, lowering tariffs; removing non-tariff barriers, as well as, other restrictive regulations on commerce including non-discriminatory rules.³² This will aid in promoting the integration of the Trinidad and Tobago economy into the multilateral trading system, in turn boosting the country's prospects for sustainable growth and development through specialisations consistent with its comparative advantage.

Notwithstanding the above, there are still some unsatisfactory provisions in the Agreements. Those are primarily related to tariff escalation and tariff peaks in developed countries on exports of food and other products from small developing economies like Trinidad and Tobago. Of concern is the inability of many developed economies to substantially reduce or eliminate trade and production-distorting domestic support and export subsidies in agriculture. As such, in the current Round of WTO negotiations, Trinidad and Tobago will continue to advocate for the removal of existing imbalances (individual and systemic) in the WTO Agreements. These imbalances prejudice Small and Vulnerable Economies (SVEs) like Trinidad and Tobago in agricultural trade.

Perspectives are also changing on the extent to which free-trade is beneficial in international trade, particularly for SVEs. In collaboration with its CARICOM partners, Trinidad and Tobago will participate robustly in the current and ensuing series of discussions and negotiations with a view to ensuring that there is a re-engineering of the rules-based global trading system to ensure that greater welfare gains accrue to SVEs in general, and the Caribbean in particular, from any new multilateral trade agreement that may emerge from the ongoing negotiations at the WTO and future market liberalization that it will govern.

Moreover, the GORTT of Trinidad and Tobago will continue to take all the necessary steps, including committing the necessary financial, technical and human resources to ensure compliance with all of its WTO commitments, including those contained in the Trade Facilitation Agreement (an early-harvest of the current Round of multilateral trade negotiations). Trinidad and Tobago on its own, and as a member of the Caribbean Community, will continue to actively participate at the WTO in alliances with like-minded countries and groups of countries such as the SVEs Group; the Africa, Caribbean and Pacific (ACP) Group; the Group of 33 on Special Products and Special Safeguard Mechanism; and the Group of 90.

The country will also continue to adopt the negotiating stance that SVEs should be afforded special and differential treatment (S&D) in light of their peculiar characteristics with respect to size, structure of economies and vulnerabilities. Moreover, Trinidad and Tobago will advocate that additional resources be made available to SVEs to reduce supply-side constraints in order to optimize the benefits that accrue to these economies from trade liberalization. In this regard, Trinidad and Tobago will support SVEs in their efforts to establish a framework for mainstreaming and accessing Aid for Trade (AfT) resources.

³⁰ The Bahamas is currently engaged in accession negotiations to become a WTO Member, which should be concluded in 2019.

³¹ See B. Lal Das. *An Introduction to the WTO Agreements*, 1998.

³² In principle the free cross-border movement of goods, services, capital and people. See also Article XXIV of the GATT

3.2. POLICY POSITIONS ON REGIONAL TRADE AGREEMENTS

Regional Trade Agreements that influence and shape the TTTP include the following: CARICOM/CSME; CARIFORUM-EU EPA; CBERA/CBPTA; and CARIBCAN.

3.2.1. CARICOM/CSME

CARICOM/CSME brings together Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago, on issues of economic, political and social cooperation. The Revised Treaty of Chaguaramas has sought to expand markets for trade in goods and services under free market principles expressed in the Common Market provisions and in provisions for a CARICOM Single Market and a Single Economy (CSME) as well as other integration instruments and sector strategies.

Important among these is the CARICOM Development Fund, which was established to provide financial and technical solutions that build the capacity of countries, regions, and sectors that have limited ability to implement their obligations under the CSME, based on their size or degree of economic development. Current integration goals and objectives are guided by the CARICOM Regional Strategic Plan 2015-2019.

CARICOM plays an important role as a destination market for Trinidad and Tobago's total exports, accounting for 14% in 2017. It is the leading market for the country's manufacturing exports, accounting for about 90% in 2017. However, the number of products for which Trinidad and Tobago enjoys a comparative advantage with other Member States of the Caribbean Community has been steadily declining since 2000 (446 products), with this number falling by just under 50% by 2015. However, there are several goods exports which have been gaining increased market share in dynamic sectors within the Caribbean Community, suggesting that considerable potential for further increasing the country's share of CARICOM's total trade exists.

Trinidad and Tobago also enjoys the greatest level of trade complementarity with other Caribbean countries when compared to other trading partners. This trade complementarity has been steadily increasing over time. In addition, although the potential for intra-industry trade with other countries of the Caribbean Community has improved slightly since the period 2001-2005, the bulk of Trinidad and Tobago's intra-CARICOM trade has largely been inter-industry in nature.

The provisions of the CSME offer enhanced opportunities for trade in services if the provisions are implemented by Member States. The trade potential of CARICOM has been limited by inadequate technological and organisational cooperation among countries to upgrade the diversity and supply characteristics of their tradeable output as well as by non-tariff barriers with tariff-equivalent effects. This has, in no small way, constrained intra-regional trade expansion and by extension broad-based income growth and poverty alleviation. The slow pace of implementation of CARICOM policies has also contributed the limited progress in expanding the opportunities for trade in services.

The GORTT will continue to advocate that CARICOM Member States redouble their efforts to institute the necessary legislative, regulatory and other changes that will ensure that in practice, the CSME provides a de facto framework for strengthening integration and cooperation amongst CARICOM economies.³³ The GORTT will also advocate for the establishment of the requisite facilitatory environment for competitive production, economic development and investment; and for a platform from which CARICOM Member States can integrate into the global economy.

Through its single market, the Caribbean Community sought to create an internal space within which goods, skills, capital and commercial enterprises can move in a relatively unrestricted manner. In a practical sense, in order for this to materialize, it may require a re-engineering of the current platform of the Region's integration in order to ensure that greater welfare gains accrue to individual economies. This would go a long way to increasing the appetite among individual territories of the Community for moving towards full operationalization of the CSME.

³³Progress towards the establishment of the Single Economy has stalled.

For the GORTT, this re-engineering must by necessity:

1. 1. Not only embrace the imperatives of the St. Ann's Declaration but also seek to confront structural gaps, foster increased private sector investment in the creation of new; and modernization of existing, regional trade-related economic infrastructure
2. Remove cross-regional supply-side capacity constraints
3. Formulate a private-sector embedded regional industrial policy, which is predicated on comparative advantage-based production integration
4. Incentivise diversification efforts through, among other things, the utilization of provisions for harmonization of fiscal incentives enshrined in the Revised Treaty of Chaguaramas
5. Facilitate the institution of an aggressive agenda of building the export capacity of, and intra-regional trade in, services (e.g. creative, maritime, health, professional, financial, ICT, engineering, architecture and construction). This is crucial for rebalancing the dominance of factor-based exports in the goods-producing regional economies and tourism in the services-producing economies
6. Establish an electronic regional database on commerce and trade, which would provide, inter alia, a registry of businesses and the products and services they provide and a platform for buyers and sellers
7. Provide the CARICOM Secretariat and other regional institutions with the means of enforcement or remedies geared toward addressing implementation deficits

It is important to note that Trinidad and Tobago's membership in the CARICOM/CSME regional integration movement provides the context for its negotiated participation in other multilateral and bilateral trade arrangements.

3.2.2. THE CARIFORUM-EU ECONOMIC PARTNERSHIP AGREEMENT (EPA)

Trinidad and Tobago, along with the other Member States of CARICOM and the Dominican Republic (CARIFORUM), completed negotiations for a CARIFORUM-EU Economic Partnership Agreement (EPA) with the European Union (EU) in 2008. The EPA is a trade and development arrangement that provides favourable access to the EU markets for goods and services from CARIFORUM countries. The EPA also provides reciprocal market access into the CARIFORUM market for exports from the EU. Moreover, the EPA provides for development support from the EU to strengthen trade-related institutions and enhance the competitiveness of economic operators in CARIFORUM.

Fostering the sustainable development of CARIFORUM economies and the promotion of regional integration are leading objectives of the EPA. Enhanced development cooperation coupled with anticipated expanded bilateral trade and investment inflows were thought to be necessary antecedents for attaining these objectives. Further, the enhancement of EU development cooperation support for CARIFORUM and the stimulation of trade and investment flows between CARIFORUM and the EU are expected to be major contributors to the attainment of sustainable development. The EPA also provides for cooperation with the EU in investment, intellectual property, and development of trade in services.

Hence the EPA guarantees sustainability of several decades of duty-free and quota-free access to the EU market. The EU market was first opened up under successive Lomé Conventions, followed by the Cotonou Agreement, which laid the foundation for the EPA.³⁴ Trinidad and Tobago and other members of CARIFORUM have agreed to open their markets to EU products under the EPA, while at the same time, maintaining appropriate carve-outs for safeguarding sensitive sectors.

³⁴The special trade and development relationship between CARIFORUM countries and the European Union (EU) began in 1975 when six (6) CARICOM Member States joined other developing countries from Africa and the Pacific in concluding the first of four successive five-year Lomé Conventions with the EU. The Lomé Conventions were followed, in June 2000, by the Cotonou Agreement. In the interim, the Caribbean members of the ACP Group had expanded from six to fifteen and had been transformed into the Caribbean Forum of ACP States (CARIFORUM). Similarly, the 1975 nine-member European Economic Community has also expanded to become the 28-member European Union.

The impact of the EPA has been to open up the EU market, which now accounts for 17% of Trinidad and Tobago's exports in 2017, compared to 14% for CARICOM, making the EU the second most important destination market for Trinidad and Tobago's exports after North America. While the importance of the EU as an export market for Trinidad and Tobago is noteworthy, the UK has been commanding a falling share of this country's exports to the EU.

In addition, the data also suggests that Trinidad and Tobago's exports to the EU are primarily driven by fluctuations in industrial demand within the EU, particularly since the majority of the country's exports to the EU are products used as industrial inputs. This highlights that potential exists for Trinidad and Tobago to exploit market opportunities beyond this traditional trading partner while broadening its export base in services and goods (e.g. down-stream high-value manufacturing), with the latter capitalizing on the flexible Rules of Origin enshrined in the EPA.

Moreover, Trinidad and Tobago enjoyed a comparative advantage for only 26 products in the EU market (2015), falling from 69 products in 2000. Furthermore, research conducted by UNECLAC has revealed that the net welfare effect of the EPA is negative for Trinidad and Tobago, which implies that the improvements in welfare for consumers accruing due to the Agreement have been marginal.

The country's trade complementarity with the EU has remained relatively low. In addition, with considerable potential for intra-industry commerce with the EU during the period 2001-2005, this has largely diminished since the EPA has been implemented. It is noteworthy that the CARIFORUM-EU EPA has built-in flexibility for CARIFORUM economies, to safeguard sensitive domestic sectors. Indeed, CARIFORUM economies have excluded a number of sectors from liberalization of custom duties all together.

The opening up of the Trinidad and Tobago market to some EU products has meant liberalisation of raw materials, intermediate products and capital goods from the EU. Thus, high-tech inputs from the EU are available at modest costs to increase the non-price competitiveness of the output and exports produced with such inputs. Combined with duty-free access to the EU markets on a contractual basis, this liberalisation provides a sound foundation on which to plan investment to raise Trinidad and Tobago's growth rate and diversify its exports. Thus the EPA is seen as a fundamental tool of the TTTP and for the transformation of Trinidad and Tobago into an innovation-led economy with a more diversified export base.

To this end the GORTT, through the Ministry of Trade and Industry will seek to capitalize on the opportunities that the EPA provides for CARIFORUM countries to participate in EU innovation programmes. The initial focus will be in the areas identified by the EPA for development cooperation, which include: fostering enterprise competitiveness; ICT research and ICT-based research infrastructures; and commercialization of innovative products. The goal is to harness this opportunity for development cooperation to propel the country's productive base from the periphery of the product frontier (i.e. essentially primary commodities) to more sophisticated goods (and services) with a high unit value.

The Ministry of Trade and Industry will also actively participate in the five-yearly comprehensive reviews of the EPA as mandated by the Joint Declaration. This will facilitate the identification of bottlenecks and structural rigidities which should be addressed and the recalibration of the development priorities of CARIFORUM States in relation to development cooperation (e.g through the European Development Fund) and Aid for Trade resources. For the GORTT, this would undoubtedly require tackling supply side constraints and market access challenges which have led to the declining competitiveness and trade complementarity of many CARICOM economies with the EU, constraining the expansion of the sub-region's exports to the EU under the EPA.

3.2.3. CBERA/CBPTA

The Caribbean Basin Initiative (CBI) is the trade component of the US's Caribbean Basin Economic Recovery Act (CBERA) of 1983³⁵. It is designed to promote diversification and development by providing preferential (duty-free) access to the US markets by exports originating in Caribbean and Central American economies for an indefinite period. Specific Rules of Origin apply, based on a minimum threshold appraised value-added of 35% in one or more of the beneficiary countries.

Except for textiles, apparel and certain petroleum products, the Rules of Origin do not apply to products manufactured from inputs produced or assembled in the US. The provisions of the CBI, especially the Rules of Origin, have been updated and expanded by the provisions of the US-Caribbean Basin Trade Partnership Act (CBTPA) of 2000 to include apparel, petroleum products, and several other products previously excluded from duty-free treatment.

Inorganic and organic chemicals, natural gas, petroleum and petroleum products, and manufactured fertilizers collectively account for in excess of 85% of the country's exports to the US, with food and beverage representing less than 1% (2015). Discussions with the domestic private sector suggest that the stringent rules under the US Food and Drug Administration's (FDA) Food Safety Modernization Act (FSMA) may have had a dampening effect on food and beverage exports to the US.

Research conducted has revealed that there are only 41 products in which the country enjoys a comparative advantage with the US, declining from 98 products in 2000.³⁶ This suggests that the country's export competitiveness has been contracting considerably in the US market over the past decade and a half, as other global economies such as China, Mexico, Vietnam and India³⁷ have been increasing their productivity and export competitiveness. However, the potential for intra-industry trade, and by extension value-chain participation with the US, has been increasing over time (see figure 3 above). Further, the country's trade complementarity with the US has remained consistently low over the years (from 2000).

The GORTT recognizes the crucial role that special trade preferences granted to small developing economies play in promoting and maintaining the viability of these countries. The GORTT also appreciates that CBERA has demonstrated its efficacy in supporting the country's (and other regional economies) efforts at economic transformation and development of non-traditional export sectors.

Moreover, CBERA preferences have been a critical export development tool and have served to foster greater private sector participation in trade and increased production, even more so than might have been realized through the provision of direct grants or other forms of domestic assistance to industry. As such the GORTT will work along with Trinidad and Tobago's Caribbean Community partners, the United States and WTO members to remove the uncertainty with regard to the continuation of CBERA preferences.

3.2.4. CARIBCAN

The Caribbean-Canada Trade Agreement, CARIBCAN, is the trade and economic development programme introduced by Canada in 1986 to provide Commonwealth Caribbean countries with non-reciprocal preferential duty-free access for most of their exports. Its purpose is to promote exports to Canada, and investment and economic cooperation within the Caribbean region.

³⁵ Qualifying CARICOM exports are eligible for and benefit from quota-free and duty-free market access to the United States market under the Caribbean Basin Economic Recovery Act (CBERA) of 1983 and its subsequent expansion, the Caribbean Basin Trade Partnership Act (CBTPA) of 2000, which are referred to collectively as Caribbean Basin Initiative (CBI). Essentially, the CBTPA sought to give NAFTA parity to exports from the Caribbean, as a direct response to the dis-investment and loss of production and jobs they suffered as production migrated, post NAFTA, to other more advantageous locations in the hemisphere, in line with market forces.

³⁶ Economic Development Unit, UNECLAC, 2019

³⁷ They are the countries that significantly increased their market share in the US from 2005 to 2017.

The qualifying goods must be exported directly to Canada and are subject to Rules of Origin with a minimum threshold of 60% of the value originating in one or more of the beneficiary countries. Value is defined to include transport, export packaging, factory overheads and a reasonable profit. The programme excludes a small group of products, in particular textile products, clothing, footwear, luggage, handbags, leather garments, lubricating oils and methanol. It is expected that the Agreement will be updated in the near future.

Trinidad and Tobago's major exports to Canada have been organic chemicals, natural gas and manufactured fertilizers. Research reveals that as at 2015, Trinidad and Tobago possessed only 33 products with a comparative advantage in the Canadian market, down from 84 products in 2005.³⁸ However, the country's trade complementarity with Canada has been steadily increasing. Trinidad and Tobago also has very little to no potential for intra-industry commerce with Canada (and even this has been steadily declining since 2000).

CARIBCAN has been very useful in supporting export growth and diversification in Trinidad and Tobago as well as in the Caribbean Community. Hence it is crucial that the Caribbean Community look beyond 31 December 2023 when the CARIBCAN waiver (granted by the WTO) expires, and determine the best way forward for not only preserving but deepening trade and development cooperation with Canada.

3.3. BILATERAL TRADE AGREEMENTS

Given the small size of the domestic market, Trinidad and Tobago has actively pursued bilateral trading arrangements in which securing additional market access has been a central goal. In pursuit of same, Trinidad and Tobago has signed and continues to pursue, bilateral agreements with several countries including Venezuela, Colombia, Dominican Republic, Costa Rica and Cuba. These agreements satisfy the principle of subsidiarity within CARICOM and provide mutually beneficial tariff concessions and preferential arrangements. They fulfil the following mandates:

- Promotion of trade and investment, and increase of access for Trinidad and Tobago's exports
- Exchange of general and product-specific trade and investment missions.
- Collection and sharing of market intelligence, missions and data collection for market information
- Reciprocal participation in exhibitions and trade fairs as well as other trade-promotional events
- Encouragement of institutional collaboration, including technical collaboration for the development of specific sectors
- Expedited follow-up of issues raised by the agreements

Traditionally, largely the same basket of goods has dominated the country's exports to its Western Hemispheric trading partners with which it has established trade agreements, namely Venezuela (petroleum and petroleum products, natural gas, iron and steel); Colombia (natural gas, iron and steel, organic and inorganic chemicals); Dominican Republic (iron and steel, natural gas and manufactured fertilizers); Costa Rica (natural gas, and iron and steel); Panama (petroleum and petroleum products, natural gas and paper and paper products); Guatemala (paper and paper products, inorganic chemicals and primary plastics); El Salvador (natural gas, primary plastics); and Chile (Natural Gas, and organic and inorganic chemicals).

Among these countries, the number of products for which Trinidad and Tobago enjoys a comparative advantage has been generally trending upwards in Venezuela, Dominican Republic, Panama and Chile. Further, Colombia, Dominican Republic, Guatemala and El Salvador are the countries with which Trinidad and Tobago's trade complementarity has been increasing; while Guatemala currently has the highest potential for bilateral intra-industry trade.

Within the national framework, Trinidad and Tobago has signed a bilateral partial-scope agreement with Panama to reduce tariffs on designated products and thus provide increased access to that market. Trinidad and Tobago is reviewing its partial-scope agreements with Guatemala and El Salvador. Discussions are currently underway for a partial scope agreement with Chile. Trinidad and Tobago has also signed bilateral investment agreements with key countries such as Canada, the USA, China, the UK, France, Germany, Mexico, Cuba, South Korea, Spain and Switzerland. These investment agreements strengthen national treatment of investors and provide for speedy dispute resolution.

³⁸ Economic Development Unit, UNECLAC, 2019



CHAPTER 4

INTERNATIONAL TRADE CHALLENGES AND POLICY MEASURES

4.1. OVERARCHING POLICY OBJECTIVES

Through the agreements signed at the bilateral, regional and multilateral levels, Trinidad and Tobago has obtained preferential market access (which in many instances includes duty-free, quota-free entry for qualifying exports) for its goods and services to the markets of many economies in the international community. However, the country's international trade still faces significant constraints and challenges that limit its potential. The constraints, as well as policies and strategies designed to address same are detailed below.

4.2. CONSTRAINTS ON INSTITUTIONAL CAPACITY FOR NEGOTIATIONS

Trinidad and Tobago has sought to take advantage of the global effort at multilateral trade liberalization through its engagement in trade negotiations at the bilateral, regional and multilateral levels. However, effective participation in trade negotiations requires a robust negotiating mechanism in the form of:

- a strong technical team to conduct empirical analysis which inform negotiating stances
- a negotiating team with appropriate negotiating skills
- effective institutional arrangements that bring together national stakeholders to support its work

Presently, in respect of the latter, Trinidad and Tobago has a Cabinet appointed Technical Coordinating Committee (TCC) which is supported by Sub-Committees on agriculture, market access, services, investment, legal and institutional issues and trade related issues. These Sub-Committees provide advice to the TCC on specific subject areas. Additionally, the Ministry of Trade and Industry is advised by wider dialogue with the private sector via the Standing Committee on Trade and Trade-Related Matters. This Committee is comprised of members from private sector entities and civil society. The National Committee on Trade Facilitation (NTFC) is responsible for coordinating trade facilitation reforms and further negotiations on trade facilitation. The Ministry of Trade and Industry's Trade Directorate, with assistance from relevant ministries and agencies, is responsible for negotiating all WTO, regional and bilateral trade and trade-related agreements. Issues related to consistency of meetings, retention of institutional memory and the level of expertise of the stakeholder community involved in these mechanisms have been raised.

The Ministry of Trade and Industry participates in several Joint Councils and Technical Working Groups established under the various trade agreements. However, these are convened infrequently. Additionally, over the years there has been inadequate training of stakeholders on all substantive issues and depletion of negotiating capacity as a result of retirement.

4.3. POLICY MEASURES TO ENHANCE TECHNICAL NEGOTIATING CAPACITY

The GORTT will therefore take steps to build institutional capacity to allow the country to effectively conduct trade negotiations and trade promotion in all relevant areas and fora. Specifically, the GORTT will:

1. Develop information systems and analytical methods to determine the non-tariff barriers such as import surcharges, quotas, product registration, licensing and permits in existing and emerging export markets/countries to inform discussions on non-tariff measures when negotiating new, as well as monitoring the implementation of existing trade agreements
2. Utilise specific numerical trade indicators; such as indicators of comparative advantage, intra-industry trade, and complementarity as the primary method of selecting products and markets driving the country's trade negotiating agenda, including bilateral and plurilateral agreements, as well as export promotion efforts
3. Develop a training programme to build the technical capacity of all national institutions involved in the various aspects and subject areas of trade negotiations
4. Strengthen the capacity of the Tobago House of Assembly to participate in the development of trade policy and formulation of trade negotiating positions, as well as to promote and facilitate the acceleration of Tobago's integration into the multilateral trading system and by extension increased participation in international trade

4.4. CONSTRAINTS AND CHALLENGES AFFECTING MARKET ACCESS FOR EXPORTS

Due to the small size of its domestic market, Trinidad and Tobago must specialize in exporting goods and services in which its marginal productivity of labour is comparatively high.³⁹ Trinidad and Tobago must also attract significant levels of Foreign Direct Investment (FDI) to develop those specialisations and must constantly look for new market opportunities outside of its borders.

Notably, access to markets for Trinidad and Tobago's exports has been limited by structural gaps and other challenges. These challenges have led to a very low share of global trade and to repeated periods of falling exports due to vulnerability to international commodity price swings, as well as, a small basket of key exports, while imports have been rising.⁴⁰ Most important among these challenges are the following issues:

4.4.1. SIGNIFICANT NON-TARIFF BARRIERS

It is noteworthy that as bilateral and plurilateral trade agreements reduce tariffs in countries and groups of countries with which the sub region has trade agreements in place, there has been an increase in the use of non-tariff measures (NTMs) as instruments of trade policy.⁴¹ Such NTMs include as health, food safety and quality-related measures; sanitary and phyto-sanitary (SPS) measures⁴² standards and technical regulations such as packaging and labelling requirements among others.

Indeed, as the importance of tariffs as an instrument of trade policy diminished, quality-related or non-tariff barriers have grown in importance. The significance of these barriers are such that the ability of a country to satisfy standards in an export market and certify the attainment of same are now strong determinants of competitiveness and influence export performance. Domestic economic operators have expressed concerns with regards to the effect that these measures have on export diversification and promotion efforts.

Attempts by Trinidad and Tobago's exporters to enter many of the markets of the country's trading partners have invariably been hampered by several non-tariff barriers. These include:

- Cumbersome import permit requirements, customs documentation, search and administrative procedures
- Disproportionate application of excise and other taxes across the country's exported products
- Costly and burdensome product registration and licensing procedures.
- Non-recognition of Certificates of Origin
- Administratively burdensome Rules of Origin
- Non-recognition of certificates issued by the national standards certification body
- Lengthy and complex processes for registration as a potential supplier (exporter)
- Distribution restrictions
- Lack of international trade protection in some export markets
- Varying and tight application of SPS and technical standards and provisions.
- Prohibitive trade-related investment measures
- Insufficient market intelligence on existing and potential target markets
- Foreign currency restrictions or controls which constrain the ability of importers to make payments thereby placing downward pressures on demand for the country's exports

More specifically, one of the major challenges confronting Trinidad and Tobago is the need to ensure that exporters and trade negotiators are aware of the non-tariff barriers applied by the country's trading partners and ways to effectively reduce or eliminate them.

³⁹The accumulation of physical (technology) and human capital is a necessary antecedent to fuelling productivity and economic growth. Innovation and R&D also help upgrade and expand the country's export-set, facilitating entry into tertiary industries, and therefore stabilizing export revenues over time. This is intended to provide a crucial lever for increasing productivity and diversification of the goods and services e.g. innovations that can be commercialized. Given that research, development and moving up the value-chain invariably require an adequate stock of human capital, investment and development cooperation initiatives in educating, training and retooling the labour force will also be ramped up.

⁴⁰Using data from the United Nations Statistics Division (UNSD), National Accounts Section

⁴¹Government measures other than tariffs that restrict trade flows, such as quotas, import licensing systems, sanitary regulations, prohibitions, etc.

⁴²Border control measures necessary to protect human health, animal or plant life or health.

4.4.2. APPLICATION OF CARICOM TRADE PROMOTION SCHEMES

A significant provision in the CARICOM and CSME arrangements is duty-free importation of primary, intermediate and capital inputs into production, when such inputs are not adequately produced within CARICOM. The purpose is to promote the competitiveness of industries and unlock the potential of regional economies for the production and exportation of goods and services produced utilizing imported inputs.

However, in the Region, duties and tariffs can be high and vary among Member States requiring a movement towards harmonization to ensure that the Regional regime is transparent and predictable. Moreover, VAT is added to the cost of production, making Regional goods and services relatively uncompetitive. Where VAT refunds are due from government, discussions with the Regional private sector suggest that this is typically not undertaken expeditiously, increasing the already uncompetitive unit cost of the Region's products in regional and international markets.

