



Chapter 1

An Introduction to Trinidad & Tobago

*Providing the Children of Today
with the Tools for Tomorrow*

1. AN INTRODUCTION TO TRINIDAD AND TOBAGO



Geographical Background

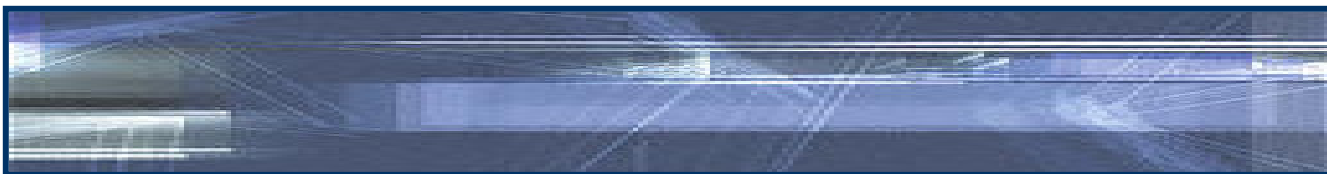
The twin island Republic of Trinidad and Tobago are the two most southerly islands in the Caribbean. Approximately 10 kilometres from the South American mainland, the island of Trinidad covers an area of roughly 4,800 sq. km. Situated 30 km to the north-east, the smaller island of Tobago covers an area of approximately 300 sq. km. Port-of-Spain, located in the north-west of Trinidad, is the country's capital city.

Trinidad and Tobago achieved full independence from the United Kingdom in 1962 and joined the British

Commonwealth and United Nations at that time. In 1967, it became the first Commonwealth country to join the Organisation of American States (OAS). In 1976 a Republican constitution was adopted, replacing the Queen as Head of State with a President elected by the Electoral College. In 1995, Trinidad played host to the inaugural meeting of the Association of Caribbean States and has become the seat of this organisation, which seeks to further economic progress and integration among its member states.

Trinidad and Tobago has a population of approximately 1.3 million people. It has a diverse, multicultural community, predominantly of African and East Indian descent. English is the primary language.





Political System

As a Republic, Trinidad and Tobago has a President as Head of State who is also Commander-in-Chief of the armed forces. It is a parliamentary democracy modelled on the UK's "Westminster System".

The Senate consists of thirty-one members, sixteen appointed by the President on the advice of the Prime Minister, six on the advice of the Leader of the Opposition and nine at the discretion of the President. The House of Representatives consists of thirty-six members (thirty-four for Trinidad and two for Tobago) and a Speaker who is elected from either within or outside the House of Representatives. Executive power is vested in the Prime Minister and the Cabinet.

The President is elected by an Electoral College comprising all members of the Senate and the House of Representatives voting by secret ballot.

The People's National Movement (PNM) is the current governing party, under the leadership of Prime Minister Patrick Manning.

Economic Overview

Although Trinidad and Tobago is world famous for its Carnival, tourism, steel bands and calypso music, the backbone of the economy remains the energy sector. New finds of oil and gas strongly indicate that the petroleum industry will continue to be the dominant sector for the foreseeable future – contributing approximately 25% to the nation's GDP. Development in the country's energy sector has spurred growth in many related areas. A major new methanol plant is currently under construction and will be the largest production plant of its kind when it is completed in 2004 – contributing in excess of 20% of global demand. In addition to larger petrochemical producers, many supporting small and medium sized enterprises have flourished, producing goods such as steel, polythene and PVC.

The manufacturing sector is also an important element of the country's economy with textiles, furniture, paper and pharmaceuticals all making significant contributions. In the agricultural sector, areas such as food

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and beverage processing, horticulture and floriculture are all prominent.

Although Trinidad and Tobago does not benefit as much from tourism as many other Caribbean islands, the tourism industry does show signs of consistent improvement. This is in large part due to successive governments continuing their emphasis on economic diversity outside of the traditional petroleum sector. Between 1995 and 1999, the number of tourists increased by 38% with tourist-based expenditure growing from US\$70 million in 1995 to US\$200 million in 1999. Many hotels and guesthouses have been upgraded, and Tobago (the more popular tourist location) has doubled its hotel room capacity in the past five years. Trinidad's annual Carnival is world-renowned and showcases the country's creative energy and cultural traditions. It attracts visitors from all over the world.

