TRINIDAD AND TOBAGO

The Department of State submitted this report to the Senate Committees on Foreign Relations and on Finance and to the House Committees on Foreign Affairs and on Ways and Means, on January 31, 1999.

Key Economic Indicators
(Millions of U.S. Dollars unless otherwise noted)

	1996	1997	1998	1/
Income, Production and Employment:				
Nominal GDP	5,449	5,878	6,420	
Real GDP Growth (pct)	3.8	3.2	5.0	
GDP by Sector:				
Agriculture	114	123	123	
Manufacturing	447	493	595	
Services	2,794	3,068	3,449	
Petroleum	1,451	1,627	1636	
Government	541	472	516	
Per Capita GDP (US$)	4,288	4,614	5,005	
Labor Force (000s)	530	541	554	
Unemployment Rate (pct)	16.2	14.5	13.8	
Money and Prices (annual percentage growth):				
Money Supply Growth (M2) 2/	-0.8	5.8	6.1	
Consumer Price Inflation	3.3	3.8	5.0	
Exchange Rate (TT$/US$)	6.03	6.29	6.29	
Balance of Payments and Trade:				
Total Exports FOB	2,490	2,542	2,319	
Exports to U.S.	1,094	998	853	
Total Imports CIF	2,134	3,036	3,003	
Imports from U.S.	800	1,563	1,393	
Trade Balance	341	-494	-684	
Balance with U.S. 3/	294	-565	-540	
External Public Debt	1,858	1,541	1,420	4/
Fiscal Deficit/GDP (pct)	-0.01	0.1	-1.3	
Current Account Deficit/GDP (pct)	10.2	-9.9	-10.6	
Debt Service Payments/GDP (pct)	6.0	8.0	4.6	

Gold and Foreign Exchange Reserves	545	706	827	4/
Aid from U.S. 5/	1.0	3.0	3.5	
Aid from Other Sources	N/A	N/A	N/A	

1/ 1998 figures are all estimates based on 9 months of data, except as noted. 1996 and 1997 figures have been revised.

2/ Through August 1998.

3/ 1998 figure is an estimate based on 8 months of data.

4/ As of September 1998.

5/ Represents primarily security assistance and Counter-narcotics program funding, training, equipment transfers, and in-kind contributions. Includes USIA and USDA exchanges.

Source: All statistics compiled by the Central Statistical Office (CSO), except BOP figures which are compiled by the central bank.

1. General Policy Framework

Trinidad and Tobago's substantial oil and natural gas reserves made it one of the richest countries in the Western Hemisphere during the oil booms of the seventies and early eighties. Much of the oil revenue windfall was used to subsidize state-owned companies and to fund social and infrastructure projects, which became a drain on government finances. A dramatic increase in domestic consumption contributed to overvaluation of the currency with a resulting decline in non-oil exports. The collapse of oil prices in the mid-1980's, and concurrent decrease in Trinidadian oil production caused a severe recession from which Trinidad and Tobago only recovered in 1994. Although structural reforms have begun to stimulate growth in non-hydrocarbon sectors, overall economic prospects remain closely tied to oil, gas and petrochemical prices and production.

Since 1992, the government has successfully turned the state-controlled economy into a market-driven one. In 1992, it began a large scale divestment program and has since partially or fully privatized the majority of state-owned companies. The government has also dismantled most trade barriers, with only a small number of products remaining on a "negative list" (requiring import licenses) or subject to import surcharges.

Trinidad and Tobago aggressively courts foreign investors, and initialed a Bilateral Investment Treaty with the United States in 1994 which came into force on December 26, 1996. Total U.S. direct investment flows grew from US$475 million in 1995 to US$589 million in 1996, US$1,095 million in 1997 and an estimated US$1,130 million in 1998.

The government uses a standard array of fiscal and monetary policies to influence the economy, including a 15 percent Value-Added Tax (VAT) and corporate and personal income taxes of up to 35 percent. Improvements in revenue collection since 1993 have boosted VAT, income tax and customs duty revenues. This, together with additional revenues for the sale of offshore leases and tighter controls on spending, has contributed to slight fiscal surpluses since 1995. Simplification of the personal income tax regime in 1997, by eliminating many deductions in favor of a set standard deduction, and restructuring of the Board of Inland Revenue were designed to further boost revenue collection. The Financial Act of 1998 changed the fiscal year beginning date from January 1 to October 1 in order to facilitate planning.

The exchange rate, which was loosely managed by the central bank after it was floated in 1993, has remained relatively stable. After depreciating by about 4.5 percent through early 1996, supply and demand imbalances in late 1996 and the first half of 1997 led to a sharper decline of 11.7 percent. Since the second quarter of 1997, the exchange rate has remained steady. The central bank relies largely on commercial bank reserve requirements to control the money supply.