4.4.3. CHALLENGES OF TARIFF ESCALATIONS AND PEAKS

Notwithstanding the progress made in the reduction of tariffs as a result of successive rounds of multilateral trade negotiations, there has been a recent upsurge in protectionist sentiments in developed economies. This is leading to high tariffs and tariff escalations that protect the domestic industries of these countries which act as a disincentive for small commodity exporting countries like Trinidad and Tobago to move up the value-chain. As such, this practice can increase import costs and threaten the viability of products originating in countries like Trinidad and Tobago.

4.4.4. PROHIBITIVE RULES OF ORIGIN AND EROSION OF TRADE PREFERENCES

Rules of Origin are an integral part of preferential trade agreements, which are designed to foster trade.⁴³ However, some of the most effective barriers to exports are restrictive and cumbersome Rules of Origin which makes it difficult to qualify for preferential treatment. This in turn complicates and creates uncertainty for traders. This challenge becomes more significant as it reduces a country's share in the value of a manufactured product or overall service flow, given that production has now become more global and producers are increasingly operating along different points of the global value chain.

4.5. POLICY MEASURES TO ENHANCE MARKET ACCESS

Transforming Trinidad and Tobago's export profile to ensure that the country increasingly produces goods and services that the rest of the world demands, as well as, securing preferential access to markets of strategic export interest, are seen as crucial steps in building the resilience of the domestic economy. The GORTT will pursue an agenda of negotiating new, and where necessary, revisiting existing FTAs, to support development of a new and export-competitive industrial structure.

Based on existing trade complementarities and potential for intra-industry trade, the wider Caribbean, as well as, the South and Central American, Asian and EU (27) markets will be targeted for export expansion in the first instance. As the planned programme of economic restructuring and construction of a more robust trade complementarity structure gains traction, the markets of export interest to the private sector will evolve. A more pointed discussion of specific markets and peculiar products which will dominate this country's export diversification thrust will be undertaken later on in this section of the TTTP.

⁴³ Rules, laws, regulations and administrative rulings applied by governments to determine the country of origin of goods, services and investment. Such rules commonly outline the processes that have to be carried out in order for a good to qualify for preferential access.

There exists an asymmetry in knowledge between Trinidad and Tobago, other Caribbean economies and countries with which the country has established FTAs and PSAs in respect of what each country has to offer with regards to raw materials, intermediate inputs, final products and small-scale equipment. Another information gap that if closed could facilitate trade expansion, relates to exporters' difficulty in accessing information on the administrative and regulatory requirements such as SPS information for the import of a specific product and information on other non-tariff measures. Better access to such information could significantly expand trade.

In view of the foregoing, specific policy measures that will be instituted by the GORTT to enhance market access for Trinidad and Tobago's exports include the following:

GENERAL MEASURES

1. 1. Enhance cooperation within CARICOM Member States and among CARICOM business organisations to increase access to export markets by introducing an Enhanced Market Access Strategy for CARICOM businesses
2. Strengthen the functional relationship between the Ministry of Trade and Industry and the Council for Trade and Economic Development (COTED) and other regional organizations such as UNECLAC, with a view to using the results of empirical research to facilitate greater exports to the Caribbean Community, the wider-Caribbean and Latin America, in an effort to boost intra-Caribbean trade
3. Through the Ministry of Trade and Industry, collaborate with exporTT and the Ministry of Rural Development and Local Government to ensure coherence with the implementation of Local Economic Development (LED) plans
4. Provide greater institutional and financial support to strengthen capacity to effectively implement and administer the trade and regional integration-related commitments enshrined in the Revised Treaty of Chaguaramas and trade agreements to which the country is signatory
5. Introduce an annual Trade and Investment Barriers Report to analyse trade and investment barriers affecting businesses and CARICOM Member States.
6. Introduce a 10-year moratorium and appropriate regulatory, as well as, fiscal framework in free zones to allow exporters to sell in the domestic market before output is fully geared to exports
7. Collaborate with the THA to establish capacity in Tobago to monitor and evaluate the evolution of trade and enable stakeholders on the island to participate in the proposed programmes identified under this policy. Thereby enhancing integration of Tobago into the international trade development process

ELIMINATION OF NON-TARIFF BARRIERS

1. Establish a National Non-Tariff Barrier Committee with public and private sector participation, with a mandate to create a trade-focused database for private sector-driven accumulation of evidence on the non-tariff barriers faced by Trinidad and Tobago's exports in regional and international markets. Additionally, work towards increasing transparency and information sharing; discipline; and/or the progressive removal of non-tariff measures which impact negatively on de facto private sector market access
2. Establish institutional mechanisms to open and undertake market access investigations in third countries and guide action to prevent the emergence of new non-tariff barriers
3. Make optimal use of the WTO's Dispute Settlement System when a member country of the WTO adopts non-tariff barriers to the detriment of national stakeholders.
4. Support capacity-building initiatives to improve bilateral and regional negotiations aimed at accelerating the removal of non-tariff barriers affecting Trinidad and Tobago's exports
5. Build public-private partnerships and undertake private sector awareness programmes aimed at improving the monitoring and reporting of non-tariff barriers by traders.
6. Establish a modern, harmonized regime of health and food safety legislation and regulations, as well as strengthen national quality infrastructure such as laboratory, testing and certification, metrology and accreditation to ensure the exporters meet food and product standards in key export markets (particularly the USA and EU).

7. Institute mechanisms, inclusive of an information portal, to ensure that the regional private sector is made aware of new Trinidad and Tobago instruments and regulations, including technical barriers to trade (TBTs) that may affect them. ⁴⁴
8. Promote the use of good agricultural practices (GAP), as well as ensure farmers are GAP certified and agro-processors as well as manufacturers secure international product quality certification such as Global Food Safety certification. ⁴⁵
9. Through the Ministry of Trade and Industry, encourage regional institutions and councils⁴⁶ to work together with private and international agencies ⁴⁷ to bridge the information asymmetry gap between policy makers and industry ⁴⁸, particularly where private standards exist.

TRADE COMPETITIVE TARIFF STRUCTURE FOR IMPORTED INPUTS

1. Seek a review of the CARICOM Common External Tariff to ensure that:
 - 1.1.1. All necessary imported inputs such as raw materials, intermediates and capital that cannot be produced in the region receive zero (0) effective tariff ratings
 - 1.1.2. *De minimis* tariff thresholds are raised to optimal levels consistent with the current objectives of increasing trade while minimizing unnecessary loss of revenues and unfair competition to domestic suppliers.
2. Support the applications by the manufacturing and service industries for duty remissions and elimination of VAT on necessary imported inputs for all industries, not only the petrochemical industries.
3. Within CARICOM, expedite the refund of VAT due to exporters to within 6 months of application date
4. Strengthen the administrative arrangements that facilitate maximal use of the duty remissions and other CARICOM export promotion schemes that enhance the competitiveness of Trinidad and Tobago's industries in the regional and external markets
5. Collaborate with the private sector to strengthen its capacity to utilize the CARICOM duty remission and other export promotion schemes

TRADE-SUPPORTIVE TAX MEASURES

1. Negotiate for greater harmonization of taxes in CARICOM with a view to increasing trade within the bloc.
2. Make plant and equipment, and parts thereof, used in production and processing exempt from property taxes.

TRADE-SUPPORTIVE RULES OF ORIGIN

1. Pursue the simplification of Rules of Origin in new and existing multilateral and bilateral trade agreements as a policy priority of the GORTT. This will include promoting the use of thresholds of origin such as 'change of tariff heading', 'simple mixing', 'simple assembly of parts to constitute a complete product' and 'cumulation' ⁴⁹ which are consistent with the country's emerging capabilities and peculiar interests in creating regional, as well as, integrating into global value-chains.
2. Advocate for a simplification of arrangements for certification and verification under its existing and in future bilateral trade agreements (where necessary)
3. Encourage a wider use of approved exporter regimes and verification by the Customs Administration of the exporting state with a built-in facility for inviting participation by the certifying authority in the importing state

⁴⁴These are impediments to trade resulting from existence of standards and conformity assessment systems.

⁴⁵The latter is important to ensuring food safety and brand protection and by extension helps secure new business opportunities in the upstream supply chain.

⁴⁶Including the Caribbean Regional Organization for Standards and Quality (CROSQ), the Caribbean Agricultural Health and Food Safety Agency (CAHFS) and COTED.

⁴⁷e.g. the World Trade Organization (WTO) and International Trade Centre (ITC).

⁴⁸With respect to SPS measures, standards, technical regulations (e.g. packaging and labelling requirements) and others non-tariff measures (NTMs) employed in markets of export interest.

⁴⁹A system of rules of origin which allows the production or transformation of a product in two or more specified countries.

4. Pursue the relaxation of the applicable CARICOM Rules of Origin in order to boost intra-regional intra-industry trade in instances where the Rules of Origin CARICOM's bilateral trade agreements are less onerous⁵⁰ than those set out in the Revised Treaty of Chaguaramas⁵¹
5. Advocate for more generous, simpler and flexible trade-supportive Rules of Origin in the country's preferential trade agreements, especially those that increase the weight given to local intellectual property inputs, such as design, and those that lower the thresholds and the administrative and certification procedures for proof of origin
6. Further advocate for greater use of duty drawbacks, self-certification and industry-group certification in the Rules of Origin, with generous derogations for key export sectors being promoted by the country
7. Accelerate implementation of provisions in the National Aid for Trade Strategy (Aft) that draws on foreign assistance to support the local certification bodies to simplify certification procedures and reach most producers and exporters.
8. Develop a programme to increase awareness of the applicable Rules of Origin, such as rules related to classification, value-added, and special technical requirements in all bilateral, regional and multilateral trading agreements, especially in the key markets targeted by local producers

4.6. CHALLENGES AND CONSTRAINTS AFFECTING TRADE FACILITATION

The GORTT sees infrastructure investment as having a positive knock-on effect not only on competitiveness and productivity but also on economic development, which in turn is reflected in economic growth, expansion in output and welfare gains. Moreover, the quality and availability of infrastructure often influences investment decisions and business locations, while the existence of modernized key economic infrastructure, particularly in the areas of energy, transport and ITC, facilitates economic activity.

Trade facilitation and enhancing connectivity are a priority of the GORTT. Trinidad and Tobago is party to several Agreements aimed at improving trade facilitation in the import and export of goods and services. These agreements also seek to simplify and harmonise local and international practices with respect to data collection, presentation, communication and processing related to trade.

The ultimate purpose is to reduce the costs and delays associated with such procedures in order to allow trade to take place on free-market principles and make exports more competitive. The overall scope of the commitments is set out in the WTO Trade Facilitation Agreement (TFA) which was ratified by Trinidad and Tobago in 2015. The TFA is reinforced by provisions in the CARICOM Single Market and Economy, in CARIFORUM's EPA with the EU, as well as outlined in various bilateral agreements that the country has signed.

Under the TFA, the country has committed to the several facilitation measures, including pre-shipment inspection, temporary admission of goods for inward and outward processing, electronic payment for customs clearance and acceptance of copies for customs procedure. For all of them, the GORTT is committed to implementation in short order.

On the World Bank's *Doing Business Index 2018*, Trinidad and Tobago ranked 126 (out of 190). The country's *Trading Across Border Index*, declined from a rank of 76 in 2015. The number of documents required to export increased from 5 in 2015 to 8 in 2018. The number of hours required to export has remained at 32 since 2016. The number of documents required to import increased from 10 in 2015 to 13 in 2018. The number of hours required to import has remained at 60 since 2016. Regarding trading logistics, the country ranked an unsatisfactory 124 in 2018 out of a total of 160 countries on the World Bank's *Logistics Performance Index*, down from 121 in 2016. As such, significant upgrade is needed to support trade facilitation.

⁵⁰ e.g. require change of tariff heading and do not require use of CARICOM or 'originating' materials.

⁵¹ Which calls for the use of regional materials in the production of certain goods.

Furthermore, high transportation and transaction costs have limited the ability of Trinidad and Tobago to capitalize on the relatively higher intra-regional trade complementarity. Logistics costs for Caribbean countries are estimated to account for 20 per cent of product costs, when compared to the global average of 10 per cent.⁵²

In addition, overall transport costs and insurance in the Caribbean is estimated to be 30% higher than the world average. The exporters consulted by UNECLAC also reported some challenges with respect to the logistics in moving goods to destination markets, both with respect to ocean and air freight. The availability of logistic services is limited, particularly for shipments to Central American markets. Freight services are also costly, particularly with the small volumes of goods being exported by smaller exporters (less than a container load). The TTTP will therefore advance policy prescriptions geared towards remedying these myriad structural challenges.

In light of the above, the need to address trade facilitation challenges and bottlenecks has become a major area of policy focus for the region, including Trinidad and Tobago. In this regard, harmonizing national customs legislation; establishing a protocol for free circulation of goods in the CARICOM Single Market and Economy (CSME); interoperability of national single electronic windows (SEWs); and a goods transit system for cargo transported by sea are policy priorities for the GORTT and the Region.

Trinidad and Tobago could draw considerable benefits in terms of trade volumes and trade costs from significant improvements in the areas of information availability and automation. Continued efforts in the areas of simplification, harmonisation of documents and streamlining of procedures would bring further benefits.

The following are some of the other peculiar concerns regarding trade facilitation addressed by the TTTP.

4.6.1. INADEQUATE INFRASTRUCTURE

Some of the relatively high costs associated with doing business implied by the World Bank's ranking of Trinidad and Tobago are the result of infrastructure challenges that limit domestic movement and international connectivity. Correspondingly, this discourages private investment in promising productive sectors. Crane capacity is limited, and berthing facilities are relatively inadequate.

Additionally, inadequate road infrastructure usually raises the cost of transport by making the movement of personnel and freight inefficient and expensive. Road traffic into and out of the port is congested and restrictive, especially at peak hours. The port resources have not been optimally utilized. Frequent interruptions in power and water supplies have disrupted production and caused loss of output and sales for businesses. In its efforts to ensure a more robust and supportive trade infrastructure for the business community, the GORTT's challenge is to identify and allocate adequate resources to relevant infrastructure development.

4.6.2. CUMBERSOME AND INCONSISTENT IMPORT AND EXPORT PROCEDURES

Cumbersome and inconsistent import and export procedures can negatively impact the business community. To effectively overcome these issues, the country's border agencies need to be well-funded and adequately staffed, including the introduction of regularised working hours and standard operating procedures. Customs procedures should also be better integrated into the port systems. In addition, the procedures at the different ports should be harmonized. There should be greater coordination between the agencies facilitating trade.

In this regard, the main challenge is to reduce the costs of trade by improving the current importing and exporting procedures and documentation. At the same time, the GORTT must also foster greater cooperation among the various agencies that manage the border and that provide services to the business community as it seeks to expand cross-border trade.

⁵² CARICOM 2013.

4.6.3. INADEQUATE COMPLIANCE AND HARMONISATION WITH INTERNATIONAL STANDARDS

Standards are pervasive in global trade. There are significant capacity challenges at the institutions responsible for monitoring and ensuring compliance with international standards requirements and changing recommendations as knowledge accumulates and products and processes develop. There is significant rejection of exported products due to inadequate application of technical or SPS standards and procedures. There are insufficient accredited labs and most available labs are environmentally focused, and significant investment is needed in the standards infrastructure.

As such, the existing National Trade Facilitation Committee (NTFC) needs to adopt a more aggressive approach to trade facilitation. The Customs and Excise Division needs to be adequately resourced and its existing mandate re-examined which currently combines security, tariff-imposition and collection and trade facilitation. While Trinidad and Tobago has a single electronic window (SEW), it still does not offer a one-stop shop service to facilitate imports or exports. The GORTT must seek to upgrade capacity at these institutions and ensure harmonisation with regional and international standards.

4.7. POLICY OBJECTIVES AND STRATEGIES TO IMPROVE TRADE FACILITATION

The policy objective of the GORTT is to collaborate closely with the private sector to minimise the cost of cross-border trade by improving infrastructure, customs documentation requirements and procedures, and by increased capacity to harmonise local standards with changing international standards and requirements.

In this regard, the GORTT through the Ministry of Works and Transport, is currently modernizing the country's transport infrastructure through a robust series of projects geared at enhancing domestic connectivity, productivity and export competitiveness. These initiatives cut across road networks (e.g. the Valencia to Toco Highway project); port berthing, equipment, logistics and infrastructure (including the creation of the Toco Port Facility); as well as air transport.

Specific policy prescriptions to improve trade facilitation are as follows:

4.7.1. EXPAND TRANSPORTATION AND COMMUNICATIONS INFRASTRUCTURE TO IMPROVE LOCAL, REGIONAL AND INTERNATIONAL CONNECTIVITY

1. Expand and modernise all major cargo ports of entry and exit
 - Upgrade the cargo-handling equipment for efficient handling
 - Dredge the Port of Spain basin and upgrade berths
2. Develop and maintain national road networks
3. Increase collaboration between the port authorities and the business community, especially the haulers who seek to retrieve cargo
4. Address gaps in the SEW with a view to further enhancing its contribution to improving the ease of doing business in Trinidad and Tobago
5. Facilitate public-private partnerships to develop port facilities
6. Establish a modern e-Commerce platform scaled to the level of CARICOM. This will provide producers and services providers with a flexible and adaptable, efficient and profitable, marketplace online, complete with promotion facilities, secure and reliable payment facilities, and shipping arrangements targeting all key destination markets.
7. Establish secure bulking and warehousing facilities aimed at increasing the capacity of exporting MSMEs to service large international orders on a sustainable basis
8. Ensure that public investment is complemented by Aid-for-Trade (AFT) resources, south-south and triangular development cooperation with the Central and South American region and private-public sector partnerships geared at producing key competitiveness enhancing public goods in the areas of trade facilitation, transport, Information and Communication Technology (ICT)
9. Establish a domestic e-Commerce platform
10. Through the Ministry of Trade and Industry collaborate with the Ministry of Public Administration (MPA) to advance the E-Commerce-related elements of the National ICT Plan 2018-2022

4.7.2. ENHANCE COMPLIANCE AND HARMONISE WITH INTERNATIONAL STANDARDS AND REGULATIONS

1. Upgrade and modernize all components of the national standards infrastructure, consistent with the projects outlined in the Cabinet approved National Quality Policy
2. Establish an Independent Accreditation Body for Trinidad and Tobago and design and implement an Accreditation Programme for Public Laboratories
3. Develop and publish the priority sectors for national diversification to allow prioritization of standardisation of both goods and services in relevant sectors
4. Upgrade national laws to harmonise local standards with international standards and regulations, with adequate attention to interoperability
5. Amendment of the Standards Act and Food and Drugs Act to unify the consensus approach to standards development and address the issue of mandatory standards. Increase awareness of standards and build private sector capacity to comply with international standards and regulations
6. Develop standards architecture such as registration and certification for targeted professionals involved in international trade
7. Pursue a Mutual Recognition of Certification Agreement and process with all trading partners, enabling the national certification bodies to recognize certification in other countries and vice versa
8. Enhance collaboration among national standards bodies, tertiary education and research institutions.
9. Enhance the authority of the national standards bodies to enforce compliance with legally-mandated standards and regulations
10. Improve the capacity of the TTBS to address TBT issues efficiently
11. Benchmark trade facilitation agencies and institutionalise international best practices
12. Collaborate with the THA to establish specific mechanisms for monitoring the diversification and development of trade in Tobago and introduce in Tobago necessary components of the national standards (quality) infrastructure, including testing and certification, metrology, market surveillance and accreditation to support improved compliance with international standards and regulations

4.7.3. UPGRADE IMPORT, EXPORT AND TRANSIT PROCEDURES AND ADMINISTRATION TO INTERNATIONAL BEST PRACTICES

1. Reduce the number of documents required for imports and exports to no more than four (4) each for Bill of Lading/Airway Bill; Commercial Invoice; Shipping Bill/Bill of Entry / Bill of Export; Additional document to ensure legal compliance
2. Upgrade the administrative system supporting the Single (Electronic) Window (SEW) and one-time submission system to allow traders to submit and process trade documents and data required by all regulatory agencies
3. Upgrade mechanisms that allow issuance of importer-exporter codes in electronic form and provide for speedier lodging and processing of documents and data prior to goods arriving at the border
4. Establish a Special Authorized Economic Operators (SAEO) programme to identify and certify operators satisfying a minimum threshold of local content and compliance with security standards in imports and exports within international supply chains
5. Introduce standardised electronic Risk Management System for SAEOs at all ports, including self-assessment of customs duty, pre-clearance and elimination of withholding, delays or seizures of consignments meant for export
6. Pursue Mutual Recognition Agreements with other customs jurisdictions with similar SAEO programmes
7. Establish cooperation and coordination mechanisms for all agencies involved in cross-border trade in order to improve trade facilitation
8. Accelerate operationalisation of the TTRA as a major step in the upgrade and coordination of trade facilitation

9. Upgrade applicable legislation to remove legal vagaries and institutionalise transparent non-discretionary customs procedures, valuations and administration
10. Modernise national air transportation services and associated institutional and other infrastructure

4.7.4. REFORM ALL INSTITUTIONS DEALING WITH TRADE FACILITATION

1. Document and publish all Customs legislation, procedures, regulations, valuation methods, and past judgements and administrative rulings to inform all relevant stakeholders
2. Publish all specific import and export policies associated with each item in the SITC classification system used by customs authorities
3. Establish standard operating procedures to treat with customs legislation, procedures and valuations
4. Appoint a Trade Facilitator at Customs and Excise Division
5. Establish a national inquiry point responsible for providing speedy access to trade-related data, documents and adjudication of disputes
6. Introduce awareness-building sessions to communicate generally applicable customs-related information to stakeholders
7. Introduce training programmes to build the capacity of regulatory authorities and separate the regulation and performance monitoring function from the service providing function
8. Upgrade the training and performance monitoring of all Ministries and government agencies involved in the trade facilitation system
9. Define and introduce other incentives to meet the needs of customs service providers
10. Upgrade staffing to ensure efficient functioning of the Customs and Excise Department
11. Monitor the actual performance of Customs by undertaking and publishing a "Time Release Study" annually, according to guidelines provided by the World Customs Organisation
12. Support Local Government as a driver of economic and export diversification

4.8. CHALLENGES AND CONSTRAINTS RELATED TO TRADE REMEDIES

Unfair trade practices, dumping, the presence of counterfeit goods in the market, poor labelling and the evasion of import duties have combined to undermine Trinidad and Tobago's competitiveness. As such, the GORTT via the National Quality Policy aims to strengthen the country's capacity to assess and test imported products that may pose unfair competition to local producers of competing products. The WTO agreements provide significant scope for unilateral defensive trade policy measures to address unfair practices, in particular dumping, trade-distorting subsidies, and import surges.

4.9. POLICY TO PROVIDE TRADE REMEDIES

To upgrade the protection of local industries against unfair trade practices, the GORTT will adopt the following policies.

1. Review and update all trade remedies legislation and related regulations and implementing institutions to ensure compliance with the WTO agreements
2. Fully Proclaim the Fair Trading Act and enforce measures adopted in the Act
3. Make optimal use of the WTO's Dispute Settlement System when a WTO member breaches the provisions of the WTO agreements or fails to live up to its obligations to the detriment of Trinidad and Tobago
4. Craft additional specific trade-related domestic policy measures geared towards safeguarding sensitive agricultural subsectors which are central to achieving key agricultural policy objectives including rural development and employment; poverty alleviation; food security; and protection of the environment



CHAPTER 5

TRADE IN GOODS: STRATEGIC APPROACH TO MANUFACTURING, AGRICULTURE AND GREEN INDUSTRIES

Trinidad and Tobago's options for increasing its access to foreign markets have been significantly increased by its participation in bilateral, regional and international trade agreements. Despite such a progressive trade policy, the country's exports remain concentrated in a few destination markets and focused on a few sectors and products. There are many products and services with high comparative advantages that the country consumes locally rather than export and several underexploited markets to which those outputs can be exported.

As discussed earlier, about 32% of the country's trade go to the USA, 17% to the EU, mostly Britain, and 14% to CARICOM countries. Only a small percent of trade (5%) goes to Latin America. About 90% of all the exports are mainly in a few energy and energy-based products along with food, beverages and tobacco, with only 10% in services although services account for more than 60% of GDP. This export concentration explains why Trinidad and Tobago accounts for only 0.05% of global exports and 0.03% of global services exports.

The data also suggests significant underutilized potential to expand trade, especially in services, and to exploit the potential market opportunities in Latin America, the EU and in Asia, including India, China⁵³ and the ASEAN bloc.⁵⁴ There is also significant potential to expand exports of services to the USA, where a large Caribbean diaspora can provide an anchor for such exports. This potential also exists for expanded intra-industry trade within CARICOM, especially in the area of services.

As such, Trinidad and Tobago is now in urgent need of an export diversification strategy that is rooted in a broader industrial policy, and which seeks to nudge the country towards increased production and exports in industries where the country has comparative advantages. There will be a prioritization of high-value (and in some instances energy intensive) industries (and services), rather than focusing on primary and intermediate products, since the former are generally subject to lower levels of market volatility. Furthermore, these sectors would generate more value added than intermediate products.

These industries include agriculture and agro-processing (e.g. beverages, organic and gourmet products and miscellaneous food products), fish and fish processing, light and higher value manufacturing, downstream energy sector as well as upstream energy sector (natural gas)⁵⁵. The TTTP will also encourage the strengthening of backward and forward linkages between the country's energy sector and other goods industries. In this regard, the aluminium-based industry (at La Brea and Tamana) is an important new export sector. Green industries (goods), including green/bio-degradable products such as utensils and food containers, will also be pursued for inputs into manufacturing as well as export.

Research conducted by UNECLAC has also revealed that Trinidad and Tobago has more Rising Star products (i.e. commanding increasing market share in dynamic markets) in Asia, CARICOM and Central America than in other destination markets. On the other hand, there are more missed opportunities (i.e. showing decreasing market share in dynamic markets) in EU, Canada and Africa than in other markets. A major policy priority over the next five years will be accelerating export expansion of products shown to be rising stars and reversing declining export performance of other key sub-sectors in dynamic export markets. (See Figure 13 below).

In the agricultural sector, there are untapped opportunities for expanding exports in vegetables and fruit, coffee/tea/cocoa/spices, animal feed, miscellaneous food products, and beverages (while they are rising stars in some destination markets, they are missed opportunity products in other destination markets). Hence, inter alia, the GORTT, through the Ministry of Trade and Industry, working in tandem with the Ministry of Agriculture, Land and Fisheries and NAMDEVCO, will modernize phytosanitary regulations, processing and transporting technology (to export fresh products) and upgrade marketing activities in order to optimize market penetration for these export sectors, particularly in dynamic markets.

There are also untapped opportunities in higher-value-added products such as: electronic assembly, textile and garment manufacture for the fashion industry, pharmaceutical products, perfume/cosmetic/cleanser, down-stream aluminium products, printing and packaging, 3-D printing, downstream petrochemical products (e.g. melamine production and linkage with furniture and packaging subsectors, plastics non-primary form, manufactured fertilizers and other chemical materials/products), paper and paper products, wood and wood products, crafts and jewellery and publications. On the other hand, organic chemicals and inorganic chemicals are declining stars in many destination markets.