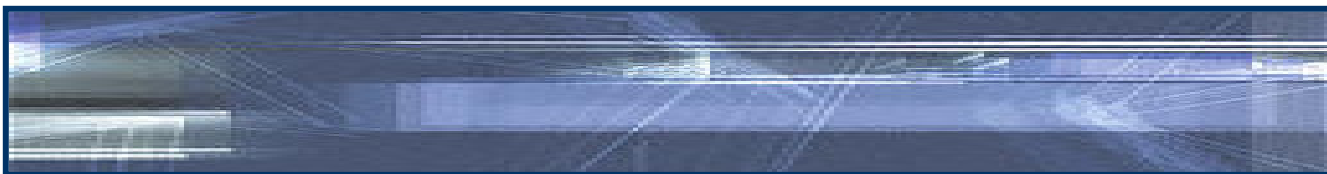
Trinidad and Tobago's financial sector is widely recognised as the strongest in the English-speaking Caribbean. In addition to a wide range of smaller financial and insurance institutions, the country has five large commercial banks, six merchant banks, one agricultural development bank, two large corporate financing institutions and four large insurance companies.

The country's main trading partners are the United States, Latin America and the European Union (EU). A significant market is also provided regionally by members of CARICOM. CARICOM is the Caribbean Common Market, established with the objectives of promoting integration of the economies of its 15 member states, coordinating their foreign policies and engaging in functional cooperation in the provision

Principal exports from Trinidad and Tobago	% of total	Principal imports to Trinidad and Tobago	% of total
Mineral fuels	66	Machinery and transport equipment	40
Chemicals	18	Manufactured goods	20
Steel products	5	Mineral fuels	20
Manufactured goods (excl steel)	4	"Other"	20

of services such as education, health and transportation.

Summary of principal imports and exports
Source: Inter-American Development Bank, October 2002



Recent Economic Performance

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Economic activity in Trinidad and Tobago continued to expand through 2002 and into 2003 – but at a slower pace than in 2001. The modest slowdown is best attributed to uncertainties that have affected events both at home and abroad. Growth in most industrialised countries was well below potential with soft labour markets and weak consumer and business confidence. At home, the close-run parliamentary election in 2002 may have prompted consumers and businesses to postpone some spending plans, leading to sluggishness in domestic demand. This was further affected by the slowdown in the regional economies, which impacted on the performance of non-energy exports. Nevertheless, economic conditions remained favourable as inflation declined, labour market conditions improved and the balance of payments registered a small overall surplus.

Real GDP growth in 2002 was 3.2 per cent compared with a revised estimate of 4 per cent in 2001. The energy sector made a significant contribution to economic growth as real value added rebounded and increased by 10.7 per cent compared with a relatively weak performance (0.7 per cent) in 2001. Petroleum and petrochemicals production and exports expanded as two new plants came on stream and the prices of many of these commodities trended upward during the year. The weak global economic recovery impacted heavily on the non-energy sector which grew by just 1 per cent despite strong performances in the Electricity and Water (10.8 per cent), Distribution (11.2 per cent) and Construction (5 per cent) sectors. The country's manufacturing sector declined by 2.9 per cent.

Trinidad and Tobago's unemployment rate declined to an average of 10.4 per cent in 2002 from 10.8 per cent in 2001. The number of employed persons increased by 11,000 to 525,100 in 2002 and many of the new jobs were generated in the Services sector, particularly in Distribution and Transport, Storage and Communications.

The inflation rate slowed in 2002 to 4.2 percent from 5.5 per cent in 2001. The increase in the prices of the food component, the major influence on the Retail Prices Index, remained high at 10.2 per cent, but this was less than the 13.9 per cent recorded in 2001. As an indicator of underlying inflationary pressures, the non-food component of the Retail Prices Index increased by just 0.6 per cent in 2002, from 1.1 per cent in the previous year.