In 1996 reserve requirements rose as high as 23 percent, fell as low as 21 percent in 1997, and again rose to 24 percent in 1998. The bank has begun to use open-market operations to control liquidity in an effort to reduce local interest rates and spur investment. After four consecutive years of decline, inflation edged up to 3.3 percent in 1997 and an estimated 5 percent in 1998.

2. Exchange Rate Policy

In April 1993 the government removed exchange controls and floated the TT Dollar. The central bank loosely manages the rate through currency market interventions and consultations with the commercial banks. In 1996 foreign exchange pressure mounted, and a decision by the central bank to allow a freer float led to a depreciation, which went as low as TT$6.23 to US$1.00 in December, 1996. Since early November 1997, the rate has hovered around TT$6.29 to US$1.00. Foreign exchange supply depends heavily on the quarterly tax payments and purchases of local goods and services by a small number of large multinational firms, of which the most prominent are U.S. owned. Foreign currency for imports, profit remittances, and repatriation of capital is freely available. Only a few reporting requirements have been retained to deter money laundering and tax evasion. The dismantling of tariff and trade barriers and liberalization of the investment regime led to a 95 percent growth of imports from the United States in 1997. U.S. imports are expected to exceed well over US$1 billion again in 1998, due largely to machinery imports for several mostly U.S.-content petrochemical plants which have begun construction.

3. Structural Policies

Pricing Policies: Generally, the market determines prices. The government maintains domestic price controls only on sugar, schoolbooks, and pharmaceuticals.

Tax Policies: With the exception of Caribbean Community (CARICOM)-origin goods, most goods entering Trinidad and Tobago have been subject to a variety of import charges, including customs duties, stamp taxes, import surcharges and VAT. Most of these charges have been reduced since 1994. The stamp tax on imports was eliminated as part of the policy of bringing import charges down to the CARICOM Common External Tariff (CET) level. As of July 1, 1998 CET rates for industrial products range between 0 percent and 20 percent. In the case of agricultural goods, rates range between 0 percent and 20 percent for processed agricultural products, and up to 40 percent for primary agricultural products. An increasing variety of raw materials and machinery in approved sectors is exempt from all customs duties. Duties on manufacturing inputs were reduced across the board in August 1995 to 2.5 percent from 5 percent and eliminated in several categories. Import surcharges, which replaced quantitative restrictions in 1990, are being gradually phased out but still apply to certain products such as poultry, sugar and assorted fruits and vegetables. Import surcharges are in addition to the CET and range as high as 100 percent for various poultry parts. Most surcharges will be phased out or reduced by 1999. The notable exception is sugar. The 60 percent surcharge on sugar (75 percent for icing sugar) is not slated for reduction. This surcharge is in addition to the 40 percent CARICOM CET on sugar.

Another exception to the general lowering of import restrictive measures is in the importation of new and used cars. Import duties of new cars were recently raised from a range of 20 percent to 30 percent to a range of 25 percent to 45 percent (ranges dependent on engine size). Fees for registering locally assembled used cars (disassembled used cars are imported, mainly from Japan, and then assembled here), rose from a range of US$3,180 to US$4,769 to a range of US$4,769 to US$14,308. In announcing these new measures as part of the 1999 Budget, government officials cited the need to reduce traffic congestion and pollution, curb demands on foreign exchange, and safety concerns over locally assembled used cars.

The standard rate of VAT is 15 percent; however, many basic commodities are zero-rated. Excise tax is levied only on locally produced petroleum products, tobacco and alcoholic beverages. The corporate tax rate was lowered in 1994 from a maximum of 45 percent to 38 percent, and again in 1995 to 35 percent. While the tax code does not favor foreign investors over local investors, profits on sales to markets outside CARICOM are tax exempt, which benefits firms with non-CARICOM connections.

Regulatory Policies: All imports of food and drugs must satisfy prescribed standards. Imports of meat, live animals and plants, many of which come from the United States, are subject to specific regulations. The import of firearms, ammunition and narcotics are rigidly controlled or prohibited.

4. Debt Management Policies

In the second quarter of 1998, Trinidad and Tobago completed repayment of a US$335 million International Monetary Fund loan. Trinidad and Tobago enjoys excellent relations with the international financial institutions; its major lender is the Inter-American Development Bank (IDB). As of September 1998 IDB has approved loans of US$568.5 million (30 percent have been disbursed). Total external debt has declined steadily, falling to US$1.85 billion at the end of 1996, US$1.55 billion in 1997, and US$1.46 billion in the second quarter of 1998 (latest available figure). The 1998 debt to GDP ratio fell to 26.9 percent and the 1998 debt service as a percent of exports fell to 10 percent.