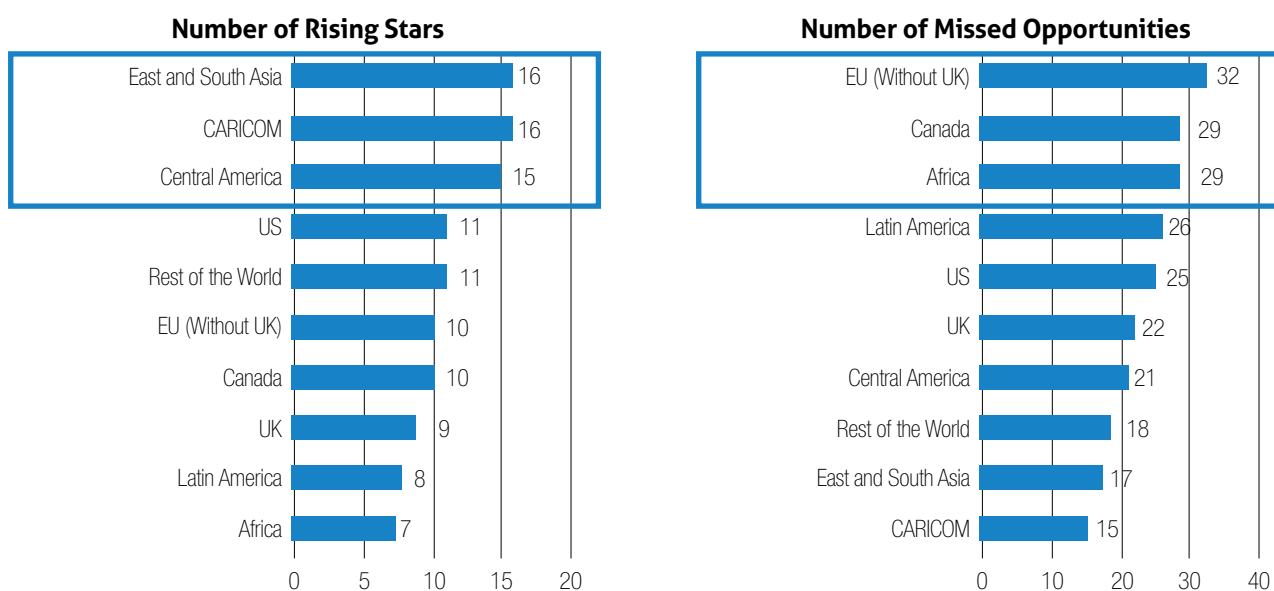
⁵³Trinidad and Tobago signed a memorandum of understanding with China to join China's Belt and Road Initiative in 2018. It is expected that the Initiative will attract Chinese investment in infrastructure development, and provide opportunity for Trinidad and Tobago to become a transportation and logistics hub in the region and to diversify the economy. Stronger economic relationship with China through the initiative will also contribute to moving forward the construction of a dry-docking facility, as well as attracting more Chinese tourists.

⁵⁴Member states of ASEAN are Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

⁵⁵ The analysis is based on International Revealed Comparative Advantage (IRCA) Index.

As such, trade related policy measures will be crafted towards these two sub-sectors to boost their productivity and cost competitiveness in the country's key export markets. Annex 5 itemizes rising stars and missed opportunities by destination markets, which will be utilized by the Ministry of Trade and Industry and exportTT, in collaboration with the private sector, in prioritizing sectors and sub-sectors by export market for investment industry development and export expansion. In its effort to review and amend the Foreign Investment Act, the GORTT will give priority to attracting investment in new higher value manufacturing sectors.

Figure 13: Number of Rising Stars and Missed Opportunities by Destination Markets (Number of products)



Source: COMTRADE through WITS

Note: Changes of market share and percentage of imports from 2000-2002 average to 2015-2017 average are used for the calculation

5.1. KEY SECTORS AND MARKETS FOR EXPORT EXPANSION

5.1.1. MANUFACTURING

With the exception of its exports of downstream manufactured goods in the energy sector, Trinidad and Tobago's manufacturing sector is largely focused on food and beverages for the local and CARICOM markets. In addition to the upgrade of capacity in these existing manufacturing export sectors, the GORTT has identified fish processing and agro-processing as new areas in which the country would seek to develop upgraded manufacturing capacity. It is estimated that 97% of the exports of this element of the manufacturing sector currently targets the CARICOM market.

In its efforts to target other markets, the manufacturing sector has been hampered by financial challenges to undertake upgrade to state-of-the-art technologies; by the small size of the labour market; and by the distorting effects of public sector social policy. Nonetheless, the consumer-goods manufacturing sector continues to have a significant role to play in the development and diversification of the national capacity to export. This role will be realized through the following additional policy measures:

1. Ensure access to financial support to support continuous updating to state-of-the-art global technologies
2. Enhance collaboration between the Ministry of Trade and Industry and the Ministry of Labour and Small Enterprise Development to provide market access information to and strengthen the export capacity of micro and small enterprises
3. Incentivize investment in energy efficiency equipment and energy conservation
4. Grow the domestic ICT sector through the promotion of foreign investments, e-Commerce and the building and operation of ICT networks by pragmatically reducing existing impediments to freer trade in ICTs

5. Target Investment promotion to attract foreign investment into the ICT sector
6. Collaborate with the private sector to upgrade capacity to integrate e-Commerce into the business models of enterprises, including support for CARICOM-wide strategies related to warehousing and payment systems
7. Invest in the upgrade of the skills of the labour force
8. Reform public sector social policies to reduce labour market distortions and support its development to facilitate competitive trade
9. Implement the provisions of the CSME to expand the pool of skilled and unskilled workers available to support the export thrust

5.1.2. AGRICULTURE AND AGRO-PROCESSING

The GORTT has articulated, in its National Development Strategy 2016-2030 and its 2018 Mid-year Budget Review, its intention to transition the country towards a more diversified economy, which produces a broad spectrum of export competitive, high-value goods and services. In this regard, the GORTT has identified agriculture and agro-processing, as well as, fish and fish processing among seven (7) economic areas for the establishment of new business clustering.⁵⁶ However, while in 1985, Trinidad and Tobago's agriculture sector constituted approximately 3.02 per cent of GDP, this share gradually decreased, falling and staying below 1 per cent of GDP from 2003 onwards. To a large extent the structure and performance of Trinidad and Tobago's agricultural industry has been shaped by the country's colonial history.

Primary non-processed products⁵⁷ accounted for an estimated 9.2 per cent of Trinidad and Tobago's total agriculture exports (2015); falling to 2.7 per cent in 2017⁵⁸ and averaging 7.5 per cent over the period 2013-2017. Accordingly, increasing exports of primary agricultural products at the intensive and extensive margins will require systemic upgrading. Upgrading is the process of firms moving from low value-added segments/ activities to higher value-added activities.

The first best option may be moving toward more technology intensive primary production geared at safeguarding the country's non-trade concerns of food security, rural development and ensuring the viability of rural communities, in the first instance.

The GORTT will seek to leverage infrastructural development, such as the highway to Toco that is presently being constructed, the accompanying modernized arterial road network and the planned port for the area, as a platform for engaging in intra-regional exports of primary agricultural products. In this regard, the Moruga Agro-processing and Light-manufacturing Industrial Park and Moruga Port are early interventions by the GORTT to bring rural areas into the productive sector while expanding exports in the Food, Beverage and Manufacturing sectors

The GORTT may also work more closely with the private sector and development partners (e.g. Israel, India, IICA and IADB) to facilitate and incentivize increased innovation and the use of productivity enhancing technology in agricultural production⁵⁹. For the GORTT, this would go a long way to inducing comparative advantage in agricultural production. The GORTT will also explore avenues for incentivizing the use of aquaponic and hydroponic systems, as well as mariculture. The GORTT will also engage countries like Israel in development cooperation initiatives to promote the use of its drip, micro-spraying and micro-sprinkling irrigation systems. The utilization of vertical farming to produce high-quality products sustainably is another initiative that will be incentivised.

⁵⁶There is cognizance that domestic sourcing fresh fish for processing may be challenging. As such, a policy framework for incentivising mariculture, as well as supporting oceanic wild catch through management of the marine resources and development of the coastal communities that depend on them to bring about long-term sustainability of fish stocks. This may include Trawl Management Measures and the eventual ban on trawl fishery.

⁵⁷These primary agriculture products include: Milk pr exc buttr/cheese (s.i.t.c. 022); Meat/offal presvd n.e.s (s.i.t.c. 017); Flour/meal wheat/meslin (s.i.t.c. 046); Spices (s.i.t.c. 075); Cocoa (s.i.t.c. 072); Meat nes,fresh/chld/froz (s.i.t.c. 012); Sugar/mollasses/honey (s.i.t.c. 061); Animal feed ex unml cer. (s.i.t.c. 081); Crustaceans molluscs etc (s.i.t.c. 036); Fish, dried/salted/smoked (s.i.t.c. 035); Meat/offal preserved (s.i.t.c 016); Coffee/coffee substitute (s.i.t.c. 071); Eggs, albumin (s.i.t.c. 025); Beef, fresh/chilld/frozn (s.i.t.c. 011); Rice (s.i.t.c. 042); Tea and mate (s.i.t.c. 074); Live animals except fish (s.i.t.c. 001); and Fish/shellfish,prep/pres (s.i.t.c. 037).

⁵⁸This decline is due to the increase in non-alcohol beverage export

⁵⁹For instance, Israel has transformed its agricultural production through the pioneering and adoption of technology, which in turn has been used to redress several challenges faced by the agriculture sector of developing countries such as India (The Economic Times, 2017).

The assistance of international development partners (IDPs) will also be sought to work with the Ministry of Agriculture, the Ministry of Education, UWI and other tertiary education providers, CARDI and CARIRI institute, in crafting a framework for fostering multidisciplinary R&D and innovation which seeks to create new (disease resistant and high-yielding) varieties/breeds, products and technologies which will increase productivity and output in the sector. Further, the private sector will be encouraged to invest in the establishment and running of this framework, possibly through public private partnerships (PPPs), particularly since this may allow for a domestic source of competitively priced inputs for agro-processing industries in the medium-term.

There will also be a rationalization of the provision of subsidies, within the *de minimis* level, to participants in the primary production segment. Care will be taken to ensure that these measures are easily accessible to the target beneficiaries. This should extend to complementary support measures such as duty and VAT exemptions, provision of state-subsidized labour, concessional credit and trade financing, crop and livestock insurance, technical assistance, and marketing services⁶⁰. In addition, the Agricultural Development Bank (ADB) will collaborate with relevant stakeholders in agriculture and agri-business to synchronize farmer training with financing within a programme⁶¹.

Research has shown that in the inputs segment of the global value chain for agriculture, Trinidad and Tobago's endowment of natural gas has allowed it to be a strong producer of ammonia urea, and some macronutrients of fertiliser. However, apart from the ammonia and urea inputs, Trinidad and Tobago has weak participation in the agriculture inputs segment. Trinidad and Tobago also possesses a comparative advantage in the processing segment. Notwithstanding this, there exists room to expand productive capacity and diversify exports in the agro-processing industry to improve foreign exchange earnings.

This would undoubtedly require transforming the country's export specialization (through vertical integration). However, efforts at diversifying the agricultural exports of Trinidad and Tobago will not veer too far from the country's areas of comparative advantage. In this way, upgrading the attendant economic, financial and R&D infrastructure, as well as facilitating an entrepreneurial self-discovery process is viewed as crucial for inducing this structural shift.

As such, the GORTT's focus in the short to medium term will be on moving further along the input and processing segments of the global value chain, concentrating on miscellaneous food products, beverages, tobacco related products, crude fertilizer/mineral, and manufactured fertilizers in the first instance. The aim here is to progressively produce high-value goods whose global demand is growing and, when compared to primary and intermediate products, are generally subject to lower levels of market vulnerability.

Avenues for tapping into new export markets within the wider Caribbean, Central and South America and Asia will be aggressively explored. Achieving greater utilization of existing market access under trade arrangements, including with the US, EU-27, UK and Canada, will also be a policy goal shared with the private sector and private sector bodies alike⁶².

⁶⁰It is important to note that the ADB provides microloans to a large number of farmers in Trinidad and Tobago at low interest rates ranging between 3 per cent and 5 per cent. In 2011, the ADB allocated TT \$189 million to provide loans to both new and experienced farmers; and TT \$20 million to provide loans to address pests and disease. Farmers may also access unsecured loans up to TT \$50,000 to purchase seedlings, fertilizers and small tools; TT \$200,000 for the purchase of rice combine harvesters; and TT \$50,000 to purchase new or used equipment (Allard 2012).

⁶¹With respect to training, as previously mentioned, the ETIS provides free short-term training to existing and potential farmers, while exporTT provides training which would be useful in facilitating exports. The UWI and UTT provide degree programme in agriculture. The Youth Training and Employment Partnership Programme (YTEPP) provides nine months training in Tilapia Production; Lawn, and Landscape Management; Vegetable Production – Grow Box System; Grow Box and Plant Propagation; and Agro-Processing.

⁶²For intra and extra-regional market access, as a member of CARICOM, and the CARICOM Single Market and Economy (CSME), Trinidad and Tobago has duty-free and quota-free (DFQF) access to the markets of all CARICOM member states. As a member of CARICOM, Trinidad and Tobago has signed a number of preferential trading agreements (PTAs) with various regions and countries. The PTAs include: the CARICOM – Venezuela Agreement on Trade and Investment (1992); the CARICOM - Colombia Trade, Economic, and Technical Cooperation Agreement (1994); the CARICOM - Dominican Republic Free Trade Agreement (1998); the CARICOM - Cuba Trade and Economic Cooperation Agreement (2000); the CARICOM - Costa Rica Free Trade Agreement (2004); the CARIFORUM – European Union Economic Partnership Agreement (2008); the Trinidad and Tobago - Panama Partial Scope Trade Agreement (2013) (MTI 2016). Additionally, Trinidad and Tobago is also granted preferential access into the US market under the Caribbean Basin Initiative (CBI) (1984), and the Caribbean Basin Trade Partnership Act (CBTPA) (2000). Trinidad and Tobago is also granted preferential access to the Canadian market under the Caribbean-Canada Trade Agreement (CARIBCAN) (1986). Food, beverages, and tobacco are afforded DFQF access to the US and Canadian market under the aforementioned agreements.

In addition, it is equally important for the Ministry of Trade and Industry working with the Ministry of Agriculture and the Ministry of Finance to formulate a comparative advantage-based incentives plan for the country's diversification efforts through, among other things, a suite of fiscal incentives (e.g. for plant restructuring and attracting FDI etc), concessionary credit, loan guarantees, export financing and insurance schemes and financing targeted to these two (2) industry segments to facilitate increased production in the input and processing segments for export. Fiscal and other incentives will be deployed based on empirical justification with a sunset clause for their phasing out.

Furthermore, there will be increased collaboration by the Trinidad and Tobago Bureau of Standards and other agencies with international quality assurance bodies (such as the British Retail Consortium (BRC), the Dutch HACCP, the Global Food Safety Initiative (GFSI), the International Food Standard (IFS), and ISO 22000), so that domestically certified standards would be internationally recognisable and on par with the US and the EU standards. This would greatly assist agro-processors in Trinidad and Tobago to increase their market penetration to the US and EU markets.

The GORTT is committed to supporting the private sector in its efforts to grow the agricultural sector and related exports. The future re-development of agriculture-related trade in Trinidad and Tobago lies in the addition of value beyond selected primary output. Private sector interests have identified several significant niches in agriculture and fishing that could also viably support emerging agro-processing and fish processing activities. In agriculture, these include high-flavour cocoa and peppers. Accordingly, Vision 2030 has listed these activities as new priorities for addition of value, diversification and growth of exports with national policy support.

While significant agricultural export opportunities have been opened by the country's trade agreements, the sector has been constrained by poor road and drainage infrastructure, limited aqua-culture capacity, challenges with affordable credit, and capacity to satisfy SPS requirements. Agriculture and fisheries have also been hampered by inflated labour costs and worker discipline issues associated with current public sector social policy. The challenge of the GORTT is to reform the labour market while allocating sufficient resources to continue to develop the infrastructure and credit systems needed to support private exploration of these niches, taking advantage of openings in the global market resulting from its trade agreements. The other complementary policies designed to support the agricultural sector are as follows:

1. Complete and publish the National Agricultural Development Policy
2. Support the continuous update to state of the art global technologies
3. Target investment promotion to attract foreign investment into the sector
4. Upgrade the linkages to industry and the services sector
5. Develop competitive agro-processing capacity for export
6. Incentivize investment in energy efficiency equipment and energy conservation
7. Invest in supportive infrastructure, including the standards and SPS certification infrastructure
8. Invest in continuous upgrade of the skills of the labour force
9. Reform the social policies to reduce labour market distortions, raise productivity in the public sector and establish a clear link between pay and (marginal) productivity, and enable development of the labour market to facilitate competitive trade
10. Implement the provisions of the CSME to expand the pool of skilled and unskilled workers available to support the export thrust

5.1.5. GREEN INDUSTRIES

Given the Caribbean's emerging focus on green industries, the development of the sector is an important pillar of the GORTT's strategy for promoting growth, economic diversification and structural change. A low carbon, green growth strategy is recommended primarily on the basis of efficiency, productivity and competitive advantage and secondarily on the basis of environmental protection and poverty alleviation. Green industries provide an opportunity for the country to capture sustained growth and clean, decent jobs.

Among the many areas of green industries, those bearing the greatest potential for Trinidad and Tobago likely include the following: green renewable energy (e.g. solar panel assembly), which provides a foundation and infrastructure to other sectors; the greening of traditional sectors such as agriculture and tourism; and the development of other 'new' green activities and services, including creative industries and niche agriculture such as higher value added cocoa production. Given that affordable modern energy and energy services have been an important building block of the country's industrialization, enabling the private sector to expand (and diversify) production, generate employment and raise domestic incomes, the GORTT will seek to diversify the country's energy portfolio mix to increasingly include renewable energy.⁶³

The GORTT will seek to develop a green industrial value chain that would include financing, marketing, regulation and R&D, among other factors. The public sector, through a mix of capital expenditure under the PSIP, PPPs and grant funding will undertake critical aspects of the infrastructure and institutional development including building regulatory capacity.

The Green Climate Fund (GCF), which is an initiative aimed at helping countries invest in clean energy and green technology and build resilience, would be a key resource in financing green growth, since it represents the only large remaining source of concessionary external funding available to Caribbean economies, including Trinidad and Tobago.

Mobilizing private capital is also seen as crucial in order to achieve significant investment volumes. Therefore, the country will adopt an approach to attracting private capital which combines both private and public capital in a public-private partnership (PPP) by setting up tailor-made risk reduction and risk sharing mechanisms in order to ensure a 'fair' return. This type of structure mitigates risk for the private sector, thereby helping to leverage private capital for what may be considered high-risk investments. Moreover, the GORTT will also solicit increased investment from international development partners to foster the development of green industries and related infrastructure.

Furthermore, avenues for using green bonds as an innovative way to support the financing of Public-Private Partnerships (PPP) projects will be explored. If utilized, the green bonds will be designed to have comparable credit risk and returns as conventional bonds, and therefore represent an important instrument to attract mainstream fixed income investors (e.g. insurance companies and pension funds).⁶⁴

⁶³It is noteworthy that generation procurement of renewable energy sources can only occur within the current regulatory framework, under the auspices of the Ministry of Public Utilities, Trinidad and Tobago Electricity Commission and the Regulated Industries Commission.

⁶⁴The bonds would need to be backed by real assets with sufficient cash flows to provide returns.



CHAPTER 6

TRADE IN SERVICES

OVERARCHING POLICY OBJECTIVE FOR TRADE IN SERVICES IS BUILDING THE EXPORT CAPABILITY OF THE SERVICES SUBSECTORS.

In its Vision 2030 policy, the GORTT has committed to energising the services sector as part of its economic restructuring agenda. Trade in services covers a wide range of activities that have been affected by the implementation of commitments by Trinidad and Tobago under the WTO General Agreement on Trade in Services (GATS) and CARICOM-linked agreements.

These activities include: business services (including energy services); maritime services; communication services; distribution services; financial services; and transport, tourism and related travel services. These services are delivered via one of the following modes of supply:

- **Cross-border supply:** This occurs when only the service crosses the national borders while the supplier remains at home. Examples include telecommunications; transmission of documents; telemedicine; tele-education; music streaming; video streaming; and other professional business services supplied via the internet
- **Consumption abroad:** This occurs when consumers leave their country and travel abroad to enjoy the service. The most prominent example is diversified tourism –travellers visit museums, purchase services from healthcare institutions, purchase services from education institutions, and purchase entertainment services
- **Commercial presence:** This occurs when the supplier establishes its commercial supply capacity in another country. Good examples are medical services provided by a foreign-owned institution, education provided by branches of a foreign university, and financial services provided by a local subsidiary of a foreign bank
- **Presence of natural persons:** This occurs when an individual travels temporarily to the country of the consumer to supply the desired services. Examples are when architects, engineers, musicians and other professionals travel abroad to supply services

Global trade in services using these modes has been growing rapidly, from 8.53 % of global GDP in 1995 when the GATS agreement came into effect, to 12.78% in 2017, implying that it is growing faster than global trade in goods. Over the period, global exports of goods and services increased from US\$6.347 trillion to US\$22.845 trillion, a 2.6-fold increase, while global exports of service increased from US\$1.295 trillion to US\$5.367 trillion, a 3.14-fold increase.

The UN World Tourism Organisation (UNWTO) estimated that global exports of tourism services were US\$1.6 trillion in 2017, projected to grow between 4% and 5% in 2018. The World Travel and Tourism Council has estimated tourism growth at about 3.8% annually up to 2028.⁶⁵ National commitments by Trinidad and Tobago have opened the local market to regional and international investment in support of this growing global services trade, while creating opportunities abroad for local exporters. One of the effects sought by the commitments is an increased inflow of foreign direct investment into the local services sector.

6.1. CONSTRAINTS AND CHALLENGES CONFRONTING TRADE IN SERVICES

Notwithstanding the international commitments made by Trinidad and Tobago, exports of services account for US\$1.118 billion or only 10% of total national exports of US\$11.04 billion (2017). The country imports about US\$2.92 billion of services, indicating a substantial services trade deficit of US\$1.8 billion. Most of the services exports are concentrated in transport services amounting to US\$353.2 million or 31.5% of all services exports; insurance and financial services amounting to US\$187.5 million or 16.8%; communications, computer services amounting to US\$104.5 million or about 9.34%; and IT services amounting to US\$87.9 million or 7.8%. This limited export performance is because of several significant challenges affecting trade in services.

Only limited reliable data is available on services production generally and trade in services in particular to guide planning of the sector. For example, despite the high visibility of the entertainment export sector, and its seasonal impact on tourism arrivals, inadequate data is available on its export and import performance. The absence of adequate industry-focused infrastructure has also been a restraining factor on the growth of many service exports.

⁶⁵<https://www.wttc.org/-/media/files/reports/economic-impact-research/regions-2018/world2018.pdf>.

World Bank estimates indicate that payments for international use of the country's intellectual property assets amounted to only US\$1.8 million in 2017. Nonetheless, investTT has highlighted investment in the creative industries as a major national priority. In addition, research conducted by UNECLAC has revealed that global export shares of intellectual property, computer services (including software design) and business services are increasing. In general, despite implementing the EPA, many member countries of the EU are still very restrictive in enabling trade in professional services, especially those provided under Mode 4 (*movement of natural persons*). The export of capital-based services can be hampered by the lack of professional capacity certification facilities in CARIFORUM, as well as, stringent EU visa and sponsorship requirements to execute short-term contracts.

Tertiary education remains an untapped export sector. A more coherent policy framework to export education, training and professional certification and budgeting or investment promotion services is therefore needed.

6.2. POLICIES FOR INCREASING TRADE IN SERVICES

The services sector has tremendous potential to contribute positively to the growth and sustainable development of the domestic economy. Services industries are labor intensive and growth in services can provide more employment opportunities for MSMEs. However, services currently account for only 10% of the country's exports, although the sector accounts for around 60% of total value added.⁶⁶ The latter suggests that the majority of the services produced in the domestic economy have been for domestic consumption rather than for export, thereby failing to capitalize on the opportunities to export key services where the marginal productivity of labour is relatively high.

Moreover, within the framework of the EPA, the European Union has liberalized 94% of sectors listed under GATS (General Agreement on Trade in Services). Accordingly, the country managed to elicit notable market access gains in the area of temporary movement of natural persons, cultural industries, professional services, and contract service suppliers. The EPA Protocol on Cultural Cooperation further buttresses the country's access to the EU entertainment market by providing increased collaboration in cultural-related areas and special provisions on audio-visuals and co-production, which facilitate the meeting of cultural content rules in all EU Member States. However, the country's services providers have largely been unable to tap into this vast market in a meaningful way.

The GORTT is therefore committed to improving the country's performance on trade in services by addressing the constraints identified above, as well as, making better use of existing export and development cooperation opportunities under trade agreements. Accordingly, the TTTP will seek to address existing structural gaps that have thus far limited services export performance. Moreover, targeted policies will be introduced to improve the country's competitiveness in the production and trade of services, enabling greater exploitation of the opportunities opened by its international commitments and the growth of global trade in services.

Consistent with Vision 2030; the GORTT's articulated priorities, as well as, consideration of the services sector's export growth potential, the country will embark on a robust agenda of building the export capability of the following services subsectors:

- Tourism (including leisure⁶⁷, education services, medical and health and wellness services, yachting and other sports services, aviation services, Meetings, Incentives, Conferences and Exhibitions (MICE) tourism and ecotourism)
- Other education, medical and health and wellness services
- Financial services
- Creative industries and entertainment services (e.g. production by record labels, sound stage development)
- Energy services (eg. offshore platform fabrication and construction services)

⁶⁶In 2018, the contribution of service sectors (trade and repairs, transport and storage, accommodation and food services, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical services, administrative and support services, public administration, education, human health and social work, arts, entertainment and recreation, other service activities, domestic services) was 50.8% at constant prices (59.8% at current prices).

⁶⁷Leisure tourism includes carnival and other event-tourism, film and video tourism and fashion tourism.

- Professional services (eg. business process outsourcing, engineering and architecture services)
- Information and Communication Technology (ICT) (eg. soft-ware design and application, technical support, social media and outbound voice call centres, data centres)
- Maritime services (eg. ship repair, dry-docking, transshipment services),

In respect of maritime services, ship repair and dry-docking is being pursued as an important new export sector. This new sector is a highly advantageous opportunity for foreign exchange earnings, as well as, employment generation as it is labour intensive and utilizes the technical vocational skills for which Trinidad and Tobago has a comparative advantage.