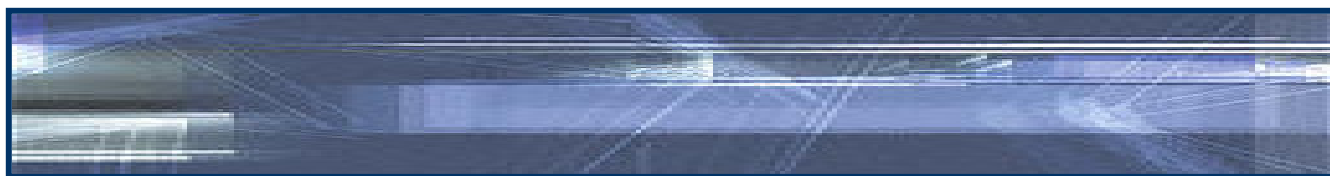
The central government's accounts deteriorated to a deficit of \$181 million in 2002 (-0.3 per cent of GDP) following a surplus of \$1,039 million (1.8 per cent of GDP) in 2001. The return to a deficit position resulted from an increase in spending (6.2 per cent) accompanied by a decline in revenues (2.9 per cent). The rise in central government's expenditure was mainly due to the payment of wage arrears to public servants and higher transfers to households reflecting the increase in old aged pensions.

The weighted average selling rate of the TT dollar depreciated from TT\$6.2314 to US\$1 in 2001 to \$6.2473 to US\$1 in 2002.

Item	1995	1996	1997	1998	1999	2000	2001	2002
Inflation Rate %	5.3	3.3	3.6	5.6	3.4	3.6	5.5	4.2
Unemployment %	17.2	16.2	15	14.2	13.2	12.2	10.8	10.4
GDP growth	3.19	2.91	2.96	3.98	5.02	4.67	3.49	3.2
GDP/Capita (US\$)	4,378	4,575	4,445	4,966	5,369	6,360	6,921	7,241
US \$ Exchange	5.947	6.034	6.285	6.298	6.299	6.299	6.231	6.247
Population	1.26	1.264	1.275	1.278	1.284	1.29	1.296	1.32
Labour Force	521,000	530,400	541,000	558,700	563,400	564,000	568,500	579,000

Recent Economic Performance Indicators

Source: Inter-American Development Bank, October 2002



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Economic Outlook for 2003

The economic outlook for Trinidad and Tobago in 2003 is for a slight pickup in economic growth with continued price stability and some strengthening in the balance of payments. Real GDP growth is expected to be in the vicinity of four per cent. The energy sector should maintain a strong performance in 2003 as additional capacity comes on stream with the commissioning of the Atlantic Liquefied Natural Gas (ALNG) train III facility. Output is also expected to be boosted by the expansion in the productive capacity of ALNG Train II facility and the Caribbean Nitrogen Company, which will each record a full year's production in 2003. In the non-energy sector, increased government spending is expected to stimulate activity in the economy, in general, and the construction sector in particular.

The Central Bank is committed to monetary stability and is looking to maintain inflation at about 4.5 per cent.

There are, of course, downside risks to this positive outlook for 2003. The underlying economic fragility in the industrialised economies is still to be addressed and the rebound in confidence expected with the end of the war in Iraq may not fully materialise.

Government's Medium Term Policy Outlook

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In the Budget Speech for fiscal 2002/2003, the Government identified the achievement of developed nation status by the year 2020 as the principal developmental goal of the country. A multi-sectored group comprising persons from the public sector as well as leaders from the private sector and civil society has been established to develop a Strategic Development Plan covering several areas including energy, agriculture, tourism, education and skills development and training.

In order to achieve this goal, the government has developed a number of policy objectives that define the nature and scope of the social and economic transformation that will take place over the medium term. Some of the highlights are provided below:



Economic Policy Objectives:

- ✓ Sustaining strong economic growth by pursuing prudent fiscal and monetary policies, maintaining a favourable balance of payments and adopting measures to stimulate savings and investment;
- ✓ Placing greater emphasis on the development of key sectors so as to improve the growth potential of the economy;
- ✓ Improving the manufacturing and services sectors by accelerating structural transformation and to develop the agricultural sector;
- ✓ Enhancing the competitiveness of exports.

Social Policy Objectives:

- ✓ Promoting human development by enhancing the human capital base so as to produce a workforce that is highly skilled and knowledgeable;
- ✓ Enhancing social conditions by increasing the provision of social services and improving accessibility to these services;
- ✓ Improving social equity and harmony in the society by eradicating poverty and reducing imbalances.

Environmental Policy Objectives:

- ✓ Protecting and conserving the environment through strategies that ensure sustainable long-term growth and development.