The lower total debt burden has allowed the government more flexibility in lowering import duties and trade barriers, benefiting U.S. exports. Responsible debt management and macroeconomic stability have led Moody's to upgrade Trinidad and Tobago's sovereign credit rating from BA2 to BA1. Standard and Poor's has given Trinidad and Tobago an initial rating of BB+. The two ratings are among the highest in the hemisphere.

5. Aid

The majority of U.S. assistance to Trinidad and Tobago is in the form of support for justice and security and counter-narcotics programs. Expenditures for all Department of Defense programs in Trinidad and Tobago in 1996 totaled US$1.9 million (including salary and transportation costs for training missions). 1997 Individual Military Education Training (IMET) was funded at US$200,000, and Foreign Military Finance Program (FMF) at US$285,000. The Department of State has provided US$400,000 in anti-narcotics assistance in 1997 and US$500,000 in 1998. By the Spring of 1999, the United States will have transferred four aircraft and two coast guard patrol craft to Trinidad and Tobago, as well as a support package for the latter worth approximately US$1 million.

6. Significant Barriers to U.S. Exports

Trinidad and Tobago is highly import-dependent, with the United States supplying about 51.5 percent of total imports in 1997 with the same percentage estimated for 1998. Only a limited number of items remain on the "negative list" (requiring import licenses). These include poultry, fish, oils and fats, motor vehicles, cigarette papers, small ships and boats, and pesticides.

Foreign ownership of service companies is permitted. Trinidad and Tobago currently has one wholly U.S.-owned bank, several U.S.-owned air courier services, and one U.S. majority-owned insurance company.

The Trinidad and Tobago Bureau of Standards (TTBS) is responsible for all trade standards except those pertaining to food, drugs and cosmetic items, which the Chemistry, Food and Drug Division of the Ministry of Health monitors. The TTBS uses the ISO 9000 series of standards and is a member of ISONET. Standards, labeling, testing and certification rarely hinder U.S. exports.

Foreign direct investment is actively encouraged by the government, and there are few if any remaining restrictions. Investment is screened only for eligibility for government incentives and assessment of its environmental impact. Both tax and nontax incentives may be negotiated. A Bilateral Investment Treaty with the United States, granting national treatment and other benefits to U.S. investors came into force on December 26, 1996. The repatriation of capital, dividends, interest, and other distributions and gains on investment may be freely transacted. Several foreign firms have alleged that there are inconsistencies and a lack of clear rules and transparency in the granting of long-term work permits. These generally fall into two categories, either that a permit is not granted to an official of a company which is competing with a local firm, or that the authorities threaten not to renew a permit because a foreign firm has not done enough to train and promote a Trinidadian into the position.

Government procurement practices are generally open and fair, with the government and government-owned companies adhering to an open bidding process. Some government entities request prequalification applications from firms, then notify prequalified companies in a selective tender invitation. Trinidad and Tobago signed the Uruguay Round Final Act on April 15, 1994, and became a WTO member on April 1, 1995, but is not a party to the WTO Government Procurement Agreement.

Customs operations are being restructured and streamlined with the help of U.S. government advisors. UNCTAD's ASYCUDA trade facilitation system (Automated System for Customs Data) was adopted on January 1, 1995. Customs clearance can be time consuming because of bureaucratic delays.

7. Export Subsidies Policies

The government does not directly subsidize exports. The state-run Trinidad and Tobago Export Credit Insurance Company insures up to 85 percent of export financing at competitive rates. The government also offers incentives to manufacturers operating in free zones (export processing zones) to encourage foreign and domestic investors. Free zone manufacturers are exempt from customs duties on capital goods, spare parts and raw materials, and all corporate taxes on profits from manufacturing and international sales.

8. Protection of U.S. Intellectual Property

Trinidad and Tobago belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). In addition, Trinidad and Tobago is a signatory to the Paris Convention, Berne Convention, Nice Agreement, Locarno Agreement, Patent Cooperation Treaty, Strasbourg Agreement, Phonograms Convention, Vienna Agreement, Satellites Convention, Budapest Treaty, Trademark Law Treaty, and the Universal Copyright Convention.

In 1994, Trinidad and Tobago signed an Intellectual Property Rights Agreement with the United States that, along with Trinidad's commitments under the WTO TRIPs Agreement, required revisions of most IPR legislation. While the government's awareness of the need for IPR protection has improved, enforcement of existing regulations remains lax. As a member of the

Caribbean Basin Initiative, the government is committed to prohibiting unauthorized broadcasts of U.S. programs.