This is necessary to counterbalance the current dominance of natural resource-based exports. This services export expansion agenda has been guided by cognizance of the fact that the fastest growing sub-sector was other business services such as legal, accounting, management consulting, and public relations and research and development, followed by travel, transportation, computer and information services, financial services and copyright based industries (royalties and license fees).⁶⁸

The following are policy measures that will be instituted in support of expanding services exports:

MARKET LIBERALIZATION, DATA, INFRASTRUCTURE AND FINANCING

1. Where feasible, pursue the liberalization of services trade with the economies with which the country currently has formal trade in goods arrangements in place. This will provide avenues to expand services trade in key sectors identified for the diversification trust. (e.g. financial, education, health, professional, tourism, creative industries services etc)
2. Upgrade existing mechanisms for collection, processing and dissemination of data on trade in services
3. Upgrade the scale and quality of specialised infrastructure, including water and waste management systems, supporting the export of various services.
4. Upgrade the intellectual property protections and enforcement supporting trade in services
5. Upgrade the national service export financing system and establish an awareness programme to build interest in taking on the business risks of service providers
6. Establish an awareness programme to build interest among financial institutions in taking on the business risks for service providers
7. Review and update the Foreign Investment Act and the Tourism Development Act to attract and facilitate increased foreign direct investment into the services sector
8. Develop and implement a Secured Transaction Regime in Trinidad and Tobago to allow intellectual property, copyright, patents, trademarks and trade secrets to be used as collateral to secure loans
9. Increase collaboration between the GORTT and financial institutions regarding appropriate support mechanisms for the sector, including the creation of additional trade finance products for service providers

INSTITUTIONAL, LEGISLATIVE AND REGULATORY FRAMEWORK

1. Increase policy coherence by establishing an institutional framework for strengthening collaboration among ministries and other agencies responsible for the development and implementation of policies to promote the services sector
2. Review and revise the Immigration Act to facilitate movement of services, consumers and suppliers into and out of Trinidad and Tobago
3. Update and harmonise other domestic legislation and regulations to ensure consistency with Trinidad and Tobago's commitments under various trade agreements, including CARICOM and the WTO
4. Review and update the current tax regime to enhance the supply competitiveness of service providers involved in the regional and global trade in services to enhance the exports of such services

⁶⁸ According to UN Comtrade Database, exports of other business services increased by US\$903.6 billion between 2000 and 2016. Exports of travel, transportation, computer and information services, financial services and royalties and license fees increased by US\$660.2 billion, US\$480.9 billion, US\$393.2 billion, US\$326.7 billion and US\$310.2 billion respectively.

ENHANCING MARKET ACCESS OPPORTUNITIES THROUGH NEGOTIATING AND IMPLEMENTING TRADE AGREEMENTS

1. Further strengthen the capacity of the Ministry of Trade and Industry to better service the needs of stakeholders and ensure that Trinidad and Tobago fully exploits the available opportunities to increase services exports in CARICOM and the wider global community
2. Introduce a programme to identify and negotiate the elimination or reduction of restrictions in partner countries on the services and provision modes that the country is seeking to develop, including visa and sponsorship restrictions
3. Through the Ministry of Trade and Industry, explore the appetite for negotiating and concluding de facto services market access in Latin and Central American economies and other key markets as far off as Africa and Asia. In this regard, a framework for the periodic conduct of market intelligence, market entry requirements, export potential, and investment opportunities for the services sector, inclusive of a mechanism for the dissemination of the results will be established
4. Actively pursue new and upgrade existing bilateral agreements, as indicated by the services stakeholder community to provide access to more diversified markets for the country's exports of services
5. In future engagements with the UK and the EU, within the context of the EPA and the post-Cotonou Agreement, ensure full operationalization of negotiated market access and development support for building export capacity in the area of services
6. Pursue the establishment of mutual recognition agreements (MRAs) within the framework of formal trade arrangements, in an effort to improve tourist inflows and foreign direct investment in the sector.⁶⁹ The TTTP will also address the need for a rationalization of visa requirements against potential new source markets

CONNECTIVITY, CERTIFICATION AND ENHANCING PRODUCTION AND EXPORT CAPACITY

1. Advocate for greater cooperation between inter-regional and extra-regional airlines which is necessary for increasing connectivity. Cooperation between the blocks and the airlines, including the negotiating of Open Skies agreements, is indispensable to the creation of new routes
2. Improve the facilitation of imports of inputs to support development of trade in services
3. Upgrade and link the national education and training infrastructure to accommodate the regional and global demand for services, thereby promoting participation in various elements of the global services supply chain
4. Establish a national professional practice certification system based on examinations that can achieve mutual recognition by similar bodies regionally and internationally

6.3. SPECIAL ATTENTION TO DEVELOPMENT OF COMPETITIVENESS OF BUSINESS SERVICES FOR TRADE DEVELOPMENT

The TTTP is designed to support the initiatives in the National Development Strategy: Vision 2030 with respect to the development of competitiveness in all the services sectors. Specifically, it recognizes that in the modern globalised production system, there is close interaction and interdependence between domestic competitiveness and international competitiveness, as the country seeks to grow its services exports. Correspondingly, a major challenge of the country is to identify and take appropriate steps to increase the scope, quality and efficiency of key business services, such as law, accounting and auditing, education and training, ICT, data collection and analysis for marketing and customer service, credit allocation, and risk and financial management.

In this regard, there are close linkages between efforts to upgrade the scope and competitiveness of business services and the efforts to upgrade infrastructure, capacity for e-Commerce, and human capital as outlined in this Trade Policy. Successful liberalisation of these aspects of the domestic market and related attraction of foreign investment into the development of human and physical infrastructure will also make business services more competitive and support

⁶⁹ Work done by ECLAC has also highlighted the fact that the requirement of a tourist or business visa, can be identified as a limiting factor to tourism and investment.

efforts to export their outputs. In turn, this will improve the scope and competitiveness of the emerging business process outsourcing industry.

Accordingly, the main policies designed to promote development of competitiveness in business services are:

1. Investment and export promotion to attract foreign investment into the business services sector
2. Targeting of infrastructure development to support development of the business services sector
3. Introduction of incentives and initiatives to support investment in business services, including incentives to build e-Commerce into the business model of suppliers of business services

6.4. TRADE IN SERVICES IN TOBAGO

Tobago faces the challenge of identifying the steps needed to increase the scope, quality and efficiency of the services it seeks to export. The GORTT and the THA recognize the close interaction and interdependence between the lack of domestic competitiveness of the Tobago economy and its dependence on imports as it seeks to grow its exports of services. Correspondingly, it is recognized that there are close linkages between efforts to upgrade the scope and competitiveness of services produced in Tobago and the efforts to upgrade infrastructure, capacity for e-Commerce and human capital as outlined elsewhere in the TTPP.

Accordingly, the GORTT will collaborate with the THA to develop their capacity to formulate supporting trade policy initiatives for the development of competitiveness in all areas of the services sector in which Tobago's stakeholders are interested. The GORTT is interested in making the island a focal point for national development of service export capacity in education, healthcare, yachting and other maritime services, leisure tourism, the creative industries and ICT.

To this end, the GORTT in collaboration with the THA will seek to ensure that the following are considered for the benefit of Tobago: (i) a Trade in Services Unit to better service the needs of stakeholders and ensure that Tobago can more fully exploit available opportunities to increase its services exports; and (ii) a clear mechanism to strengthen the collaboration between the THA, ministries and other agencies responsible to promote and facilitate the development of trade in services. These units will work actively to build capacity in Tobago to influence the continued development of the national trade policy, and otherwise to ensure:

1. Development of mechanisms to collect, process and disseminate data on Tobago's trade in services
2. Greater investment in and export promotion of Tobago's services sector
3. More facilitative mechanisms for the import of inputs into the tourism and other services sectors
4. Development of an attractive investment climate in Tobago for investment in the services sector
5. Establishment of an awareness programme to build interest in taking on the business risks of service exports from Tobago
6. The necessary legislation is reviewed and updated to attract and facilitate increased foreign direct investment in Tobago's services sector, including the Foreign Investment Act and the Tourism Development Act
7. Enhanced infrastructure development and destination marketing to support development of Tobago's services sector
8. The introduction of tax, other incentives and financing schemes to support investment in the services sector, including incentives and technical support to build e-Commerce into the business model of suppliers of services;
9. Upgrade and linking of Tobago's education and training infrastructure to the national and global demand for services, thereby promoting Tobago's participation in various elements of the global services supply chain; and
10. Establishment in Tobago, relevant elements of the national standards architecture to support trade in services, including the professional practice certification system based on examinations that can achieve mutual recognition by similar bodies regionally and internationally.



CHAPTER 7

CROSS CUTTING POLICY MEASURES TO SUPPORT TRADE

The success of the TTTP will depend on successful implementation of several complementary sector-specific policies and strategies. These sector-specific policies include, innovation; global value chains and clustering; gender and the youth; the role of the private sector; use of bi-lateral agreements; physical and quality infrastructure; investment and export promotion; human capital; trade finance; intellectual property rights; trade and the environment; industrial relations; and e-Commerce.

7.1. INNOVATION

In pursuit of enhancing the country's trade competitiveness, it is crucial to recognize the accumulation of physical (technology) and human capital, which facilitates more efficient use of available resources, as a necessary ingredient in diversifying regional economies and fuelling export expansion. This is intended to provide a crucial lever for increasing the production of innovative goods and services that can be commercialized. The GORTT is cognizant that research, development and moving up the value-chain invariably require an adequate stock of human capital.

Moreover, investment in innovation, research and development is also seen as crucial for expanding employment among women, youth and the rural community. Innovation and research and development can help shape the basket of goods and services that the country produces and exports. Both also facilitate the country's entry into tertiary industries and by extension positively influence the velocity of structural change.

Further, the country's competitiveness and export performance continue to be constrained by the existence of several structural gaps. These gaps are most acute in the areas of trade-related infrastructure, connectivity, trade-related institutions, production systems as well as private sector innovation.

In addressing these gaps, investment in innovation is viewed by the GORTT as central to delivering the structural transformation necessary to foster the regionalization of production and upgrade of the product-set. This will ensure that the country generates a critical mass of compact clusters of capital and consumer goods as well as high-end services, which will in turn facilitate further transformation towards the production of new goods and services with dissimilar technological content, allowing for increased value chain participation.⁷⁰

It is also noteworthy that FinTech, especially blockchain technology, has an important role to play in facilitating trade related cross-border transactions. Blockchain is a distributed ledger technology that allows faster, more secure and efficient data sharing. For banks, vendors and customers, the potential benefits of blockchain technology are numerous. Apart from a reduced reliance on cash, and a reduction in overall transactional costs, it is anticipated that the technology will enhance growth and development of the financial sector.

In view of the foregoing and consistent with the imperatives of the National Innovation Policy of Trinidad and Tobago, the main policy prescriptions geared towards enhancing the country's trade competitiveness and export diversification through the development of a culture of innovation are:

1. Investment in deepening and widening the domestic framework and infrastructure for promoting innovation, intellectual property protection, research and development (R&D) as well as technology transfer and absorption
2. Investment and development of cooperation initiatives in educating, training and retooling the labour force will also be ramped up
3. The institution of mechanisms to encourage private sector investment in innovative production activities and fostering innovation and technology creation
4. Expansion of ICT education and close collaboration with key stakeholders to determine the most appropriate modality for increasing the number of qualified persons available to drive innovations and anticipate skills requirements
5. Through the Ministry of Education and the Ministry of Trade and Industry, improvement of collaboration between academia and industry
6. Through the Ministry of Education and the Ministry of Trade and Industry working along with the private sector and the labour movement, establishment of national research priorities
7. Investment in improving the quality and capacity of domestic research facilities and institutions

⁷⁰Hausmann and Klinger 2006.

8. In the agriculture and agro-processing sector, encouragement of the use of robotics as part of research and development platforms to reduce the demands of labour in the fields and at pack-house operations. Robotic equipment can work for longer hours at a steady rate of work to achieve harvesting and postharvest handling technologies.
9. Improvement of the regulatory framework to encourage entrepreneurship and a vibrant domestic business sector
10. Adoption and improvement of the mechanisms to support FinTech, including regulatory sandboxes that provide opportunities to test new ideas and business models in a less regimented environment.

7.2 GLOBAL VALUE CHAINS (GVC) AND CLUSTERING

Expansion in global production and trade has increasingly been fueled by global value chains, thereby fragmenting the production process and offering up opportunities for participation in segments. This has made innovation and information, communication and technology drivers of trade performance. Hence, the GORTT must encourage the regionalization of production, which would ensure that the Caribbean generates the critical mass of specialized production activities that would be necessary for value chain (VC) participation.

However, according to UNCTAD-Eora GVC database, the Caribbean region recorded the lowest GVC participation rate in the world. This is also shown by the fact that bilateral intra-industry trade relations are either low or non-existent in the Caribbean region.

The inability of the goods producers to transform production systems and move higher up the value-chain, as well as the failure to achieve Caribbean-wide production integration in general, has limited the country's export specialization to a few primary products. On average, about 66% of the exports of Trinidad and Tobago fall in either the category of primary or low level technological intensity products. This highlights the need for the country to move further up the value chain and into the production of more value-added goods, as well as, services.

As such, economic and export diversification must be addressed as part of a holistic development strategy which is guided by a policy framework for industrial restructuring, which seeks to transform the productive base of the country and, in turn, influence its trade. This transformation will be supported with engineering and technological facilities designed to increase the capacity of exporters to adopt and adapt global technologies leading to greater participation in global value-chains that supply regional and international markets.

It is equally important that the goods and services sectors be developed in a complementary manner. In this regard, there will be institutions and domestic programmes for promoting clustering of the food, creative industries, maritime and tourism sectors, professional services, financial services, off shore services such as, information technology; business process and knowledge process outsourcing; environmental services; energy services; down-stream energy products; renewable and bio-energy. Such innovative clustering initiatives have the potential to not only diversify production and exports but also address the current sectoral concentration of production that has moderated the country's efforts to use trade as an engine of sustainable growth.

As such, targeted policy measures that will be instituted to facilitate the development of clusters and facilitate increased participation in global and regional value-chains include:

1. Further strengthening the capacity of exporTT to identify goods and services with significant export market potential. They will also be supported to help exporters increase their capacity to adopt and adapt technologies to increase their competitiveness
2. Establishing a public-private partnership to create an online platform bringing CARICOM buyers and sellers together to share information on goods and services available for trade
3. Assigning trade attaches or trade facilitation officers to embassies and consulates in targeted export markets to lead and support initiatives aimed at promoting Trinidad and Tobago's exports
4. Supporting the exporting efforts of MSMEs by establishing secure bulking and warehousing facilities aimed at increasing their capacity to service large international orders on a sustainable basis

5. Upgrading and expanding the country's Special Economic Zones and Industrial Parks to increase productive capacity for export markets
6. Designating industry clusters which display strong export potential as Centers of Export Excellence (CEE). The CEES would benefit from assistance for marketing, capacity-building and other types of support.
7. Collaborating with stakeholders to establish a trade information sharing and communication programme designed to increase awareness among stakeholders, especially MSMEs, about opportunities for trade in CARICOM and the wider international market
8. Collaborating with the Tobago House of Assembly to increase its ability to develop the capacity of Tobago to participate in global value chains.

7.3. INCLUSION OF GENDER, YOUTH, AND PERSONS WITH DISABILITIES IN TRADE

The GORTT is committed to identifying, understanding and removing obstacles to the full participation of women, youth and persons with disabilities in trade. Indeed, there is cognizance that the creation of inclusive trade policies can contribute to advancing gender equality and women's economic empowerment, which can have a positive effect on economic growth, resilience and poverty reduction. There are significant differences in the opportunities available to, and the challenges faced by, women and men seeking entrepreneurial opportunities in the formal economy. Women are however still the main operators of the home, the informal economy, petty trading and itinerant vending.

Regarding the youth, they continue to face the greatest challenge in finding good jobs. Employment opportunities for the youth are mostly found in low skill, low education jobs.⁷¹ The social and economic costs of this are high and include alienation, exclusion, deprivation and a growing potential for youth crime.

Persons with disabilities are systematically disadvantaged and have to overcome physical, social, and particularly attitudinal barriers in order to enter and progress in the workplace. It has also been pointed out that the link between disability and poverty is to some extent circular since poverty may also increase the incidence of disability. Persons living in poverty are more likely to suffer from poor education and healthcare; malnutrition; unsafe working conditions; exposure to pollution; unsafe water; and poor sanitation, all of which increase the risk of disability.⁷² In addition, from an economic perspective, the participation of persons with disabilities in the labour force is important in order to maximize the use of human capital.

Therefore, adequate economic growth and social development will not be achieved until effective investment and trade programmes are designed to ensure full participation of women, the youth and persons with disabilities in the formal economy.

7.3.1. CONSTRAINTS AND CHALLENGES TO INCLUSION OF GENDER, YOUTH AND PERSONS WITH DISABILITIES IN TRADE

The main challenges to ensuring that women, youth and persons with disabilities are fully included in the national trade development agenda are:

1. Lack of disaggregated data, including by sex, age and disability status, to inform policy issue
2. Limited access to capital, linked to the historical inequality of distribution of income-generating property in the economy
3. Gender-based discriminatory practices without adequate remedy in law
4. Lack of targeted public sector policies aimed at creating an enabling environment and infrastructure in support of women in trade

⁷¹Lashley, J.G. and D.D. Marshall (2015), "Youth and Employment in the Caribbean", Background Paper for the UNDP Caribbean Human Development Report, UNDP

⁷²World Bank (2016), "Disability overview".

5. Absence of enabling frameworks to support inclusive and effective youth participation in entrepreneurship and trade
6. Discrimination, stigma and prejudices against persons with disabilities in the workplace (interpersonal, institutional, legal and structural)
7. Lack of adequate infrastructure and opportunities for training and access to finances for persons with disabilities

7.3.2. POLICY MEASURES TO ENSURE INCLUSION OF WOMEN, YOUTH AND PERSONS WITH DISABILITIES IN TRADE DEVELOPMENT

The GORTT has explicitly committed to mainstreaming gender, youth and persons with disabilities issues in trade development and will accordingly pursue the following policy initiatives:

1. Build the capacity of the Central Statistical Office (CSO) to collect and compile disaggregated (by age and gender) data and develop gender-sensitive indicators needed to inform granular trade-related development policy prescriptions
2. Foster the accumulation of human capital of women and girls in order to optimize their contribution to improving the county's productive capacity and productivity
3. Promote gender equality and participation of youth and persons with disabilities in the development of industry, entrepreneurship and trade
4. Review all laws and regulations with an aim to introducing amendments and provisions that eliminate discrimination against women and persons with disabilities in the development of enterprise, including provisions that limit their access to credit
5. Promote the development of non-government bodies and business associations that support the participation of women, youth and persons with disabilities in business
6. Establish education and training programmes dedicated to promoting gender equality and eliminating discrimination against women and persons with disabilities in business and other spheres of work life
7. Institute best practices for conducting gender-based analyses of the impact on trade-related policies
8. Promote access to trade financing for women, youth and persons with disabilities through the development of innovative programmes
9. Enhance the participation of women, youth and persons with disabilities in public procurement markets
10. Foster increased employment of youth and persons with disabilities through reducing the skills gap in the private sector
11. Increase involvement of youth, female and persons with disabilities in non-traditional areas such as renewable energy, ICT and sustainable agriculture through targeted training programmes
12. Implement the revised National Policy on Persons with Disabilities, which includes an action plan to facilitate participation of persons with disabilities in the labour market.

7.4. ROLE OF THE PRIVATE SECTOR

A vibrant, dynamic private sector is seen as a prerequisite if the growth and welfare gains of trade and trade liberalization are to accrue to the people of Trinidad and Tobago. The private sector has a central role to play in achieving sustained economic growth and poverty reduction. If harnessed and developed properly, the private sector can be an important partner in providing basic services such as economic infrastructure as well as investment in innovation, both of which are central to optimizing output and export growth.

This suggests the need for a holistic approach to export diversification, which holds private sector development as key. As such, the private sector will be central to the industrial restructuring and export diversification process, and therefore embedded within the framework of public policy intervention. Frameworks will be put in place to

ensure that the private sector, including SMEs, MSMEs, as well as civil society play an integral role in determining the country's trade agenda, including the countries with which free trade agreements are negotiated, as well as be a strategic partner in the negotiating process.

It is also important that government ministries and agencies continue to engage in dialogue with exporters, toward addressing production and export expansion in a meaningful way. In this regard the experience of large exporters who have successfully gone through the process of self-discovery will be drawn upon. For the GORTT the overarching issue is ensuring that the requisite targeted policy framework and fiscal investment is provided so as to avoid or minimize failures.

The Ministry of Trade and Industry working with the Ministry of Finance will continue to provide incentives to support diversification efforts. These measures will target increasing and diversifying intra-CARICOM exports as well as exports of goods and services to Central America, Latin America, the ASEAN bloc, North America, Africa and the wider Caribbean in the first instance. Incentives will be deployed based on empirical justification with a sunset clause for their phasing out.

In addition, the Ministry of Trade and Industry will accelerate efforts to incorporate competition policy, dispute settlement and safeguard provisions into the country's current (where they do not exist) and future bilateral trade agreements.

7.5. USE OF BILATERAL AGREEMENTS

1. The GORTT will continue to promote stakeholder use of the CARICOM Treaty provisions to expand opportunities for export market access
2. The GORTT will continue to pursue new bilateral agreements with countries, focussing on Central and Latin America, the wider Caribbean, ASEAN and Africa
3. In the context of future engagements with the UK, the GORTT will focus towards more effective participation in production in value-chains, which involve inseparable networks of investment and trade flows

7.6. PHYSICAL INFRASTRUCTURE FOR TRADE DEVELOPMENT

A critical input into trade development is adequate infrastructure, including transport infrastructure, water, electricity, communication, waste management, security and facilities such as warehousing and cargo handling at the ports of entry and exit. Moreover, the GORTT recognizes that modernizing key aspects of the country's economic infrastructure reduces the cost-raising effect on exports headed for distant markets, thereby facilitating integration into regional and global markets.

The GORTT's challenge is to ensure that adequate resources can be devoted to infrastructure development to support industrial diversification towards growth of trade, especially exports, on a more sustainable basis than in the past.

7.6.1. POLICY MEASURES TO ENSURE ADEQUATE INFRASTRUCTURE FOR TRADE DEVELOPMENT

The following policy measures will be pursued:

1. Increase capital expenditure towards the development of infrastructure and capital in targeted sectors
2. Implement the National Transport Policy to ensure rational and systematic decision-making on investment in transportation operations and infrastructure
3. The Local Government Corporations will utilize their Public Sector Investment Programme (PSIP) to expand transportation and communication infrastructure to improve local connectivity
4. Continue implementation the National Aid for Trade Strategy to access resources from the international donor community to build infrastructure and other trade-related capacities in targeted sectors

5. Accelerate strengthening of the country's standards and certification infrastructure, in line with the National Quality Policy, including testing and certification capacity
6. Increase the use of public-private partnership for infrastructure development

7.7. INVESTMENT AND EXPORT PROMOTION TO EXPLOIT REGIONAL AND INTERNATIONAL TRADE POTENTIAL

The CARICOM integration process, as well as the bilateral and multilateral trade agreements signed by the country, has provided Trinidad and Tobago with significant market access for its exports and significant opportunity to upgrade their competitiveness. To optimally exploit these opportunities, additional investment is needed.

Foreign direct investment is one of the main avenues to aid the growth of trade. However, most of Trinidad and Tobago's investment has been concentrated in the energy sector. As such, the key to unlocking the unexploited potential found in the country's negotiated trade agreements is attracting further foreign investment.

7.7.1. POLICY MEASURES TO ENHANCE REGIONAL AND INTERNATIONAL TRADE POTENTIAL

To fully exploit Trinidad and Tobago's regional and international export potential, a key measure will be to strengthen the national capacity to understand and promote investment and exports in key targeted industries in which significant comparative advantage can be built. In this regard, the GORTT's primary role is to ensure sufficient improvements in areas such as infrastructure, legislation and regulation, as well as the productivity of the workforce it employs. The specific policies will be the following:

1. Supported by a thorough review of the country's existing strategy, develop a comprehensive investment and export promotion policy to incorporate all sectors with strong competitive potential based on the concentration of the national skill pool
2. Build capacity in the investment and export promotion agencies to ensure effective implementation of the strategies developed
3. Develop comprehensive profiles of the sectors and industries with strong competitive potential in the regional and international markets
4. Develop targeted incentives to protect and encourage investment and exports in the profiled sectors and integrate these into the industrial development policies of these sectors
5. Integrate the industry cluster approach into the design of all industrial development policies for the profiled sectors
6. Identify and address infrastructure deficiencies and shortcomings in the labour market affecting the investment climate of the profiled sectors or clusters, with particular emphasis on strategies that raise worker skills and productivity to international standards
7. Introduce laws to liberalise investment in the targeted sectors
8. Introduce clear sustainable development provisions in applicable laws to ensure that investors abide by health, safety, and environmental standards as well as labour rights and that government preserves related necessary regulatory space
9. Increase the level of coordination of the investment and export promotion agencies, and the agencies responsible for related supporting policies such as competition and intellectual property; and introduce reforms to simplify administrative procedures, rules and regulations and make it easier to do business in the country
10. Revise incentive schemes and conditions to attract employees in targeted sectors
11. Invest in further development of adequate infrastructure, technical and business processes to attract potential investors
12. Review regulations on ownership of land by foreign investors

7.8. HUMAN CAPITAL FOR TRADE DEVELOPMENT

Human capital is generally an input into other productive activities and an output and potential export in its own right. Outputs such as education, research and development, healthcare, ICT and intellectual property are key elements of the human capital cluster. As such, human capital development is central to achievement of the country's growth, development and trade policy objectives.

Exporters face the challenge of getting access to a skilled and creative workforce at competitive costs to support their efforts at penetrating foreign markets. It is the GORTT's policy that the education system should be highly responsive to the skill needs of the economy generally and of exporters in particular. The GORTT is also committed to the development of the export potential of the education sector.

Two significant challenges for the GORTT are: (i) to ensure that necessary skills for the country's export thrust are identified, skills gaps measured and steps taken to fill them; and (ii) markets can be opened to facilitate development of education services as a significant export. Accordingly, to meet the needs of a trade-oriented economy, the updated education policy of the GORTT seeks to design and implement interventions aimed at satisfactory alignment of individual, business, government education and skill priorities and objectives with the requirements of improved competitiveness and diversified trade.

7.8.1. POLICY MEASURES TO ENHANCE HUMAN CAPITAL FOR TRADE DEVELOPMENT

The following key policies will be implemented:

1. Publication of the agreed priorities to support efforts by stakeholders in the education sector to adequately align education and skill priorities and objectives with the requirements of improved trade competitiveness
2. Refocusing of the school curriculum on the STEM subjects and the infusing ICT and e-Commerce to a greater degree into the syllabi at all levels of the education system
3. Development of effective partnerships with the private sector, the Labour Movement and state institutions to identify and measure skills gaps, as well as training needs; and develop or upgrade existing training capacity to fill identified skills gaps and respond adequately to local and export market needs
4. Trade facilitation institutions will be reformed to attract an optimal supply of human capital into the country to satisfy the export growth and development objectives of the economy, including the growth and diversification of service exports such as education
5. Reform of the country's education-financing strategy to introduce a more optimal cost-sharing dimension, with adequate sensitivity to the needs of the poor
6. Facilitate efforts of the national investment promotion and export promotion agencies to attract adequate foreign direct investment into the tertiary sectors producing human capital, such as education and healthcare, to boost their capacity to export their output to targeted markets
7. Pursue implementation of the provisions of the CSME with respect to the free movement of people within CARICOM
8. Promote youth apprenticeship and technical vocational training programmes to deliver productive, highly skilled, certified and competent labour force

7.9. FINANCING TRADE DEVELOPMENT

Trade financing is a major input into the process of improving Trinidad and Tobago's performance in trade, both exports and imports. It is a major challenge facing traders, including MSMEs, especially in newly emerging sectors such as services. Relatively large and established traders in the traditional food and beverage and tobacco manufacturing sectors as well as the manufacturers in the energy sector have fairly reliable relationships with local and international sources of financing. While Trinidad and Tobago's financial sector is highly liquid with significant reserves of foreign exchange, more innovative financing products are required to meet the country's investment and trading needs. This need is particularly acute with respect to the financing of long-term investments and working capital identified in the capital budgets of innovative trade-related projects in the creative industries and more generally the services sector.

Adequate export financing and credit arrangements are key areas to facilitating trade. The government continues to build capacity at the EXIMBank to address the challenges with export financing and will continue to ensure that the EXIMBank remains sufficiently capitalised to meet local demand.

7.9.1. POLICY MEASURES TO ENHANCE TRADE FINANCING

The GORTT views access to trade financing as a critical element of the country's efforts to expand trade, including trade by the enterprises in the distribution sector contributing design and other inputs as niches in global value chains of manufactured products. Domestic financial institutions need to develop into more effective suppliers of long-term investment and working capital, and export financing, to support the efforts of business start-ups as well as established operators in the distribution and other services sector. Therefore, the following policy measures will be adopted. The GORTT will:

1. Develop and publish a National Export Strategy, including export-financing strategies
2. Increase the capitalisation of the EXIMBank and strengthen its position as the country's premier trade-financing institution to all size-classes of businesses
3. Put appropriate measures in place to allow the EXIMBank to supply affordable trade credit in support of export-centred projects in the distribution, services and creative sectors, across all modes of supply, where there currently is acute excess demand
4. Upgrade the corporate banking and financing schemes and technical capacities in the EXIMBank that cater to the working capital and overseas investment requirements of exporters as well as their long-term loan requirements to finance new projects, expand, modernize or purchase new capital equipment powered by cutting edge technologies, or conduct research and development
5. Establish a dedicated financing programme in the EXIMBank targeting the research and development and other creative initiatives of exporters aiming to develop new products and processes that increase their capacities to export, irrespective of the nature of the industry
6. Provide incentives to financial institutions to supply affordable trade credit to the trading sector to support project exports, including operators in the distribution and creative services sectors, engineering, procurement, construction, and other modes of services exports
7. Upgrade credit-guarantee schemes designed to create access to affordable credit by viable MSMEs involved in the trading sector, especially those prioritised by the GORTT
8. Promote development of the capital market as a basis for providing medium and long-term financial products to MSMEs involved in the trading sector, including development of Junior and Micro stock exchanges
9. Undertake awareness-building programmes to upgrade the capacity of the MSMEs to utilize the financial and capital markets

7.10. INTELLECTUAL PROPERTY RIGHTS FOR TRADE DEVELOPMENT

Intellectual Property Rights (IPRs) comprise a system of national and international legal rights of individuals and institutions to benefit from commercialisation of their intellectual creations. They include copyrights and neighbouring rights, trade secrets, industrial design rights, patents and other industrial property rights, and rights related to plant breeding. The protections afforded by the system of IPRs are designed to encourage research, experimentation, creativity and disclosure of the resulting creations to the public in order to facilitate scientific, technological and artistic progress. Thus, the system of IPRs is important to promote investment, the development of capacity to trade and growth of key sectors and the national economy.

According to the study ⁷³ prepared by the World Intellectual Property Organization (WIPO) in 2012, the copyright sector was a net positive contributor to the flow of foreign exchange, yielding about US\$32 million of foreign exchange in 2000, US\$35 million in 2007, and US\$50 million in 2011. Copyright-based industries were estimated to

⁷³ "The Economic Contribution of Copyright-Based Industries in Trinidad and Tobago"

contribute 5% of GDP. Bearing in mind the more industrial bias of the Trinidad and Tobago economy, it is estimated that industrial property-based industries will contribute an even larger proportion of GDP.

The industrial property statistics filed with WIPO illustrate the preponderance of foreign applications. For patents, nearly half of the applications concern technologies protected in the energy sector as filed by mainly foreign multinationals safeguarding their foreign direct investment in Trinidad and Tobago. Frequently these technologies are applied for long before any announcement is made of the investment or plant construction.

While there is no major independent regional agreement on intellectual property protection, Trinidad and Tobago has signed on to the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights, which is an umbrella that covers the main commitments to protect various types of intellectual property. The GORTT is also devoting significant resources to ensuring that the necessary administrative machinery is in place to facilitate efficient management and utilisation of the national and international system of IPRs by the country's traders. Administration of the IPRs is managed by the Intellectual Property Office, which currently operates under the Ministry of the Attorney General and Legal Affairs. Other institutions whose work includes support for the development and administration of IPRs include the Trinidad and Tobago Bureau of Standards. Stakeholders in the IPRs community have pointed to several constraints and challenges affecting effective implementation of the system of IPRs.

7.10.1. POLICY MEASURES TO SUPPORT INTELLECTUAL PROPERTY RIGHTS

The GORTT will encourage research, experimentation, and creativity in support of trade by strengthening the system of IPRs in Trinidad and Tobago. The following policy measures will be adopted:

1. Introduce incentives to encourage research, experimentation, and creativity
 - (a) Incentives for small entities are currently being looked at under a review of the Patents Act. New amendments reducing fees for SME's are being considered
 - (b) Model Export TT to provide policy support to SMEs utilizing a sandbox approach in order to foster research, experimentation and creativity
 - (c) Put in place administrative arrangements for the establishment and proper functioning of a grant scheme in support of R&D efforts by individuals and firms and the exploratory work of inventors and other creators of IP
2. Promote research on IP-related issues through; inter alia, the formation of an IP Academy for Trinidad and Tobago and the utilization of the IP Library of Trinidad and Tobago
3. The GORTT is committed to the protection of IPR and as such the Ministry of Trade and Industry will work closely with all relevant institutions such as the Trinidad and Tobago Police Service as well as the Customs and Excise Division of the Ministry of Finance to enhance enforcement and adherence
4. Upgrade the institutions charged with administration and management of IPRs, including capacity in the TTBS to develop specification and standards and conformity assessment procedures to verify product authenticity for the application of IP benefits
5. Increase availability of human resources for measurement, commercialisation, administration and management of IPRs
6. Promote and facilitate investment in the services sectors that rely on IP for trade
 - (a) All sectors that are involved in services sectors would be mandated to develop IP management strategies, which can promote creative content and encourage strategic utilization of the IP created in an economically feasible manner
 - (b) The social and economic benefits derived from proper management of IPRs would form part of the core strategic concerns of those entities with responsibility for the targeted sectors for development, for example, the Trinidad and Tobago Creative Industries Company Ltd. (CreativeTT)
 - (c) Upgrade measurement of IP assets and promote commercial exploitation of IPRs. The capacity of First Citizens Bank Limited as well as the Agricultural Development Bank would be augmented in order to be specially equipped to conduct IPR valuations

- (d) To initiate and manage a nation-wide IP audit for all businesses, inclusive of energy industries, and tertiary level educational and research institutions with a view to assisting them to establish systems for effectively managing the IP that they generate as part of their day to day work processes as high level value-added and potential sources of long-term revenue flows
7. Ensure that all IP-related issues are taken into consideration in the negotiation and implementation of all trade agreements

7.11. ENVIRONMENT AND TRADE

Social and environmental concerns in the modern economy are increasingly shaping trade and investment relationships among countries. Trinidad and Tobago has signed a number of international and regional conventions and treaties related to the environment that are also trade-related. These conventions cover issues such as environmental pollution, damaging of natural resources through dumping of toxic industrial waste materials, preservation of biodiversity, protection of flora and fauna, and limiting of ozone-depleting materials and substances that cause global warming and climate change.

In its NDS - Vision 2030, the GORTT has explicitly committed to updating national systems of environmental management in areas such as: natural resource management (terrestrial ecosystems and forests, biodiversity, water resources and marine ecosystems and resources); waste management (waste disposal, solid waste, electronic waste and hazardous waste); pollution and chemicals management (air pollution, ozone depletion, water pollution, land pollution, marine pollution); and built environment management.

In Trinidad and Tobago, the agency responsible for managing the environment is the Environmental Management Authority (EMA), which operates under the Environmental Management Act, Chapter 35:05 of 2000. It is mandated to supervise and coordinate all matters related to the protection, conservation, enhancement and wise use of the environment of the country and implements government policy in this respect, subject to the national capacity to comply with the terms of the signed agreements. Many elements of the mandate of the EMA require updated subsidiary legislation, which are being considered by the GORTT. The agency must address three main challenges related to the environment and its links to trade:

- Inadequate legal framework and institutional capacity to monitor the impact of trade on the environment and to motivate and enforce compliance with the requirements of environmental treaties and conventions
- The tendency for many of the important environmental issues to be locked into the technologies of production and consumption used in the international economy, including automobile and plastics technologies
- Low public and business stakeholder appreciation of the environmental issues raised by trade

In this regard, the GORTT's primary challenges are to build stakeholder awareness and ensure adequate compliance with domestic laws and international treaties and conventions and their associated regulations.

7.11.1. POLICY MEASURES TO ENHANCE ENVIRONMENT-FRIENDLY TRADE

The GORTT's main approach to policy for environment-friendly trade is to do the following:

1. Conduct a comprehensive review of environment policy and legislation, and related standards, with a view to updating them in order to fill gaps and bring them in line with international best practices and policies
2. Establish a clear policy on environment-friendly trade to provide the basis on which relevant agencies (such as the EMA and the TTBS) can intervene with appropriate standards and monitoring
3. Through the Ministry of Trade and Industry work closely with the Ministry of Public Utilities and the private sector to design and implement appropriate programmes geared at enhancing energy efficiency across industries with a view to achieving 10% energy saving
4. Update the legal framework addressing trade and the environment and build institutional capacity to monitor the impact of trade on the environment and motivate and enforce compliance

5. Develop an implementation plan for the updated legislation and regulations to be integrated into the strategic plans of respective and relevant implementing institutions
6. Establish or strengthen and operationalize the Environmental Commission, to facilitate speedy appeals of trade-related decisions made by the EMA
7. Monitor the country's carbon footprint, conduct a detailed assessment of the country's potential for development of wind and solar energy, design and implement a greenhouse gas mitigation action plan
8. Provide incentives for investment in renewable energy power plants, for use of cleaner technology in the Industrial sector, and for use of alternative fuels and energy sources in the Transportation sector
9. Introduce awareness-building programmes to increase public and business stakeholder appreciation of the environmental issues related to trade
10. Increase the pace of adjustment away from the technologies of production and consumption used in the international economy that produces global warming and climate change and that otherwise damage the environment
11. Utilize the GORTT's public procurement policy, including e-Procurement, to promote the production and trade of environmentally friendly goods and services

7.12. INDUSTRIAL RELATIONS FOR TRADE DEVELOPMENT

Trade development relies on the improvement of the domestic production system and production work done by organised workers using capital (machinery, equipment and knowledge) and land. Employees work under the control of management within a specific organisational framework designed to pursue the goals of the production process. The organisational framework reflects the legally and organisationally mandated rights of workers and the resulting industrial relations. Under the Industrial Relations Act (IRA), Minimum Wages Act, Maternity Protection Act, Retrenchment and Severance Benefits Act and Occupational Safety and Health Act workers in Trinidad and Tobago have certain minimum legally mandated rights, including the right to fair labour practices, minimum and fair wages, safe and reasonable working conditions and the right to representation by a union of choice.

To ensure a positive industrial climate, good working habits must be cultivated by the social policies of the GORTT. The GORTT will therefore seek to help create a healthy industrial environment. The policies to be adopted include the following:

1. Minimise labour market distortions by reforming the human resource practices of the public sector to achieve a closer relationship between worker productivity and pay
2. Adhere to, respect and promote the eight (8) core Conventions of the International Labour Organization (ILO)
3. Quicken review and update of the IRA to make better provision for the stabilisation, improvement, and promotion of industrial relations that support trade expansion, including reform of the Industrial Court to improve its role as a facilitator of managerial efficiency in the workplace
4. Increase investment to upgrade the supply of human capital in the labour market
5. Reform the social policies of the public sector to create a greater incentive for eligible workers to undertake training and education to increase their capacity to work with updated technologies and work within updated organisational arrangements that support increasing competitiveness and comparative advantage in trade

7.13. E-COMMERCE

E-Commerce is a business model that enables individuals and businesses to conduct transactions over an electronic network, in particular the Internet and Worldwide Web. It occurs in three principal modes: Business to Business (B2B), which involves the exchange of services between businesses such as back-office operations, e-marketing, enterprise resource planning, cyber security services, and internet advertising; Business to Consumer (B2C), which involves transactions between a business and consumers who are the end-users, including services such as music streaming, video streaming, video gaming, internet malls, mobile phone services, and online banking; and Consumer to Business (C2B), which involves consumer sale of goods and services to businesses, such as blogs, internet focus group feedback, specialised editing services and customer feedback on products.

In 2017, Trinidad and Tobago's rank on the UN's ICT Development Index declined to 68 from 71 in 2016. According to this index approximately 73.3% of the population used the internet, 71.4% of households had computers, and 70.9% of the population had access to the internet, and 47.3% of individuals had active mobile broadband subscriptions. On the underlying skills sub-index, the average years of schooling was estimated at 10.9 years, and tertiary gross enrolment was estimated at 11.95% of persons meeting matriculation standards. The GORTT is committed to improving all of these indicators in order to steadily increase the country's ranking on the ICT Development Index by 2023. This would serve as the basis for increasing the use of e-Commerce as an integral element of the business models underlying improved performance in trade.

The GORTT views investment in modernizing ICT (including e-Commerce) infrastructure and related services as a strong driver of economic growth and export competitiveness - reducing transaction costs and fuelling increased domestic output across a myriad of sectors. ICT infrastructure can also serve to lower the cost of information acquisition and enhance markets participation⁷⁴. The ultimate goal of the GORTT is to reduce the digital gap between Trinidad and Tobago and developed economies. The GORTT also recognizes growth of the ICT sector as a necessary precursor to the quickening of the pace of industrialization and private sector development.

7.13.1. CONSTRAINTS AND CHALLENGES AFFECTING E-COMMERCE

Among the important constraints of integrating e-Commerce into the business models of potential traders are the following:

1. Uncoordinated and unsustained efforts by the public sector agencies responsible for promoting use of e-Commerce
2. Lack of an updated legal and regulatory framework for e-Commerce, especially concerning consistency with legal mandates and procedures in targeted foreign markets
3. Lack of supporting reliable and predictable (delivery and reverse) logistics and warehousing capacity in targeted export markets
4. High dependence on off-shore created and hosted content and low rate of development of local content
5. Insufficient policy measures to upgrade and widen pool of skilled personnel in the areas of ICT and e-Commerce. Limited knowledge of the purchasing behaviour and cultural sensitivities of targeted markets
6. Limited capacity to quickly adapt product offerings and marketing communications to customers in targeted markets
7. Limited awareness of the methods and benefits of e-Commerce to businesses and consumers

The GORTT's primary responsibility is to develop the legal and regulatory frameworks that foster business and consumer confidence to give a greater role for e-Commerce in their economic activities. The GORTT must also support the processes by which businesses and consumers acquire the necessary awareness, skills, tools and resources to make more beneficial use of e-Commerce.

⁷⁴See RÖLLER and WAVERMAN, 2001.

7.13.2. POLICY MEASURES TO SUPPORT E-COMMERCE

7.13.2.1. Update the Legal and Regulatory Framework and Promotion of e-Commerce in Trinidad and Tobago

The GORTT is currently implementing the National E-Commerce Strategy which was approved by Cabinet in 2018. The Strategy has been benchmarked against international best practice and addresses local challenges in e-Commerce. The GORTT will also undertake to:

1. Update and proclaim the necessary legislation and institute the supporting regulatory framework for the effective implementation of e-Commerce in Trinidad and Tobago. To this end, the immediately targets are as follows:
 - (a) Full proclamation of the Electronic Transactions Act and the Data Protection Act by establishing the relevant statutory bodies viz. The Designated Authority (pursuant to the Electronic Transactions Act), as well as, the Office of the Information Commissioner (pursuant to the Data Protection Act)
 - (b) Enactment of Cybercrime Legislation
2. Offer co-financing/grant funding through exporTT to businesses desirous of selling their goods and/or services online
3. Provide training to businesses especially micro, small and medium enterprises (MSMEs) on the value and use of engaging in e-Commerce
4. Collaborate with various private sector agencies such as the Chambers of Commerce, the Manufacturers' Association and the e-Business Roundtable to promote e-Commerce in Trinidad and Tobago
5. Undertake an annual survey to monitor the use of e-Commerce by the business community
6. Collaborate with the Inter-American Development Bank (IDB) and similar agencies to increase local business presence on "ConnectAmericas" and similar platforms

7.13.2.2. Implementation of the Electronic Transfer of Funds Framework

1. The GORTT will implement the Electronic Transfer of Funds Framework, to facilitate e-payments by traders and upgrade the supply of e-services in the public sector

7.13.2.3. Engendering Confidence among Consumers

1. Implementation of the Cabinet approved Trinidad and Tobago National Consumer Policy (2018-2023). This policy is designed to ensure consumers of services and digital content receive similar protection as consumers of goods; ensure consumer guarantees for goods, services and digital content; and improve protection for consumers purchasing goods or services online or from overseas
2. Establishment of a quasi-judicial tribunal, to provide quick, inexpensive and binding means of settling consumer disputes up to a maximum of three hundred thousand dollars (TT\$300,000)
3. Continued support for consumer educational programmes at the community and national levels through collaboration between the Consumer Affairs Division (CAD) and various stakeholders such as educational institutions and non-governmental organizations (NGOs)
4. Enactment of a new Consumer Protection and Empowerment Act based on the provisions contained in the CARICOM Model Consumer Protection Bill.
5. Establishment of an on-line Consumer Affairs Portal
6. Continued conduct of public meetings and lectures to consumers and suppliers about unfair trade practices and unfair contract terms etc.
7. Continued support of the use of social media channels, media advertising campaigns on e-Commerce issues and telemarketing to build awareness of consumer risks such as scams and fraud and provide the relevant consumer tips to mitigate such challenges

7.13.2.4. E-Commerce Skills and Technology Upgrading

The GORTT will:

1. Upgrade the existing framework for learning and adapting to new technologies and foster links between business, education institutions and individuals to promote e-business skill formation
2. Integrate e-Commerce and ICT fully into the education system at all levels, beginning with the tertiary system
3. Promote and incentivise integration of e-Commerce into the business models of traders aimed at upgrading business-readiness for e-Commerce

7.13.2.5. Introduce a Public-Private Partnership Improvement Strategy for e-Commerce

Reforms aimed at promoting public-private partnerships (PPPs) through e-Commerce will be introduced. To that end, the GORTT will:

1. Pursue public-private partnerships to build regional and international capacity for e-Commerce, including with respect to market information collection and sharing, payment methods and processing; and pooling optimization, logistics and reverse logistics
2. Commercialize and outsource non-core functions to provide opportunities for improved use of high-level human resource and updated technologies

CHAPTER 8

CONCLUSION

Over the next five years the GORTT's trade-related policy-setting will be guided by an understanding that the wider-Caribbean, as well as, the South and Central American and Asian economies provide the most viable options for expanding exports. A process of comparative-advantage-based restructuring of international trade is in turn necessary for building the resilience of the Trinidad and Tobago economy.

Changing the structure of the country's exports will take some time since it requires a shift in the structure of domestic production. This Policy has therefore set out the essential elements of trade-related Industrial policy that will be employed to induce this structural shift. The aim is to boost existing exports across both new and existing markets (intensive margin of trade), as well as, generate new exports (the extensive margin). In order to optimize welfare gains, the GORTT has identified key productive activities which will have significant spill-over effects. Furthermore, the policy prescriptions outlined herein are expected to, among other things, improve export competitiveness, improve product quality, enhance utilization of innovation, facilitate moving the value chain to higher value-added goods and services, and increasingly focus on activities with significant local inputs (domestic capital).

Successful implementation of the TTTP requires a robust monitoring and evaluation framework both at the policy and project levels. For the GORTT, monitoring and evaluation is a critical aspect of the trade policy cycle in order to determine the extent to which outputs are being realized and assess the impact on the attainment of policy objectives. It is therefore important to put in place appropriate mechanisms to continuously monitor and assess the TTTP's impact on growth, poverty alleviation, unemployment reduction and development. This monitoring regime will also be useful in facilitating comprehensive semi-annual reviews of the Policy. The key challenge however, is to develop the requisite mechanism and attendant overarching institutional framework for monitoring the TTTP's outputs, outcomes or development results.

Accordingly, at the policy level, a Cross-Agency Implementation Committee (CIC) will be established to receive and review semi-annual monitoring and evaluation reports from the Ministry of Trade and Industry. At the project level, a Trade Policy Technical Working Group (TPTWG) comprised of the senior officials of the Ministry of Trade and Industry and focal points selected from across the private and public sectors, civil society, academia and key development partners will also be commissioned. The TPTWG will be tasked with not only formulating, but also monitoring and evaluating, projects and programmes geared towards the implementation of the Trade Policy and the achievement of its objectives. The Ministry of Trade and Industry will retain responsibility for compiling the semi-annual reports of the TPTWG for consideration by the CIC. In turn, the mechanism of the Joint Select Committee (JSC) will be utilized to facilitate dialogue and public awareness on the outcomes, impacts and activities of the TTTP.

The TTTP will, inter alia, facilitate coordination between institutions and activities, such as research and development, innovation, private sector development etc. Moreover, public-private sector partnerships will be a key vehicle for encouraging increased investment in activities identified for increasing exports and contributing to economic diversification.

There is an appreciation of the need for the TTTP to be malleable, so as to be updated as new priorities and/or exogenous shocks emerge. Consequently, monitoring the implementation of the strategy and the impact of the strategic interventions contained therein will seek to gauge the realisation of objectives and continued relevance of the elements of the strategy and related programmes and projects. In this regard, the work of the CIC and TPTWG will be adjusted accordingly over the TTTP's implementation horizon to ensure that the Policy remains on track to achieve its objectives.

Public sensitization, with a view to fostering buy-in by all stakeholders, particularly the general public and civil society is crucial to the successful implementation of the TTTP and the achievement of its objectives. In this regard, the Ministry of Trade and Industry will undertake a comprehensive programme of public education and sensitization in respect of the imperatives of the TTTP. This programme will focus on increasing awareness of the policy measures as well as develop strategies for ensuring that the business community become tools of broad-based economic development.