Patents: The Patents Act of 1996 introduced internationally accepted criteria for registration of universal novelty, inventive step, and industrial applicability, along with a full search and examination procedure. The Act extended the period of protection to 20 years with no possibility of extension.

Trademarks: The new Trademark Amendment Act took effect September 1997. Trademarks can be registered for a period of 10 years, with unlimited renewals. Counterfeiting of trademarks is not a widespread problem in Trinidad & Tobago.

Copyright: The 1997 Copyright Act, which took effect October 1, 1997, was written with the assistance of WIPO and was forwarded to the United States for comment in compliance with the U.S.-Trinidad and Tobago Bilateral Memorandum of Understanding on Intellectual Property Rights. The new Act offers protections equivalent to those available in the United States. However, enforcement of IPR laws remains a concern under the new Act. Although the Copyright Organization of Trinidad and Tobago has stepped up its enforcement activity since the law took effect, it has primarily targeted unauthorized use of locally produced music products. Video rental outlets in Trinidad and Tobago are replete with pirated videos, and pirated audiocassettes are sold openly on the street and some stores. Local cable TV operators anticipate they will have to increase rates or eliminate some channels to comply with the new law.

New Technologies: Although larger firms in Trinidad and Tobago generally obtain legal computer software, some smaller firms use wholly or partially pirated software or make multiple copies of legally purchased software. Licensed cable companies are faced with unlicensed cable operators and satellite dish owners who connect neighborhoods to TV satellites for a fee. Licensed cable companies provide customers with some U.S. cable channels, for which they have not obtained rights, arguing that since these services are not officially for sale in Trinidad, they are not stealing them. The HBO and Cinemax networks have now appointed agents in Trinidad to collect fees.

Given the popularity of U.S. movies and music, and the dominance of the United States in the software market, U.S. copyright holders are the most heavily affected by the lack of enforcement. By signing a bilateral IPR agreement with the United States, the government has acknowledged that IPR infringement is a deterrent to investment and that it is committed to improving both legislation and enforcement.

9. Worker Rights

a. The Right of Association: The 1972 Industrial Relations Act provides that all workers, including those in state-owned enterprises, may form or join unions of their own choosing without prior authorization. Union membership has declined, with an estimated 20 to 28 percent of the work force organized in 14 active unions. Most unions are independent of the government or political party control, although the Prime Minister was formerly president of the Sugar Workers Union. The Act prohibits antiunion activities before a union is legally registered, and the Labor Relations Act prohibits retribution against strikers. Both laws contain grievance procedures.

b. The Right to Organize and Bargain Collectively: The right of workers to bargain collectively is established in the Industrial Relations Act of 1972. Antiunion discrimination is prohibited by law. The same laws apply in the export processing zones.

c. Prohibition of Forced or Compulsory Labor: Forced or compulsory labor is not explicitly prohibited by law, but there have been no reports of its practice.

d. Minimum Age for Employment of Children: The minimum legal age for workers is 12 years. Children from 12 to 14 years of age may only work in family businesses. Children under the age of 18 may legally work only during daylight hours, with the exception of 16 to 18 year olds, who may work at night in sugar factories. The probation service in the Ministry of Social Development and Family Services is responsible for enforcing child labor provisions, but enforcement is lax. There is no organized exploitation of child labor, but children are often seen begging or working as street vendors.

e. Acceptable Conditions of Work: In June 1998 the government passed the Minimum Wages Act which established a minimum wage of TT$7 (US$1.10) per hour, a 40 hour work week, time and a half pay for the first four hours of overtime on a workday, double pay for the next four hours, and triple pay thereafter. For Sundays, holidays, and off days the Act also provides for double pay for the first eight hours and triple pay thereafter.

The Factories and Ordinance Bill of 1948 sets occupational health and safety standards in certain industries and provides for inspections to monitor and enforce compliance. The Industrial Relations Act protects workers who file complaints with the Ministry of Labor regarding illegal or hazardous working conditions. Should it be determined upon inspection that hazardous conditions exist in the workplace, the worker is absolved for refusing to comply with an order that would have placed him or her in danger.

f. Rights in Sectors with U.S. Investment: Employee rights and labor laws in sectors with U.S. investment do not differ from those in other sectors.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1997

(Millions of U.S. Dollars)

Category		Amount
Petroleum		327
Total Manufacturing		60
Food & Kindred Products	(1)	
Chemicals & Allied Products	(1)	
Primary & Fabricated Metals	(1)	
Industrial Machinery and Equipment	6	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	2	
Wholesale Trade		102
Banking		634
Finance/Insurance/Real Estate		11,040
Services		24
Other Industries		(1)
TOTAL ALL INDUSTRIES		602

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.