For the GORTT, the medium to long-term remedy for delivering broad-based export growth, particularly in high-value exports, lies in increasing production and trade in emerging areas of comparative advantage across the goods and services sectors. Key sectors for export diversification have been identified in this policy and the appropriate elements of the policy framework to support their development have been clearly articulated. Moreover, the private sector is expected to play a central role in the restructuring and export diversification process, and is therefore incorporated within the framework of wider public policy implementation

ANNEXES

ANNEX 1: LIST OF STAKEHOLDERS CONSULTED ON THE DEVELOPMENT OF THE TRINIDAD AND TOBAGO TRADE POLICY 2019-2023

| Monday 27 August 2018 - Level 9 Lounge | |
|---|---|
| Private Sector Agencies and Ministries | Participants |
| 1. Trinidad and Tobago Chamber of Industry and Commerce | TTCIC Representatives: Mr. Gabriel Faria - Chief Executive Officer Ms. Lisa Douglas - Trade and Research Economist TTCIC Members: Mr. Farzan Ali - Human Resource Manager, Grand Bay Paper Products/ Trinidad Tissues Limited Mr. Marcus Sun Kow - Fresh Start Limited |
| 1. Ministry of Works and Transport (MOWT) 2. Maritime Services Division, MOWT 3. Ministry of Planning and Development (MPD) | 1. Ministry of Planning and Development (MPD): Mr. Peter Mitchel Assistant Director, Socio-Economic Policy Planning Division and Mr. Ancil Paul - Project Analyst. 2. Maritime Services Division: Mr. Richard Basant - Marine Administrator, Mr. Commodore Garnet Best-Marine Administrator and Mr. Ryan Potts- Research Officer. 3. Ministry of Works and Transport (MOWT) – DPS. Dhanmatee Ramdath. |
| Tuesday 28 August 2018 - Level 9 Lunch Room | |
| Government Agencies | Participants |
| 1. PLIPDECO | Ms. Shelly Balkissoon, Manager Marketing and Business Development |
| 1. Customs and Excise Division (C&ED) | Mr. Sayed Khan, Assistant Comptroller, C&ED |
| Wednesday 29 August 2018 - Level 16 Conference Room | |
| Government Agencies | Participants |
| 1. Export-Import Bank of Trinidad and Tobago (EXIMBANK) | Mr. Sheldon Thomas, Manager – Marketing, EXIMBank |
| Academia | Participants |
| 1. University of Southern Caribbean | Mr. Prakash Ramoutar, Vice President of Financial Administration |
| Private Sector Agencies | Participants |
| 1. American Chamber of Commerce of T&T (AMCHAM) 2. Energy Chamber of Trinidad and Tobago | 1. Energy Chamber- Andrew Hosein, Research Specialist 2. AMCHAM T&T - Aurelia Bruce - Research Officer |
| Tuesday 4 September 2018 - Level 16 Conference Room | |
| Government Ministries | Participants |
| 1. Ministry of Agriculture, Land and Fisheries (MALF) 2. Ministry of Energy and Energy Industries (MEEI) 3. Ministry of Finance (MOF) | MALF – Ms. Joan Smith, Planning Officer III (Ag.) MEEI – Ms. Janelle Ogunnaike - Service Provider MOF – Mr. Sanjay Singh - Economist II |
| Wednesday 5 September 2018 - Level 16 Conference Room | |
| Government Ministries | Participants |
| 1. Ministry of Foreign and CARICOM Affairs (MFCA) 2. Ministry of Public Utilities | MFCA - Mrs. Lavaughn Pritchard - Senior International Relations Specialist MPU - Ms. Abraham |
| 1. Ministry of Public Administration and TATT 2. Intellectual Property Office (IPO) | IPO - Ms. Anne Marie Omed Joseph - Manager MPA - Ms. Nadine Penny-Ravello and Ms. Shanaz Mohammed TATT - Ms. Anneisa Butkoon and Ms. Annie Baldeo |

| Thursday 6 September 2018 - Level 16 Conference Room | |
|---|---|
| Private Sector Agencies | Participants |
| 1. TTMA and Members | TTMA Representatives: Mr. Christian George - Trade Research Officer Mr. George Naime - Manager, Sales and Marketing - MDC-UM |
| Friday 7 September 2018 - Level 16 Conference Room | |
| Financial Services | Participants |
| 1. Central Bank of Trinidad and Tobago 2. Central Statistical Office (CSO) | CB - Ms. Lauren Sonnylal - Policy Officer CSO - Mr. Bruce Spencer, Senior Statistician |
| Tuesday 11 September 2018 - Level 16 Conference Room | |
| Cultural and Recreational Services | Participants |
| 1. Ministry of Community Development, Culture and the Arts | MCDCA - Mr. Rawle Ramcharan, Planning Officer I |
| 1. MusicTT 2. CreativeTT 3. FilmTT | CreativeTT and FilmTT - Dionne Mc Nicol Stephenson - FilmTT Chair and CreativeTT Director |
| Wednesday 12 September 2018 - Level 16 Conference Room | |
| Services - Umbrella Body | Participants |
| 1. Trinidad and Tobago Coalition of Services Industries | TTCSI - Ms. Lara Quentrall-Thomas - President |
| Government Agencies | Participants |
| 1. Trinidad and Tobago Bureau of Standards (TTBS) | TTBS - Joanne Beharry - Standards Officer |
| Thursday 13 September 2018 - Level 16 Conference Room | |
| Shipping Facilitation | Participants |
| 1. Port Authority of Trinidad and Tobago | Port Authority - Ms. Patricia Persad - Policy Officer |
| Friday 14 September 2018 - Red Brocket Deer Conference Room, Head Office, Chaguanas, Ministry of Agriculture, Land and Fisheries | |
| MALF Stakeholders | Participants |
| MALF (Fisheries Div Agri; Planning Div; and Research Div), ADB, NAMDEVCO, CDCTTL, Animal Production and Health Div. | MALF (Fisheries Div; Agri Planning Div; and Research Div), ADB, NAMDEVCO, CDCTTL, Animal Production and Health Div. |
| Tuesday 18 September 2018 - Level 16 Conference Room | |
| Education Authorities | Participants |
| 1. University of Trinidad and Tobago (UTT) 2. Ministry of Education | MOE - Mrs. Lisa Madray-Valdere Planning Officer III UTT - Dr. Edward Bahaw - Assistant Professor |
| Government Agencies | Participants |
| 1. exporTT 2. invesTT | InvesTT- Nishal Nagassar - Manager, Research and Business Intelligence exporTT- Mr. Dhanraj Harrypersad - Manager, Monitoring and Research |
| Wednesday 19 September 2018 - Level 16 Conference Room | |
| Labour Authorities | Participants |
| 1. Ministry of Labour and Small Enterprise Development (MOLSED) 2. Immigration Division | MOLSED - Mr. Alan Cooper, Senior Policy Analyst Immigration - Ms. Vera Persad - Immigration Officer II |
| Thursday 27 September 2018 - Level 16 Conference Room | |
| Tourism Services | Participants |
| 1. Ministry of Tourism | MOT- Mr. Brian Gift – Tourism Advisor II |
| Associations | Participants |
| 1. Customs Clerks and Brokers Association | Customs Clerks - Mr. Nicholas Rostant - President |

ANNEX 2: THE GROWTH ENGINES OF TRINIDAD AND TOBAGO

A2.1. INTRODUCTION

The TTTP is designed to promote growth, economic restructuring and trade. Gains are optimised when the Trade Policy takes advantage of the main engines of growth, which includes the Industrial clusters that have the largest potential to increase the long-run rate of economic growth. This annex provides empirical evidence that the Trinidad and Tobago economy is driven by two engines of growth: the Services sector which can produce capital for domestic use and exports and the traditional Export sector which produces industrial intermediates primarily for export. The evidence shows that the TTTP will have its greatest impact on long-run growth when it favours a shift to production and export of services.

A2.2 GROWTH AND TRADE

In domestic currency, let $\varepsilon^{px}/p X$ be the real value of exports, $\varepsilon^{pj}/p J$ the real value of imports, ε the exchange rate in particular the domestic price of a \$US, A_t the net stock of foreign liabilities and r_f the rate of return on foreign liabilities. When the economy is borrowing from abroad to supplement domestic savings or relying on foreign direct investment and technologies to set up its production system, $A < 0$. When the economy is lending surplus savings abroad, $A > 0$. Also, let Y be real output, dK be domestic investment, G be The government consumption and T be taxes. Further, assume that the domestic capital stock grows in proportion to the net retained earnings of businesses $(\gamma(r + K \frac{dr}{dK})K)$ after adjusting for financial capital flight. It depreciates at a constant rate (s_k) because of use and obsolescence and a constant rate (s_h) because of human capital flight. The relationship between the domestic and international transactions of the economy is then given by:

$$1. \quad dK + \varepsilon \frac{px}{p} X - \varepsilon \frac{pj}{p} J + r_f A + G - T = \left(\gamma \left(r + K \frac{dr}{dK} \right) - s_k - s_h \right) K$$

If, consistent with Lewis (1954)⁷⁵, it is assumed that the marginal product of labour depends on how the accumulation of capital to grow employment is distributed over the rates of growth of the industrial clusters of the economy, then the domestic and international transactions of the economy imply that the rate of economic growth is determined as:

$$2. \quad \frac{dY}{Y dt} = \frac{\gamma \left(r + K \frac{dr}{dK} \right) - s_k - s_h}{\left(1 + \frac{\varepsilon \frac{px}{p} X - \varepsilon \frac{pj}{p} J + r_f A + G - T}{dK_t} \right)} \frac{K}{Y} \left(\frac{1}{h} \frac{dh}{dt} + \frac{1}{Y_{nk}} \frac{dY_{nk}}{dt} \right)$$

Here, $\frac{1}{h} \frac{dh}{dt}$ is the rate of growth of the services cluster producing and using human capital intensively. The cluster includes tourism, travel services, ICT, education, research and development, healthcare, business services, and the creative industries as well as construction and wholesale and retail trades. The capital produced by this cluster grows the marginal product of labour by fostering embodied and disembodied technical and organisational progress (interdependence among sectors and clusters). The cluster is subject to exogenous shocks generated by the government's credit policy and by innovative findings in the education sector and creative activity. These shocks can affect the traditional export cluster contemporaneously. The term $\frac{1}{Y_{nk}} \frac{dY_{nk}}{dt}$ refers to the rate of growth of the

cluster that relies primarily on imported capital to manufacture and export intermediates downstream of natural resource-based industries. This cluster grows the marginal product of labour through embodied technical spill overs and foreign direct investment inflows. The cluster is subject to exogenous price and technology shocks that do not affect the services cluster contemporaneously.

⁷⁵Lewis, W. A. (1954) Economic Development with Unlimited Supplies of Labour. Manchester School of Economics and Social Studies, 22: 417-419.

A2.3. IDENTIFYING THE ENGINES OF GROWTH

To determine the growth engine with equation (2), data provided by the UNSD for 1970 to 2016 was used. Also, we follow McCombie and de Ridder (1983)⁷⁶, Bairam (1991)⁷⁷, and Atesoglu (1993)⁷⁸ in applying time series methods to individual countries. We use two complementary methods:

1. The identified coefficients of a dynamic OLS (DOLS), which is the easiest statistical method to use and yields the most efficient estimates if it can yield consistent parameter estimates (Davidson and MacKinnon, 1993:237)⁷⁹.
2. The cluster shares of the long-run variations in the growth rate identified by the forecast error variance decompositions (FEVDs) of a recursive structural vector auto-regression (SVAR) model, guided by the analytical framework specified above.

For convenient reference, the variables are labelled $g_y = \frac{dY}{Ydt}$, $g_h = \frac{dh}{hdt}$ and $g_{nk} = \frac{dY_{nk}}{Y_{nk}dt}$.

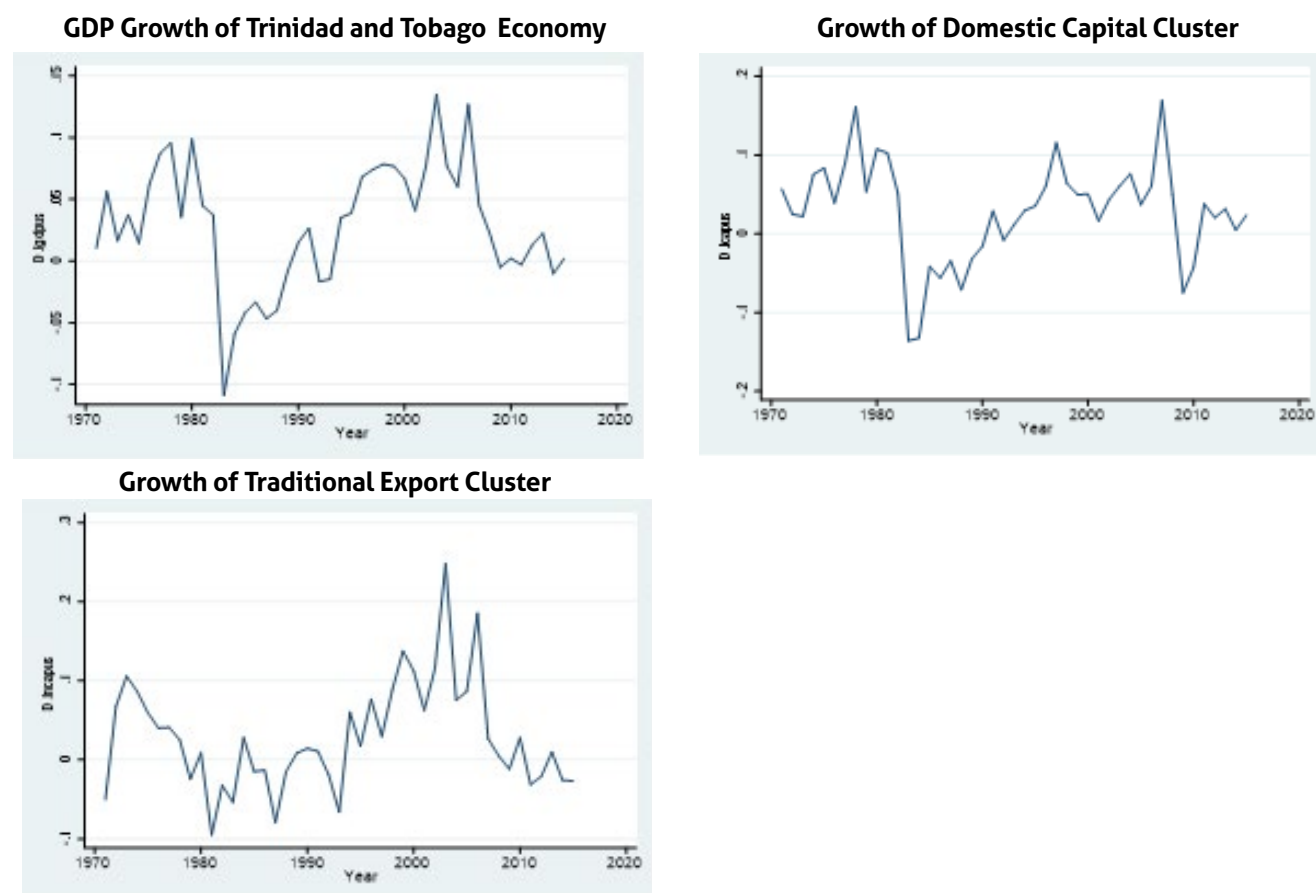
A2.3.1. DOLS ESTIMATES

To determine the growth engines with DOLS, the parameters of the relationship were estimated:

$$3. \quad g_y = \beta_0 + \beta_1 g_{h,t} + \beta_2 g_{nk,t} + e_{y,t}$$

where it is assumed that $e_{y,t}$ is a white-noise disturbance (independently and identically normally distributed with mean 0 and variance σ^2). Figure A2-1 graphs the variables and suggest non-stationary growth in each case.

Figure A2-1: Growth of Economy and Industry Clusters, Trinidad and Tobago, 1970-2016



⁷⁶McCombie, J.S.L. and de Ridder, J.R. (1983). Increasing Returns, Productivity and Economic Growth: the Case of the United States, *Journal of Post Keynesian Economics*, 5(3), Spring, 373-88.

⁷⁷Bairam, E. (1991). Economic Growth and Kaldor's Law: The Case of Turkey, *Applied Economics* 23: 277-80.

⁷⁸Atesoglu, H.S. (1993). Manufacturing and Economic Growth in the United States, *Applied Economics*, 25: 67-69.

⁷⁹Davidson, R. and MacKinnon, J.G. (1993). *Estimation and Inference in Econometrics*. Oxford: Oxford University Press.

Appropriate tests of the order of integration confirm the non-stationarity suggested by the graphical evidence. All three variables are $I(1)$. Appropriate tests also indicate that there is at least one cointegrating vector among these $I(1)$ variables. The coefficients of the cointegrating equation were identified (3) using the Stock and Watson (1993)⁸⁰ DOLS method. The residuals of the model are stationary and feature no serial correlation. The fit of the model is good with $R^2_{adj}=0.9$ and $RMSE=0.016$. The cointegrating coefficients are $\beta_1=.55$ and $\beta_2=.33$. These indicate that the services cluster transmits about 55% of its growth to the economy, compared to 33% for the traditional import-dependent export cluster producing downstream intermediates.

A2.3.2. THE SVAR ESTIMATES

To judge if the two clusters serve as joint growth engines, it is necessary to assess if each cluster exerts a long-run growth influence on the other. To make this assessment, guided by the analytical framework in equation (2), A recursive short-run SVAR⁸¹ was specified in terms of the relationship between the structural residuals and the reduced-form residuals as:

$$4. \begin{bmatrix} a_{11} & \square & \square \\ a_{21} & a_{22} & \square \\ a_{31} & a_{32} & a_{33} \end{bmatrix} \begin{pmatrix} u_{h,t} \\ u_{nk,t} \\ u_{y,t} \end{pmatrix} = \begin{pmatrix} e_{h,t} \\ e_{nk,t} \\ e_{y,t} \end{pmatrix}$$

Here, each row can be viewed as an equation, and the reduced-form shocks $e_{k,t}$ are weighted averages of selected structural shocks $u_{k,t}$. The coefficients a_{ij} are the weights. The identification procedure is justified by treating the first two equations as descriptions of how the structure of the economy changes. The first equation says that

$e_{h,t} = a_{11}u_{h,t} + 0 + 0$ and the second that $e_{nk,t} = a_{21}u_{h,t} + a_{22}u_{nk,t} + 0$. The shock $u_{h,t}$ adjusts both the services cluster and the traditional export cluster in the same year. It represents a credit, fiscal (including infrastructure) policy and technology shock affecting development of the structure of the economy. The shock $u_{nk,t}$ leads to growth of the traditional export cluster but does not directly affect the services cluster in the same year. So, the shock represents the adjustment of external capital inflows and export prices which target the externally-propelled industries. Finally, the last equation indicates that for the economy $e_{y,t} = a_{31}u_{h,t} + a_{32}u_{nk,t} + a_{33}u_{y,t}$, so that the random shocks that directly increase output in a given year combine with the efficiency and restructuring shocks to do so, but do not independently cause restructuring in that year. From equation (2), $u_{y,t}$ represents a mix of trade policy shocks and government savings shocks that affect growth directly without contemporaneous effects on the outputs of the industrial clusters. It takes time for firms to translate such shocks into investment decisions that lead to installation of new plant and new technologies that affect the technological characteristics or scale of output of the services cluster and the traditional export cluster.

Using the theory-motivated ordering of the $I(1)$ variables as g_h , g_{nk} and g_y , the analysis estimate the associated vector error correction model (VECM) and use it to generate the FEVDs. The VECM is stable as indicated by the eigenvalues of the companion matrix. The estimates indicate that 53% of the long-run variation in growth is explained by growth of the services cluster, compared to 36% by the traditional export cluster. These estimates correspond closely to the results generated by the DOLS. Further, the services cluster explains about 33% of the long-run growth variation of the traditional export cluster, while growth of the traditional export cluster explains about 32% of the growth variation of the services cluster. The interdependence might reflect dependence of the traditional export sector on human capital produced by the services cluster, while the latter depends on the traditional export cluster for foreign exchange. Growth of output explains 10% of the variation in the growth of the services cluster, compared to 8% for the traditional-export cluster. So, the services cluster and the traditional export cluster serve as two engines of growth. This evidence on the cluster shares of the long-run variation in growth suggests that the Trade Policy will have its greatest impact on long-run growth when it supports a shift to production and export of tradable services.

⁸⁰Stock, J. and Watson, M. W. (1993). A simple estimator of cointegrating vectors in higher order integrating systems. *Econometrica* 61(4): 783-820.

⁸¹Sims, C. A. (1980). Macroeconomics and reality. *Econometrica* 48: 1-48.

ANNEX 3: TRADE PROFILE OF TRINIDAD AND TOBAGO

A3.1 INTRODUCTION

One of the central objectives of the National Development Strategy – Vision 2030 is that the country should progress beyond its current state of development (V2030 – p.28; 33; 35; 44; 45; and 96). One basis for that progress is an updated industrial diversification strategy supported by an appropriate Trade Policy. Specifically, based on the evidence on the growth engines of the economy presented in **Annex 2**, the economy has to increase investment to develop the export capacity and related imports of the capital-producing services cluster relative to the traditional export (manufacturing) cluster of the economy, including by attracting FDI into the cluster. The supporting Trade Policy must be designed to upgrade the associated trade profile of the country. This annex summarizes the current trade profile of the economy as measured by the following key indicators: (i) trade openness; (ii) trade concentration; (iii) revealed comparative advantage; (iv) the extent of intra-industry trade; and (v) trade complementarity.

A3.2 TRADE OPENNESS

Adjusted for endogeneity bias, the degree of openness of the economy helps to determine its rate of growth and the level of per capita income it generates. The natural measure of trade openness is the ratio of the sum of exports and imports to GDP. Let X^i be exports of country i , M^i be its imports and Y^i its GDP. Trade openness is measured as:

$$1. O^i = \frac{X^i + M^i}{Y^i}$$

If the economy is small, the index may be greater than 1. In the case of Trinidad and Tobago, the index was 1.32 in 2016, up from 1.30 in 2015. The underlying export ratio was 0.68, down from 0.76 in 2015. The corresponding import ratio was 0.64 in 2016, up from 0.53 in 2015. All the ratios feature an increasing trend. To generate higher growth, it is reasonable policy to seek an increase of the trade ratio by growing the exports ratio to say 0.8 by 2030, along with more diversified exports.

A3.3 HOW DIVERSIFIED ARE THE ECONOMY'S EXPORTS?

Trinidad and Tobago's exports are dominated by the set of manufactured outputs downstream of oil and natural gas (Table A3 1). Currently, approximately 90% of the exports are in the form of Liquefied Natural Gas (LNG) (32.7%), inorganic chemicals (17.5%), petroleum and related products (16.2%), organic chemicals (12.6%), iron and steel (5.5%), and manufactured fertilizers (5.4%). The simplest measure of the degree of diversification of exports is the reciprocal of the Herfindahl concentration index. Let s_k^i be the share of sector k in country i exports. Then, the Herfindahl concentration index is defined as

$$2. h^i = \sum_k (s_k^i)^2$$

That is, the index is the sum of the squares of the sector shares in total exports. The index takes values $1/K \leq h^i \leq 1$, where K is the number of products exported. The index can be normalized to take values from 0 to 1. The lower the value of h^i is, the larger will be the reciprocal and the more concentrated are the exports.

Table A3-1: Shares of Main Export Products of Trinidad and Tobago, 2010, 2015 (Percentage)

| SITC | 2010 | 2015 |
|----------------------------------|------|------|
| 34 -- Gas natural/manufactured | 18.1 | 32.7 |
| 52 -- Inorganic chemicals | 14.7 | 17.5 |
| 33 -- Petroleum and products | 48.0 | 16.2 |
| 51 -- Organic chemicals | 6.4 | 12.6 |
| 67 -- Iron and steel | 5.5 | 5.5 |
| 56 -- Manufactured fertilizers | 2.2 | 5.3 |
| 28 -- Metal ores/metal scrap | 0.3 | 2.7 |
| 11 -- Beverages | 0.9 | 1.5 |
| 04 -- Cereals/cereal preparation | 0.5 | 0.8 |
| 27 -- Crude fertilizer/mineral | 0.0 | 0.8 |

Source: UNCOMTRADE

The Diversification Index is calculated at the intensive margin if it measures diversification only over the set of existing active lines of exports. On the other hand, the count K is a measure of diversification at the extensive margin (so that the number of new lines of exports is considered). Diversification at the extensive margin reflects the rate of development of the economy, and in particular the extent to which the country supports export entrepreneurship in the sense of enabling movement of economic resources towards new exporting sectors. In Trinidad and Tobago, trade is highly sector-specialised. The Index of Diversification at the intensive margin is 5.4 for 2015, up from 3.4 in 2010. The Index reveals that exports of goods have been becoming more concentrated, increasing the risks associated with the composition. Policy is needed to reverse this trend and increase the diversification of exports.

What the economy exports turns on is how it develops its endowment of productive factors and its technology and business organisation. The key productive factors are natural, physical and human capital. The growth engine data in Annex 2 suggests that for Trinidad and Tobago, endowment-building is achieved mainly by producing and exporting more domestic capital. Such endowment-building makes the country more attractive to foreign direct investment in order to create new exports and open up new markets, and thus diversify exports to reduce the risks associated with existing export specialisation.

A3.4. DIVERSIFICATION OF DESTINATION

The data in Table A3 2 indicate that three trading blocs still accounted for 63% of the total exports in 2017, with the share falling from 78% in 2010. This suggests that some degree of diversification of export destination is occurring. The main export destinations were North America with 32%, down from 48% in 2010; the EU with 17%, up from 13% in 2010; and the CARICOM countries with 14%, down from 18% in 2010. In the case of the EU, the highest share of the exports flow to Britain, suggesting substantial scope for increase of exports to other countries in the bloc. The small shares of the growing East Asia-Pacific economies (10%) and Latin America (5.5%) also suggest room to explore expanded trade with these blocs in the future.

Table A3-2: Export Shares of Main Trading Blocs for Trinidad and Tobago, 2010-2017 (Percentage)

| Year | CARICOM | East Asia - Pacific | EU27 | North America | Latin America | Africa |
|------|---------|---------------------|------|---------------|---------------|--------|
| 2010 | 18.6 | 1.2 | 7.8 | 48.7 | 7.2 | 4.5 |
| 2011 | 14.1 | 2.0 | 14.2 | 49.2 | 9.1 | 2.2 |
| 2012 | 13.5 | 3.1 | 11.4 | 47.1 | 10.7 | 1.4 |
| 2013 | 16.6 | 1.6 | 10.8 | 39.9 | 15.6 | 1.7 |
| 2014 | 13.7 | 2.1 | 9.3 | 41.5 | 15.5 | 2.6 |
| 2015 | 11.1 | 3.3 | 11.2 | 38.1 | 20.6 | 1.4 |
| 2016 | 11.5 | 6.3 | 11.3 | 39.2 | 17.4 | 1.4 |
| 2017 | 14.6 | 3.9 | 11.2 | 34.7 | 9.3 | 3.8 |

Source: CSO

A3.5 REVEALED COMPARATIVE ADVANTAGE

Underlying the decision to push industrial restructuring to support new exports is the development of the comparative advantage of the economy by building its capacity to produce and employ capital. The country's measured comparative advantage in sector or product k , ω_k , is given by:

$$3. \omega_k = \frac{X_k^i / X^i}{X_k / X}$$

where X_k^i is the country's exports of commodity k , X^i is total exports, X_k is the world's exports of commodity k , and X is global exports. If $\omega_k > 1$, the country has a revealed comparative advantage in that sector or product.

Estimates of the revealed comparative advantage of the various exports in which Trinidad and Tobago has an advantage are reported in **Table A3-3**. Up to date estimates are presented for the years 2015, including comparisons with the years 2010 and 1980.

Table A3-3: Revealed Comparative Advantage of Various Export Products for Trinidad and Tobago, 1980, 2010 and 2015

| | 1980 | 2010 | 2015 |
|-------------------------------------|------|------|-------|
| Gas, natural and manufactured | 0.30 | 9.07 | 17.17 |
| Chemical elements and compounds | 0.65 | 6.84 | 10.08 |
| Petroleum and petroleum products | 5.27 | 3.88 | 1.92 |
| Iron and steel | 0.01 | 1.90 | 2.21 |
| Fertilizers, manufactured | 0.62 | 6.04 | 13.46 |
| Metalliferous ores and metal scrap | 0.00 | 0.13 | 1.78 |
| Beverages | 0.39 | 1.68 | 2.58 |
| Crude fertilizers and crude mineral | 0.08 | 0.18 | 3.45 |
| Miscellaneous food preparations | 0.38 | 0.76 | 1.56 |
| Tobacco and tobacco manufactures | 0.01 | 0.95 | 1.98 |

Source: Computed by UNECLAC

The estimates indicate that the country has a comparative advantage in 10 of approximately 56 products exported. Of these, comparative advantage was achieved for 5 products only in 2010. Only in the case of petroleum and related products has the country held a comparative advantage (5.27) since 1980, and this advantage has fallen steadily to a low level of 1.92 in 2015. The country's greatest advantages are in three energy-based intermediate manufactured products: Liquefied Natural Gas (LNG) (17.2); fertilizers (13.5); and chemical elements and compounds

(10.1). The historical experience is that these are nevertheless vulnerable to repeated negative external price and demand shocks. In the case of the 4 products in which the country achieved a comparative advantage after 2010, the advantage achieved has been relatively low: crude fertilizers and minerals (3.45); tobacco and tobacco manufactures (1.98); metalliferous ores and scrap metal (1.78); and miscellaneous food preparations (1.58). The estimates suggest that the country must invest to develop strong comparative advantage in a broader range of output that can be the basis of an export diversification thrust. The estimates presented in Annex 2 suggest that this requires investment in the sectors that can produce human capital and successfully export output that are created with intensive use of such produced capital.

A3.6 BUILDING INTRA-INDUSTRY TRADE

The Grubel-Lloyd (1975) index measures the importance of intra-industry trade to the economy. Let X_k^{ij} be country i exports to country j of good k; and M_k^{ij} be country i imports from country j of good k. It is estimated:

$$4. GL_k^{ij} = 1 - \frac{|X_k^{ij} - M_k^{ij}|}{X_k^{ij} + M_k^{ij}}$$

If in a sector, a country is either only an exporter or only an importer, then either $X_k^{ij}=0$ or $M_k^{ij}=0$, so $\frac{|X_k^{ij} - M_k^{ij}|}{X_k^{ij} + M_k^{ij}} = 1$

On the other hand, if a country in this sector exports and imports, then as $X_k^{ij} \rightarrow M_k^{ij}$, $GL_k^{ij} \rightarrow 1$. That is, as the underlying comparative advantage evolves and the industrial and trade structures of country i and country j tend to converge, $GL_k^{ij} \rightarrow 1$. The GL_k^{ij} measures for Trinidad and Tobago are based on a sufficient level of disaggregation of industry to make them meaningful.

The estimates of GL_k^{ij} for Trinidad and Tobago relative to selected groups of countries are reported in Table A3-4. The indicators are generally low, typically below 0.25, and generally show no rising trend over time. They suggest that Trinidad and Tobago is not involved in significant intra-industry trade. Consistent with the estimates in Annex 2, the measures indicate the need for policies that encourage diversification towards domestic capital output that increases the technological and organisational sophistication of output and could build up intra-industry trade.

Table A3-4: Grubel-Lloyd Indices of Intra-Industry Trade between Trinidad and Tobago and Selected Country Groups, 2010 to 2017

| Country Groups | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016* | 2017* |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| UNECLAC Caribbean | 7.65 | 9.74 | 16.94 | 8.78 | 13.39 | 18.40 | 18.90 | 19.30 |
| Other Caribbean | 6.29 | 21.81 | 14.11 | 10.38 | 7.12 | 11.30 | 10.75 | 9.50 |
| North America | 6.44 | 8.66 | 24.65 | 10.13 | 6.46 | 13.44 | 16.49 | 16.00 |
| EU27 | 8.74 | 5.17 | 25.39 | 22.36 | 13.75 | 9.48 | 13.42 | 5.54 |
| East Asia and Pacific | 15.21 | 19.45 | 17.41 | 8.66 | 7.08 | 11.75 | 8.34 | 6.11 |
| Central America | 0.20 | 1.69 | 8.47 | 1.88 | 3.58 | 8.97 | 12.74 | 27.90 |
| Latin America | 4.56 | 8.26 | 4.58 | 2.23 | 3.10 | 18.18 | 18.43 | 28.33 |
| Central and Latin America | 8.61 | 7.49 | 5.30 | 3.55 | 7.40 | 19.70 | 20.20 | 29.78 |
| Africa | 0.32 | 17.17 | 6.76 | 72.22 | 37.25 | 28.73 | 2.09 | 2.56 |

Source: Computed by UNECLAC based on WITS

* Provisional projections

Note: UNECLAC Caribbean refers to English/Dutch speaking Caribbean countries (see footnote 12)

A3.7 TRADE COMPLEMENTARITY

The Trade Complementary Index (TCI) of Michaely (1996) measures the extent to which two countries/regions are natural trading partners in the sense that their exports and imports overlap. For example, it measures the extent to which the exports supplied by Trinidad and Tobago match the imports demanded by CARICOM. The index is computed by commodity type. Let m_k^i be sector k 's share of country i 's total imports from the world and let x_k^j be sector k 's share of country j 's total exports to the world. The analysis defines:

$$5. TCI^{ij} = 100 \left[1 - \sum_{k=1}^m \frac{|m_k^i - x_k^j|}{2} \right]$$

A high positive value of TCI indicates close correlation between the exports and imports of the country and its trading partners.

The TCIs for Trinidad and Tobago are reported in **Table A3-5**. The data indicate that the highest degree of complementarity is between Trinidad and Tobago and its CARICOM trading partners. Further, there is no trading bloc for which the country's trade complementarity is increasing over time. Overall, the degree of complementarity is modest and falling in all cases, suggesting considerable room to develop exporting capacity to match the imports of all groups of trading partners. Consistent with the results on the growth engines of the economy in **Annex 2**, this is most likely to be achieved through the promotion of intra-industry trade.

Table A3-5: Trade Complementarity Index between Trinidad and Tobago and Selected Country Groups, 2010-2017

| Year | Trading Partners | | | | | |
|-------|-------------------|---------------|------|-----------------------|---------------|--------|
| | UNECLAC Caribbean | North America | EU27 | East Asia and Pacific | Latin America | Africa |
| 2010 | 34.2 | 23.4 | 24.6 | 27.7 | 29.7 | 29.4 |
| 2011 | 39.0 | 25.8 | 27.2 | 29.9 | 31.5 | 31.1 |
| 2012 | 35.9 | 25.0 | 26.9 | 28.7 | 32.8 | 28.9 |
| 2013 | 33.1 | 24.3 | 23.6 | 26.7 | 30.4 | 26.4 |
| 2014 | 32.7 | 25.7 | 24.4 | 27.3 | 30.8 | 26.9 |
| 2015 | 38.3 | 27.8 | 26.1 | 29.0 | 29.3 | 27.8 |
| 2016* | 35.2 | 26.9 | 25.2 | 28.0 | 25.9 | 27.5 |
| 2017* | 42.2 | 30.6 | 28.7 | 34.1 | 32.0 | 29.3 |

Source: WITS

* Provisional projections

Note: UNECLAC Caribbean refers to English/Dutch speaking Caribbean countries (see footnote 12)

A3.8. REFERENCES

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ANNEX 4: KEY ECONOMIC INDICATORS

Table A4-1: Trinidad and Tobago's Key Economic Indicators

| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2009-2018 |
|----------------------------|------------------|-------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-----------|
| Growth Rate | % | -4.4 | 3.3 | -0.3 | 1.3 | 2.0 | -1.0 | 1.8 | -6.5 | -1.9 | 1.9 | -0.4 |
| Overall Fiscal Balance | % of GDP | -5.0 | -0.1 | -0.7 | -1.3 | -2.9 | -2.5 | -1.7 | -5.5 | -9.1 | -3.4 | -3.2 |
| Net Public Sector Debt | % of GDP | 30.9 | 33.9 | 31.2 | 39.5 | 38.4 | 40.4 | 47.1 | 59.3 | 62.7 | 60.8 | 44.4 |
| Exports | millions of US\$ | 9,126 | 11,190 | 14,921 | 12,864 | 18,661 | 14,518 | 10,747 | 7,817 | 9,153 | - | 12,111 |
| | % of GDP | 47.6 | 50.5 | 58.7 | 49.9 | 68.8 | 52.8 | 42.8 | 35.1 | 41.1 | - | 49.7 |
| Imports | millions of US\$ | 6,955 | 6,475 | 9,474 | 11,597 | 12,576 | 11,236 | 9,233 | 8,236 | 6,910 | - | 9,188 |
| | % of GDP | 36.3 | 29.2 | 37.3 | 45.0 | 46.4 | 40.9 | 36.8 | 37.0 | 31.1 | - | 37.8 |
| Trade Balance | millions of US\$ | 2,171 | 4,715 | 5,447 | 1,267 | 6,085 | 3,281 | 1,515 | -419 | 2,244 | - | 2,923 |
| | % of GDP | 11.3 | 21.3 | 21.4 | 4.9 | 22.4 | 11.9 | 6.0 | -1.9 | 10.1 | - | 12.0 |
| Current Account Balance | millions of US\$ | 1,633 | 4,172 | 4,346 | 3,324 | 5,410 | 4,005 | 1,856 | -859 | 1,108 | 1,608 | 2,660 |
| | % of GDP | 8.5 | 18.8 | 17.1 | 12.9 | 20.0 | 14.6 | 7.4 | -4.0 | 5.0 | 6.9 | 10.7 |
| FDI Inflows | millions of US\$ | 709 | 549 | 41 | -1,904 | -1,130 | 661 | 177 | -24 | -457 | -180 | -156 |
| | % of GDP | 3.7 | 2.5 | 0.2 | -7.4 | -4.2 | 2.4 | 0.7 | -0.1 | -2.1 | -0.8 | -0.5 |
| Oil Price (WTI spot) | US\$/bbl | 62.0 | 79.5 | 94.9 | 94.1 | 98.0 | 93.2 | 48.7 | 43.3 | 50.8 | 65.2 | 72.9 |
| Gas Price (Henry Hub spot) | US\$/MMBtu | 3.94 | 4.37 | 4.00 | 2.75 | 3.73 | 4.37 | 2.62 | 2.52 | 2.99 | 3.15 | 3.44 |

Source: Central Statistical Office of Trinidad and Tobago, Central Bank of Trinidad and Tobago, Ministry of Finance of Trinidad and Tobago, WITS, EIA, UNCTAD

Note:

- Growth Rate for 2009-2012 is old series. Exports, Imports and Trade Balance for 2010-2017 are based on CSO data. Those for 2009 are based on WITS data. Current Account Balance and FDI Inflows for 2009 and 2010 are old series.
- Overall Fiscal Balance and Net Public Sector Debt are for fiscal years.

Table A4-2: Caribbean Key Economic Indicators

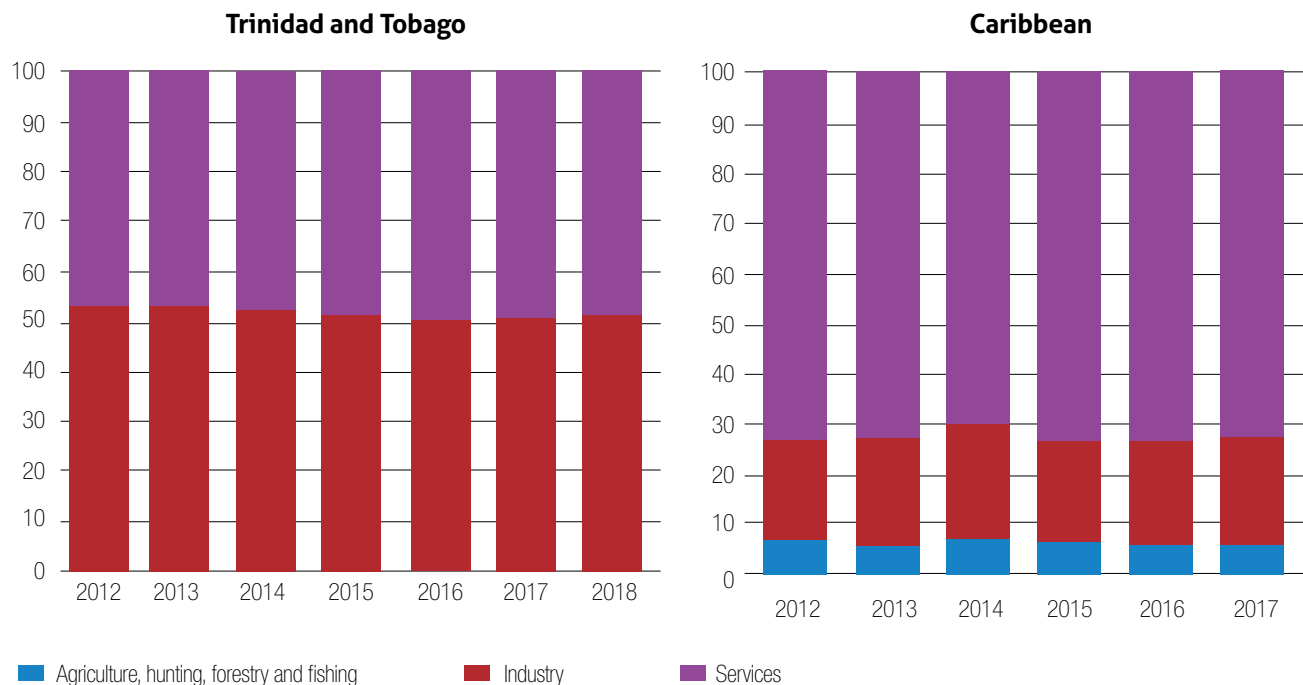
| | Unit | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2009-2018 |
|-------------------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Growth Rate | % | -3.6 | 1.2 | 1.0 | 1.3 | 1.2 | 0.3 | 1.3 | -2.2 | 0.1 | 1.9 | 0.3 |
| Overall Fiscal Balance | % of GDP | -4.7 | -2.9 | -2.3 | -2.8 | -4.4 | -2.5 | -0.9 | 0.3 | -2.4 | -0.1 | -2.3 |
| Net Public Sector Debt | % of GDP | 65.5 | 67.6 | 68.3 | 72.0 | 72.4 | 70.8 | 69.9 | 74.0 | 73.7 | 71.1 | 70.5 |
| Exports | millions of US\$ | 970 | 1,159 | 1,482 | 1,384 | 1,737 | 1,407 | 1,117 | 888 | 1,001 | - | 1,238 |
| | % of GDP | 16.8 | 16.6 | 18.0 | 17.6 | 18.3 | 15.4 | 14.5 | 13.1 | 14.1 | - | 16.1 |
| Imports | millions of US\$ | 1,464 | 1,483 | 1,859 | 2,030 | 2,098 | 1,986 | 1,722 | 1,582 | 1,609 | - | 1,759 |
| | % of GDP | 44.8 | 44.5 | 45.2 | 46.2 | 46.9 | 45.1 | 41.5 | 39.6 | 39.8 | - | 43.7 |
| Trade Balance | millions of US\$ | -491 | -324 | -377 | -645 | -353 | -570 | -603 | -698 | -603 | - | -518 |
| | % of GDP | -27.9 | -27.9 | -27.2 | -28.7 | -28.3 | -29.4 | -27.0 | -26.6 | -25.5 | - | -27.6 |
| Current Account Balance | millions of US\$ | -128 | 98 | -27 | -82 | 32 | -117 | -166 | -292 | -155 | -79 | -92 |
| | % of GDP | -14.4 | -12.1 | -11.0 | -12.0 | -13.3 | -19.3 | -16.2 | -20.4 | -7.6 | -21.2 | -14.7 |
| FDI Inflows | millions of US\$ | 204 | 167 | 151 | 22 | 70 | 260 | 243 | 234 | 213 | 279 | 184 |
| | % of GDP | 9.0 | 7.0 | 6.9 | 7.7 | 8.0 | 18.7 | 17.9 | 17.1 | 13.8 | 13.5 | 12.0 |

Source: UNECLAC based on official figures

Note:

- Current Account Balance and FDI Inflows for 2018 are annualized figures based on quarterly or monthly data in 2018.
- Growth Rate is weighted average of Caribbean countries (AIA, ATG, BHS, BRB, BLZ, DMA, GRD, GUY, JAM, MSR, KNA, LCA, VCT, SUR and TTO). Other figures are simple average.

Figure A4-1: Share of Economic Sectors in GDP(Per cent of Total Gross Value Added)



Source: Central Statistical Office of Trinidad and Tobago, UNECLAC on the basis of official figures

Note:

- i. In Trinidad and Tobago's figures for 2009-2011 are based on old series.
- ii. Caribbean is simple average of 15 countries (AIA, ATG, BHS, BRB, BLZ, DMA, GRD, GUY, JAM, MSR, KNA, LCA, VCT, SUR and TTO).
- iii. "Industry" includes Mining, Manufacturing, Public utility and Construction.
- iv. Based on Gross Value Added by Industry at Constant Prices.

ANNEX 5: RISING STARS AND MISSED OPPORTUNITIES OF TRINIDAD AND TOBAGO⁸²

Table A5-1: Products of Rising Stars and Missed Opportunities by Destination Markets

| Destination Markets | Rising Stars | Missed Opportunities |
|---------------------|---|---|
| East and South Asia | Vegetables and fruit, Sugar/sugar prep/honey, Animal feed ex unml cer., Beverages, Crude/synthetic/rec rubber, Pulp and waste paper, Metal ores/metal scrap, Coal/coke/briquettes, Gas natural/manufactured, Inorganic chemicals, Pharmaceutical products, Plastics in primary form, Plastics non-primary form, Electrical equipment, Railway/tramway equipment, Scientific/etc instrument | Dairy products & eggs, Coffee/tea/cocoa/spices, Misc. food products, Oil seeds/oil fruits, Petroleum and products, Fixed veg oils/fats, Animal/veg oils processed, Perfume/cosmetic/cleanser, Chem material/prods nes, Rubber manufactures nes, Non-metal mineral manuf., Non-ferrous metals, Metal manufactures nes, Industrial equipment nes, Road vehicles, Gold non-monetary ex ore |
| CARICOM | Cereals/cereal preparation, Vegetables and fruit, Coffee/tea/cocoa/spices, Oil seeds/oil fruits, Crude/synthetic/rec rubber, Pulp and waste paper, Textile fibres, Crude fertilizer/mineral, Inorganic chemicals, Plastics non-primary form, Chem material/prods nes, Industry special machine, Industrial equipment nes, Road vehicles, Scientific/etc instrument, Coin non-gold non current | Fish/shellfish/etc., Animal feed ex unml cer., Misc. food products, Beverages, Tobacco/manufactures, Petroleum and products, Gas natural/manufactured, Fixed veg oils/fats, Animal/veg oils processed, Organic chemicals, Pharmaceutical products, Manufactured fertilizers, Leather manufactures, Iron and steel, Travel goods/handbag/etc. |
| Central America | Rubber manufactures nes, Fish/shellfish/etc., Animal feed ex unml cer., Misc. food products, Beverages, Tobacco/manufactures, Organic chemicals, Manufactured fertilizers, Iron and steel, Perfume/cosmetic/cleanser, Plastics in primary form, Metal manufactures nes, Footwear, Coffee/tea/cocoa/spices, Chem material/prods nes | Cork and wood, Coal/coke/briquettes, Dyeing/tanning/color mat, Telecomms etc equipment, Gas natural/manufactured, Fixed veg oils/fats, Animal/veg oils processed, Pharmaceutical products, Travel goods/handbag/etc., Meat & preparations, Textile yarn/fabric/art., Building fixtures etc, Furniture/furnishings, Apparel/clothing/access, Misc. manufactures nes, Cereals/cereal preparatn, Vegetables and fruit, Pulp and waste paper, Textile fibres, Plastics non-primary form, Electric current |
| US | Telecomms etc equipment, Textile fibres, Plastics non-primary form, Gold non-monetary ex ore, Crude fertilizer/mineral, Industry special machine, Scientific/etc instrument, Misc food products, Manufactured fertilizers, Iron and steel, Plastics in primary form | Fixed veg oils/fats, Animal/veg oils processed, Pharmaceutical products, Travel goods/handbag/etc, Meat & preparations, Building fixtures etc, Furniture/furnishings, Cereals/cereal preparation, Vegetables and fruit, Dairy products & eggs, Metal ores/metal scrap, Crude anim/veg mater nes, Sugar/sugar prep/honey, Animal oil/fat, Oil seeds/oil fruits, Crude/synthetic/rec rubber, Industrial equipment nes, Rubber manufactures nes, Fish/shellfish/etc., Animal feed ex unml cer., Beverages, Perfume/cosmetic/cleansr, Metal manufactures nes, Coffee/tea/cocoa/spices, Chem material/prods nes, |

⁸²The analysis uses import data of the destination markets (in the case of the US, import data of the US from the world and Trinidad and Tobago is used). Therefore, the data includes re-export from Trinidad and Tobago to the destination markets.

| Destination Markets | Rising Stars | Missed Opportunities |
|---------------------|--|--|
| Rest of the world | <p>Travel goods/handbag/etc, Dairy products & eggs, Metal ores/metal scrap, Industrial equipment nes, Animal feed ex unml cer., Beverages, Telecomms etc equipment, Plastics non-primry form, Scientific/etc instrument, Misc. food products, Plastics in primary form</p> | <p>Power generating equipment, Pharmaceutical products, Building fixtures etc, Vegetables and fruit, Oil seeds/oil fruits, Crude/synthetic/rec rubber, Fish/shellfish/etc., Perfume/cosmetic/cleanser, Metal manufactures nes, Coffee/tea/cocoa/spices, Live animals except fish, Road vehicles, Coal/coke/briquettes, Apparel/clothing/access, Electric current, Footwear, Gold non-monetary ex ore, Manufactured fertilizers</p> |
| EU (without UK) | <p>Organic chemicals, Chem material/prods nes, Iron and steel, Pharmaceutical products, Manufactured fertilizers, Fixed veg oils/fats, Animal/veg oils processed, Metal ores/metal scrap, Beverages, Misc. food products</p> | <p>Gas natural/manufactured, Cereals/cereal preparation, Sugar/sugar prep/honey, Railway/tramway equipment, Petroleum and products, Building fixtures etc, Vegetables and fruit, Oil seeds/oil fruits, Crude/synthetic/rec rubber, Fish/shellfish/etc., Perfume/cosmetic/cleanser, Metal manufactures nes, Coffee/tea/cocoa/spices, Live animals except fish, Apparel/clothing/access, Electric current, Footwear, Gold non-monetary ex ore, Misc. manufactures nes, Meat & preparations, Furniture/furnishings, Animal oil/fat, Rubber manufactures nes, Non-ferrous metals, Coin non-gold non-current, Travel goods/handbag/etc, Dairy products & eggs, Industrial equipment nes, Animal feed ex unml cer., Plastics non-primary form, Scientific/etc instrument, Plastics in primary form</p> |
| Canada | <p>Gas natural/manufactured, Perfume/cosmetic/cleanser, Furniture/furnishings, Industrial equipment nes, Plastics non-primary form, Chem material/prods nes, Manufactured fertilizers, Animal/veg oils processed, Metal ores/metal scrap, Beverages</p> | <p>Tobacco/manufactures, Telecomms etc equipment, Cereals/cereal preparation, Sugar/sugar prep/honey, Petroleum and products, Building fixtures etc, Vegetables and fruit, Fish/shellfish/etc., Coffee/tea/cocoa/spices, Apparel/clothing/access, Footwear, Gold non-monetary ex ore, Meat & preparations, Animal oil/fat, Non-ferrous metals, Coin non-gold non-current, Travel goods/handbag/etc, Dairy products & eggs, Animal feed ex unml cer., Cork/wood manufactures, Industry special machine, Crude anim/veg mater nes, Non-metal mineral manuf., Hide/skin/fur - raw, Iron and steel, Pharmaceutical products, Fixed veg oils/fats, Misc food products</p> |
| UK | <p>Cereals/cereal preparation, Petroleum and products, Footwear, Travel goods/handbag/etc, Misc food products, Cork and wood, Gas natural/manufactured, Perfume/cosmetic/cleanser, Furniture/furnishings</p> | <p>Metal manufactures nes, Building fixtures etc, Vegetables and fruit, Fish/shellfish/etc., Coffee/tea/cocoa/spices, Gold non-monetary ex ore, Meat & preparations, Non-ferrous metals, Coin non-gold non-current, Dairy products & eggs, Animal feed ex unml cer., Pharmaceutical products, Fixed veg oils/fats, Railway/tramway equipment, Electric current, Rubber manufactures nes, Power generating equipment, Industrial equipment nes, Plastics non-primary form, Chem material/prods nes, Manufactured fertilizers, Animal/veg oils processed</p> |

| Destination Markets | Rising Stars | Missed Opportunities |
|---------------------|--|--|
| Latin America | Non-metal mineral manuf., Metal ores/metal scrap, Vegetables and fruit, Fish/shellfish/etc., Petroleum and products, Gas natural/manufactured, Furniture/furnishings | Cork/wood manufactures, Metal manufactures nes, Building fixtures etc, Coffee/tea/cocoa/spices, Gold non-monetary ex ore, Meat & preparations, Coin non-gold non-current, Animal feed ex unml cer., Pharmaceutical products, Fixed veg oils/fats, Rubber manufactures nes, Plastics non-primary form, Chem material/prods nes, Manufactured fertilizers, Road vehicles, Telecomms etc equipment, Apparel/clothing/access, Iron and steel, Crude fertilizer/mineral, Coal/coke/briquettes, Plastics in primary form, Beverages, Footwear, Travel goods/handbag/etc, Misc food products, Perfume/cosmetic/cleaner |
| Africa | Pharmaceutical products, Crude fertilizer/mineral Non-ferrous metals, Power generating equipment Vegetables and fruit, Petroleum and products Gas natural/manufactured | Metal manufactures nes, Building fixtures etc Gold non-monetary ex ore, Meat & preparations Coin non-gold non-current, Animal feed ex unml cer. Fixed veg oils/fats, Rubber manufactures nes Plastics non-primary form, Chem material/prods nes Road vehicles, Apparel/clothing/access, Iron and steel Coal/coke/briquettes, Plastics in primary form, Beverages Footwear, Travel goods/handbag/etc., Misc. food products Perfume/cosmetic/cleanser, Industrial equipment nes Sugar/sugar prep/honey, Crude anim/veg mater nes Oil seeds/oil fruits, Electrical equipment Pulp and waste paper, Non-metal mineral manuf. Metal ores/metal scrap, Furniture/furnishings |

Table A5-2: Destination Markets of Rising Stars and Missed Opportunities by Products

| Export Products | Rising Stars | Missed Opportunities |
|----------------------------|---|--|
| Live animals except fish | | EU (without UK), Rest of the world |
| Meat & preparations | | Africa, Latin America, Canada, Central America, EU (without UK), UK, US |
| Dairy products & eggs | Rest of the world | Canada, East and South Asia, EU (without UK), UK, US |
| Fish/shellfish/etc. | Latin America, Central America | Canada, CARICOM, EU (without UK), Rest of the world, UK, US |
| Cereals/cereal preparation | CARICOM, UK | Central America, EU (without UK), Canada, US |
| Vegetables and fruit | East and South Asia, Africa, Latin America, CARICOM | Rest of the world, Central America, EU (without UK), Canada, US, UK |
| Sugar/sugar prep/honey | East and South Asia | EU (without UK), Canada, US, Africa |
| Coffee/tea/cocoa/spices | Central America, CARICOM | Rest of the world, EU (without UK), Canada, US, UK, Latin America, East and South Asia |
| Animal feed ex unml cer. | Rest of the world, East and South Asia, Central America | Africa, EU (without UK), Canada, US, UK, Latin America, CARICOM |
| Misc. food products | EU (without UK), US, UK, Rest of the world, Central America | Africa, Canada, Latin America, CARICOM, East and South Asia |

| Export Products | Rising Stars | Missed Opportunities |
|----------------------------|---|---|
| Beverages | Canada, East and South Asia, EU (without UK), Rest of the world, Central America | Africa, Latin America, CARICOM, US |
| Tobacco/manufactures | Central America | CARICOM, Canada |
| Hide/skin/fur, raw | | Canada |
| Oil seeds/oil fruits | CARICOM | Africa, East and South Asia, EU (without UK) Rest of the world, US |
| Crude/synthetic/rec rubber | East and South Asia, CARICOM | EU (without UK), Rest of the world, US |
| Cork and wood | UK | Central America |
| Pulp and waste paper | East and South Asia, CARICOM | Africa, Central America |
| Textile fibres | US, CARICOM | Central America |
| Crude fertilizer/mineral | Africa, US, CARICOM | Latin America |
| Metal ores/metal scrap | Rest of the world, EU (without UK), Latin America, East and South Asia, Canada | Africa, US |
| Crude anim/veg mater nes | | Africa, US, Canada |
| Coal/coke/briquettes | East and South Asia | Africa, Central America, Rest of the world, Latin America |
| Petroleum and products | Africa, Latin America, UK | CARICOM, EU (without UK), Canada, East and South Asia |
| Gas natural/manufactured | Canada, East and South Asia, Africa, Latin America, UK | CARICOM, EU (without UK), Central America |
| Electric current | | Rest of the world, EU (without UK), Central America, UK |
| Animal oil/fat | | EU (without UK), US, Canada |
| Fixed veg oils/fats | EU (without UK) | US, Canada, Central America, UK, East and South Asia, Africa, Latin America, CARICOM |
| Animal/veg oils processed | Canada, EU (without UK) | US, Central America, UK, East and South Asia, CARICOM |
| Organic chemicals | Central America, EU (without UK) | CARICOM |
| Inorganic chemicals | East and South Asia, CARICOM | |
| Dyeing/tanning/color mat | | Central America |
| Pharmaceutical products | Africa, EU (without UK), East and South Asia | US, Latin America, Rest of the world, Canada, UK, Central America, CARICOM |
| Perfume/cosmetic/cleanser | Canada, UK, Central America | US, Latin America, Rest of the world, Africa, EU (without UK), East and South Asia |
| Manufactured fertilizers | US, EU (without UK), Canada, Central America | Latin America, Rest of the world, CARICOM, UK |
| Plastics in primary form | Rest of the world, East and South Asia, US, Central America | Latin America, Africa, EU (without UK) |
| Plastics non-primary form | CARICOM, Canada, Rest of the world, East and South Asia, US | Latin America, Africa, EU (without UK), UK, Central America |
| Chem material/prods nes | EU (without UK), Central America, CARICOM, Canada | Latin America, Africa, UK, East and South Asia, US |
| Leather manufactures | | CARICOM |
| Rubber manufactures nes | Central America | Latin America, Africa, UK, East and South Asia, US, EU (without UK) |
| Cork/wood manufactures | | Latin America, Canada |
| Textile yarn/fabric/art. | | Central America |
| Non-metal mineral manuf. | Latin America | Africa, Canada, East and South Asia |
| Iron and steel | Central America, US, EU (without UK) | Africa, Canada, CARICOM, Latin America |
| Non-ferrous metals | Africa | Canada, UK, East and South Asia, EU (without UK) |
| Metal manufactures nes | Central America | UK, East and South Asia, EU (without UK), Rest of the world, Latin America, US, Africa |
| Power generating equipmt | Africa | UK, Rest of the world |

| Export Products | Rising Stars | Missed Opportunities |
|---------------------------|---|--|
| Industry special machine | US, CARICOM | Canada |
| Industrial equipment nes | CARICOM, Rest of the world, Canada | East and South Asia, US, UK, EU (without UK), Africa |
| Telecomms etc equipment | US, Rest of the world | Latin America, Central America, Canada |
| Electrical equipment | East and South Asia | Africa |
| Road vehicles | CARICOM | East and South Asia, Latin America, Africa, Rest of the world |
| Railway/tramway equipmnt | East and South Asia | EU (without UK), UK |
| Building fixtures etc | | Central America, Canada, Latin America, Africa, Rest of the world, EU (without UK), UK, US |
| Furniture/furnishings | Canada, Latin America, UK | Central America, Africa, EU (without UK), US |
| Travel goods/handbag/etc | Rest of the world, UK | Central America, Africa, EU (without UK), US, CARICOM, Canada, Latin America |
| Apparel/clothing/access | | Central America, Africa, EU (without UK), Canada, Latin America, Rest of the world |
| Footwear | Central America, UK | Africa, EU (without UK), Canada, Latin America, Rest of the world |
| Scientific/etc instrument | East and South Asia, Rest of the world, US, CARICOM | EU (without UK) |
| Misc. manufactures nes | | EU (without UK), Central America |
| Coin non-gold non-current | CARICOM | EU (without UK), UK, Africa, Canada, Latin America |
| Gold non-monetary ex ore | US | EU (without UK), UK, Africa, Canada, Latin America, East and South Asia, Rest of the world |

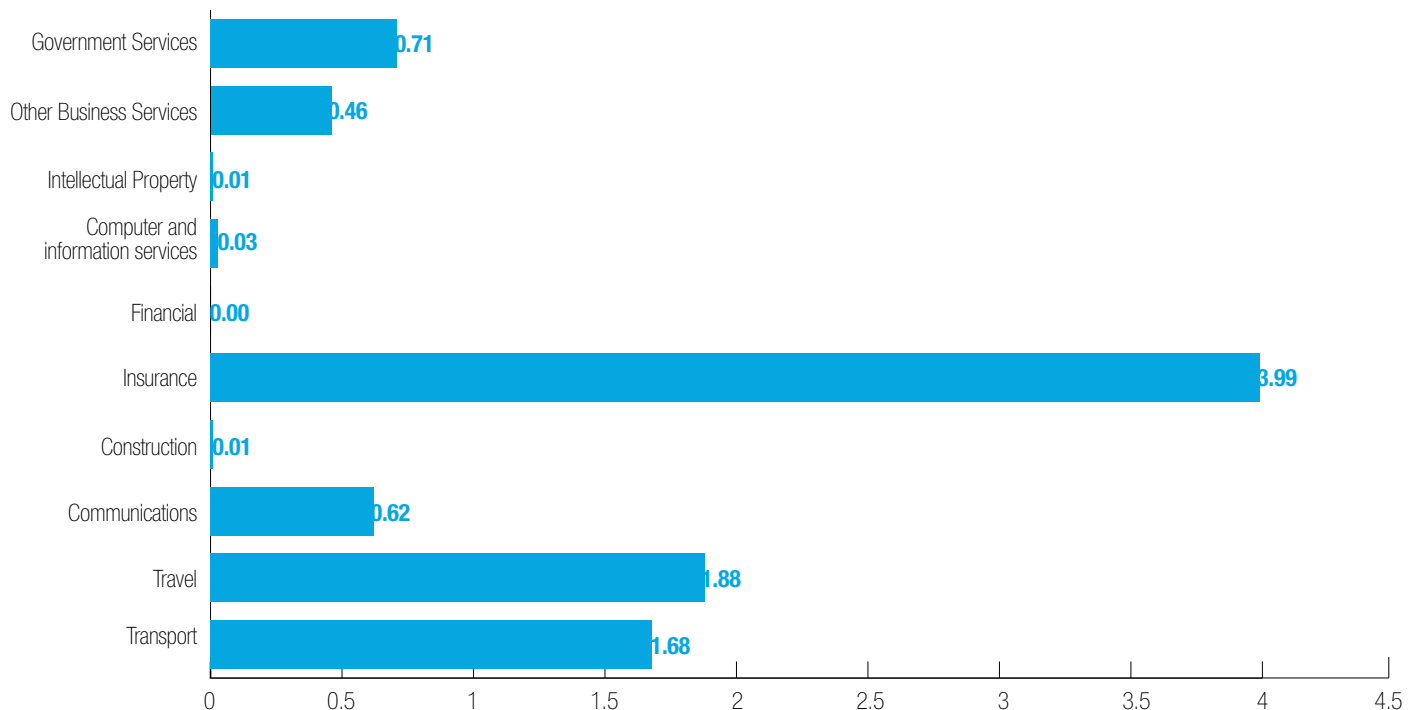
Source: Source: WITS

ANNEX 6: COMPETITIVENESS IN SERVICES EXPORT OF TRINIDAD AND TOBAGO

This annex analyses the competitiveness of services export by using the Revealed Comparative Advantage Index and Trade Competitiveness Matrix. These methods are used in the previous annexes for the analysis of goods export⁸³. However, as detailed information for services export is not available, the analysis of services export competitiveness is conducted only at the 1-digit (simplest) level of disaggregation.

The Revealed Comparative Advantage Index shows that Trinidad and Tobago has strong advantage in Insurance and Pension Services, Travel and Transportation in 2015 compares to other countries in the world (see figure A6-1). On the other hand, the country does not have competitive advantage in government Services, Communications Services, Other Business Services, Computer and Information, Financial Services, Construction, and Intellectual Property⁸⁴. The index, however, is a static analysis of the competitiveness in services export in 2015. In order to consider policy implications, it is required to understand the dynamics of the services export by using the Trade Competitiveness Matrix below.

Figure A6-1: Revealed Comparative Advantage Index for Services Export of Trinidad and Tobago in 2015



Source: UNCOMTRADE

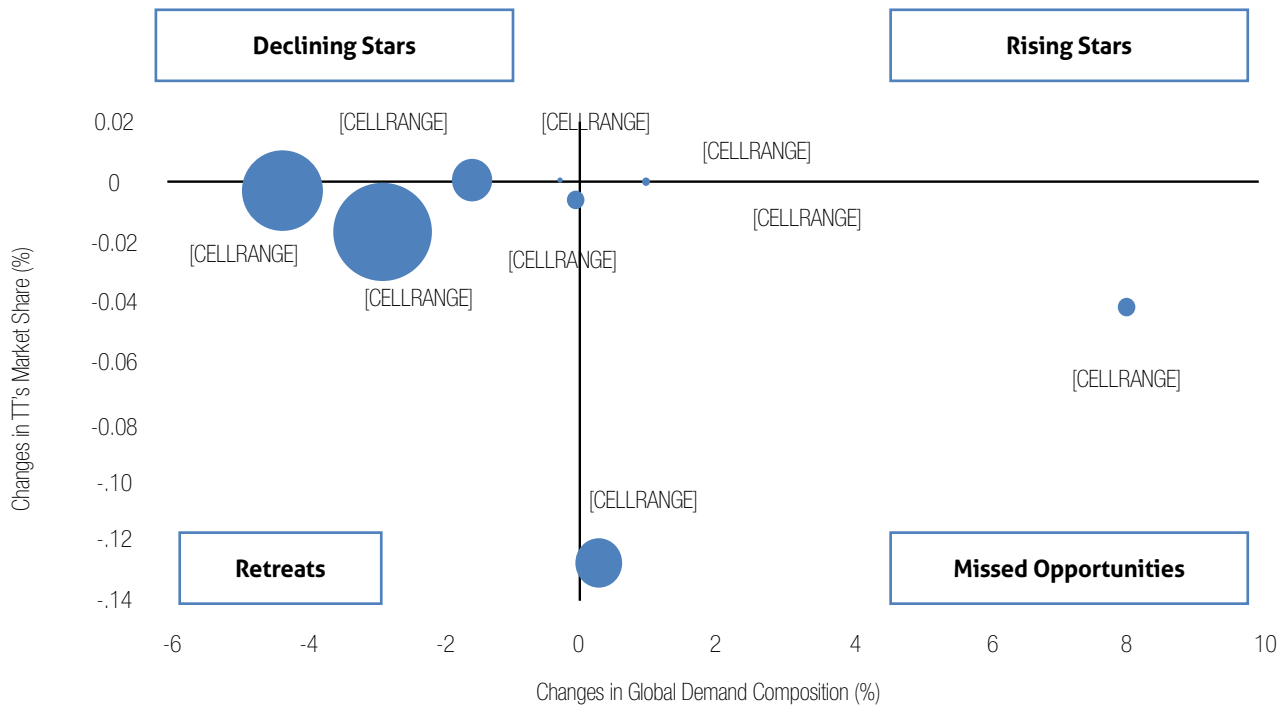
The trade competitiveness matrix of services export for Trinidad and Tobago shows a mixed picture. All of the sectors that have comparative advantage (Insurance and Pension, Travel and Transport) are classified as Missed Opportunities or Retreats. This means that these sectors lost market share in the global market because the country has not fully exploited its comparative advantage. Further, Telecommunications, Computer and Information Services, which do not have comparative advantages, are classified as "Missed Opportunities". This means that these sectors lost global market share despite the rapid growth of global demand. Therefore, these sectors would require business promotion and trade facilitation measures to exploit their favourable environment.

⁸³See Annex 3.5 for Revealed Comparative Advantage index. Trade Competitiveness Matrix is a graphical presentation of Rising Stars and Missed Opportunities analysis, which is in Annex 5.

⁸⁴The index is below 1 for these sectors. Especially, for Computer and Information Services, Financial Services, Construction, and Intellectual Property, the index is almost 0.

On the other hand, Financial Services and Intellectual Property are classified as “Rising Stars” although they do not have comparative advantage and their export volumes are very small. These facts imply that the sectors are in the early stage of development, and thus, technical and financial policy supports are strongly required.

Figure A6-2: Trade Competitiveness Matrix for Services Export of Trinidad and Tobago
(from 2004-2006 to 2015-2017)



Source: UNCTADSTAT

GLOSSARY OF TERMS

| Term | Definition |
|---|---|
| Aid for Trade | An outcome of the WTO Hong Kong Ministerial Conference which aims to help developing countries, particularly LDCs to build the supply-side capacity and trade-related infrastructure they need to implement and benefit from WTO Agreements |
| Backward Linkages | Backward linkages refer to industries or businesses that support another industry or business. They can be the suppliers of materials, transporters of goods, or the processors of transactions of a business. |
| Bilateral Trade Agreement | An agreement between two countries setting out the conditions under which trade between them will be conducted. |
| Capital Goods | Goods intended for use in the production of other goods or services, rather than for final consumption. |
| CARICOM Duty Remission | As defined in the Caribbean Community Act, a CARICOM Duty Remission also known as an 'export/duty drawback refers to any arrangement under the Act for the refund or remission, wholly or in part, of import duties applicable to imported material. |
| Certificate of Origin | A document giving written proof of the country of origin of imported goods. Certificates of origin are an aspect of the administration of Rules of Origin. |
| Commodity Prices | Prices associated with the purchase of a commodity. These commodities may be priced based on weight, or in the case of oil; by the barrel. A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. |
| Comparative Advantage | Competitive advantages are conditions that allow a company or country to produce a good or service of equal value at a lower price or in a more desirable fashion. These conditions allow the productive entity to generate more sales or superior margins compared to its market rivals. |
| Cotonou Agreement | Also called the ACP-EC Partnership Agreement. A framework for trade and economic cooperation between the ACP states (except Cuba) and the European Community (EC) which entered into force on 1 March 2000 for twenty (20) years as the successor to the Lomé Convention. |
| Cross Border Trade | The buying and selling of goods and services between businesses in neighbouring countries, with the seller being in one country and the buyer in the other country. |
| Cumulation | The ability under some systems of Rule of Origin to combine the value added by several preference-receiving countries to arrive at the regional value content of a good. |
| Current Account Balance | A measure of the inflow and outflow of goods, services, investment incomes and transfer payments. |
| De Minimis Tariff Threshold | The de minimis tariff threshold is the value below which goods can be shipped into the country before duties and taxes are assessed. |
| Demand Shock | A demand shock is a sudden surprise event that temporarily increases or decreases demand for particular goods or services. A positive demand shock is a sudden increase in demand, while a negative demand shock is a decrease in demand. |
| Dispute Resolution | Also called dispute settlement. Resolution of conflict arising between governments over the interpretation of trade or other rules, often through a compromise between opposing claims, sometimes through an intermediary. Dispute settlement in the WTO usually starts after consultation has failed. |
| Doha Round of Multilateral Trade Negotiations | An unofficial name for the multilateral trade negotiations launched at Doha, Qatar, on 14 November 2001, now known as the Doha Development Agenda. Main areas under these negotiations included implementation issues, agriculture, services, market access for nonagricultural products, WTO rules on anti-dumping and subsidies, and the creation of a multilateral system of geographical indications. It also entails exploratory work on trade and investment, trade and competition policy, transparency in government procurement, trade facilitation and trade and environment, especially the relationship between existing WTO rules and specific trade obligations set out in multilateral environment agreements. |
| Dumping | Dumping occurs when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market. |
| Duty Drawbacks | The practice of refunding customs, sales and excise duties on goods imported and then re-exported either in processed form or after having been incorporated in other products. Also referred to as border tax adjustment, remission or duty deferral. |
| E-Commerce | The production, advertising, sale and distribution of products via telecommunications networks. |
| Econometric Analysis | The application of mathematical and statistical techniques in the analysis of economic data. |

| Term | Definition |
|---------------------------------|--|
| Export Concentration | This reflects the degree to which a country's exports are concentrated on a small number of products or a small number of trading partners. |
| Export Specialization Profile | An illustration of the revealed specialization in the export sector of a country calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports. |
| Extensive Margin | This refers to the range to which a resource is utilized or applied. For example, the number of people working is one measure that falls under the heading of extensive margin. It looks at as how many resources are employed as opposed to how hard they are employed (intensive margin) |
| Forward Linkages | Forward linkages in production are created by adding value to commodities in order to produce finished goods instead of exporting them in their raw state. |
| Free Trade Agreement (FTA) | A contractual arrangement between two or more countries under which they give each other preferential market access, usually called free trade. |
| GATS | The General Agreement on Trade Services is a World Trade Organization agreement that is the first multilateral agreement provide legally enforceable rules covering all international trade services and investment in the service sector. |
| Green Industry | Industries which strive for a more sustainable pathway of growth, by undertaking green investments and implementing policy initiatives that encourage environmental responsibility. |
| Group of 33 on Special Products | Also called G-33 or "Friends of Special Products" in agriculture. A coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture. |
| Group of 90 | Also called G-90. A coalition of African, Caribbean and Pacific countries with preferences in the EU, other African members of the WTO, and other members of the WTO's Least Developed Countries grouping (the world's poorest countries). G-90 considers general issues. |
| Grubel-Lloyd Index | A measure of the intra-industry trade that takes place between countries. |
| HAACP | Refers to the Hazard Analysis and Critical Control Points. This is a preventative food safety system in which every step in the manufacture, storage and distribution of a food product is scientifically analyzed for microbiological, physical and chemical hazards. |
| High Value Product | A high value product is a differentiated product that is worth more to customers than generic or commodity products and returns a higher profit to the producer than the generic or commodity product. |
| Horizontal Diversification | A type of diversification under which country increases the mix of export sectors with sectors that are complementary to its core economic activity |
| Import Surge | Increased quantities, in absolute terms or relative to domestic production, being imported under such conditions as to cause or threaten to cause serious injury to the domestic industry that produces the like or directly competitive products |
| Intensive Margin | The degree (intensity) to which a resource is utilized or applied. For example, the effort put in by a worker or the number of hours the worker works. |
| Inter-Industry Trade | The trade of products that belong to different industries. For instance, the trade of agricultural products produced in one country with technological equipment produced in another country. |
| Intermediate Inputs | Material produced by the producer of a good and used as inputs in the production of other goods including final goods in the production of that good. |
| Intermediate Products | A product which itself is not a final product, but is used as an input for production. |
| Intra-CARICOM Trade | The import and export of goods between countries of the CARICOM Region. |
| Intra-Industry Trade | The trade of goods within the same industry from one country to another, i.e. the same types of goods or services are both imported and exported. |
| Intra-Regional Market | A market where trade in goods and services happens within a specific region of the world economy. |
| Lomé Conventions | The umbrella agreement, first signed in 1975 as the successor to the Yaoundé Convention and last renegotiated in 1990 for ten years (Lomé-IV), for a type of association by 71 African, Caribbean and Pacific (ACP) states with the European Economic Community (EEC), now the European Community. |
| Marginal Product of Labour | The addition to total output or productivity that results from each additional unit of labour employed in production. |
| Market Access | The government -imposed conditions under which a product may enter a country under non-discriminatory conditions. It is expressed through border measures i.e. tariffs & non-tariffs for goods and regulations in case of services |

| Term | Definition |
|--|---|
| Market Liberalization | The removal or reduction of restrictions or barriers on the free exchange of goods between nations. These barriers include tariffs, such as duties and surcharges, and nontariff, such as licensing rules and quotas. |
| Market Penetration | A measure of the extent of a product's sales volume relative to the total sales volume of all competing products, expressed as a percentage. It represents the market share attributable to that product. |
| MERCOSUR | An economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela |
| Mid-Tech Products | A product which is relatively sophisticated but not the most advanced (contrasted with high-tech, low-tech). |
| Missed Opportunities | A chance to do or accomplish something that was not taken advantage of previously. |
| Mutual Recognition Agreements | Agreements between two or more countries to recognize each other's standards, qualifications, licensing requirements or testing procedures and results. They can cover goods, services, education and professional qualifications |
| Partial Scope Agreement (PSA) | A free-trade area or a customs union covering some traded sectors only. The option of negotiating a PSA is only available to developing countries under the WTO's Enabling Clause. |
| Plurilateral Trade Agreement | This refers to the agreements under the WTO which are not a pre-condition for WTO membership. These are: the Agreement on Trade in Civil Aircraft; Agreement on Government Procurement; International Dairy Agreement; and International Bovine Meat Agreement. |
| Preferential Trade Agreement | These are trade arrangements under which a party agrees, either unilaterally or as a result of negotiations, to accord one or more other parties preferential treatment in trade in goods or services. The scope for establishing such arrangements is subject to reasonably precise WTO rules, though developing countries have more flexibility. They may give each other preferences in the form of reduced tariffs, their complete elimination or, in the case of services, partial liberalization. Developed countries must establish either a free-trade area, a customs union or, in the case of services, an economic integration agreement. |
| Production Distorting Domestic Support | Also called 'Market Distorting Domestic Support'. Refers to interventions by the government which change the normal market characteristics of a particular sector away from what it would be in a competitive situation. This usually takes the form of price ceilings, price floors, taxes or subsidies. These interventions are typically taken by government to increase the welfare of domestic market participants. |
| Production Integration | The organization of integrated regional industries along the value chain to transform raw materials into final products. It entails the development of backward and forward linkages and the movement of finance, entrepreneurship, management and labour across the regional space to engage in, and to organize, production. |
| Protectionism | Policies which prevent the exposure of domestic producers to the rigorous of the international market under the guise of some other policy objective |
| Real Gross Domestic Product (GDP) Per Capita | The total market value of all final goods and services produced within an economy in a given time period, adjusted for inflation and divided by its population. This gives a sense of the economy's average per person national income adjusted to show real purchasing power. |
| Regionalism | Actions by governments to liberalize or facilitate trade on a regional basis, sometimes through free-trade areas or customs unions. |
| Rules of Origin (ROOs) | Laws, regulations and administrative rulings applied by governments to determine the country of origin of goods, services or investment. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules vary from country to country. As the origin of a product can have a significant bearing on its cost in the import market and therefore its competitiveness, ROOs can be one of the considerations leading to an investment decision. The WTO Agreement on Rules of Origin establishes a work programme aimed at the long-term harmonization of ROOs. In the case of services and investment, the most important criteria for determining the origin of the activity include the place of incorporation, the nationality of the owners, the location of the company head office and the places where business is actually conducted. |
| Sanitary and Phytosanitary (SPS) measures | These are border control measures necessary to protect human health, animal or plant life or health. Popularly they are often called quarantine measures. The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS agreement) sets out how these requirements are to be carried out. |
| SICA | The institutional framework for Central American Regional Integration, created by the states of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Belize in 2000, and the Dominican Republic |

| Term | Definition |
|--|---|
| SITC Classification | The Standard international trade classification, abbreviated as SITC, is a product classification of the United Nations (UN) used for external trade statistics (export and Import values and volumes of goods), allowing for international comparisons of commodities and manufactured goods. |
| South-South Cooperation | South-South cooperation is a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, intraregional or interregional basis. |
| Special and Differential Treatment (S&D) | The concept that exports of developing countries should be given preferential access to markets of developed countries, and that developing countries participating in trade negotiations need not reciprocate fully the concessions they receive. Under S&D, developing countries also enjoy longer timeframes for phasing in new rules and lower levels of obligations for adherence to the rules. |
| Special Safeguard Mechanism | A mechanism available under the WTO Agreement on Agriculture to members who have converted non-tariff measures to tariff protection. It allows members to impose additional tariffs on agricultural products if import volumes exceed defined trigger levels or import prices fall below defined trigger prices. Special safeguards therefore provide a safety net for importing countries that are also producers in the event of a surge in imports. They are meant to be introduced in a transparent manner. |
| Standards | These are methods to ensure uniform specifications or attributes of a product or a service. They are divided broadly into technical standards or performance standards. Additionally, standards may be compulsory or voluntary. The WTO Agreement on Technical Barriers to Trade sets out the standards requirements for trade between WTO members. |
| Supply-Side Constraints | Supply-side constraints are barriers that prevent both coordination between actors along the value chain and the development of competent supply chains that can compete with those in leading exporting countries. |
| Tariff Escalation | Higher import duties on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where the raw materials originate. |
| Tariff Peaks | Relatively high tariffs, usually on so-called sensitive products, amidst generally low tariff levels. For industrialized countries, tariffs of 15% and above are generally recognized as tariff peaks. |
| Tertiary Industries | An industry that provides services rather than producing goods. |
| Trade Balance | The difference between the value of a country's imports and exports for a given period. |
| Trade Complementarity | A measure of the degree to which the export pattern of one country matches the import pattern of another. |
| Trade Complementarity Index | A measure of trade complementarity. A high index may indicate that two countries would stand to gain from increased trade, and may be particularly useful in evaluating prospective bilateral or regional trade agreements |
| Trade Diplomacy | Also referred to as commercial diplomacy. Refers to all public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective. Trade diplomacy is important to government objectives of international economic integration, and to business firms' objectives of internationalization, in particular for expanding SMEs. |
| Trade Distorting Domestic Support | Tariffs or other actions taken by the government that change the normal characteristics of trade in a particular sector away from what it would be in a competitive market. These interventions are typically taken to aid domestic producers. |
| Trade to GDP Ratio | The Trade-to-GDP ratio is an indicator of the relative importance of international trade in the economy of a country. It is calculated by dividing the aggregate value of imports and exports over a period by the gross domestic product for the same period. |
| Trading Bloc | Used popularly to describe a group of countries that cooperate, often formally, on trade matters, possibly through a free-trade agreement. |
| Triangular Development Cooperation | Triangular cooperation is collaboration in which traditional donor countries and multilateral organizations facilitate South-South initiatives through the provision of funding, training, management and technological systems as well as other forms of support. |
| Vertical Diversification | A type of diversification under which a country increases the mix of export sectors with those that are different from its core economic activity |
| Welfare | The state of well-being of an individual or a society. The level of welfare measures the degree of contentment of an individual or society. |



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868 . 623 . 2931-4

Ministry of Trade and Industry . 2019