

PRESENTATION - AMCHAM
31 JANUARY 2012

Good Morning,

Ladies and Gentlemen, I have been asked to discuss elements of the country's trade policy. I say elements because a trade policy is a multifaceted thing and a discussion of all those elements is outside the scope of this discussion. However, i will try to consider parts of the policy that might impact your business prospects in the short and medium-term. I will touch on negotiations (new access abroad and new competition internally), trade facilitation (critical to effective business performance) and the regional market (the home market).

To provide a little context, allow me to share with you parts of the Trade Profile of Trinidad and Tobago, as drawn from World Trade Organization statistics. According to the WTO, Trinidad and Tobago: -

- in 2010 was the 80th largest global exporter of merchandise and the 120th ranked exporter of commercial services. For imports, we ranked 103 and 153 respectively. - You recall there used to talk of fashioning ourselves after Singapore. Well that country is ranked 10 in goods exporting and 14 in commercial services exporting.
- outside of CARICOM our applied tariff on goods overall was 7.5% and for agricultural products 18.1%
- 25.3% of agricultural goods entered this country duty free in 2008 while the figure for manufactured goods was 82.7%
- TT has made services liberalization in 32 sectors
- we have been the defendant in 2 disputes at the WTO
- in 2010 our balance of merchandise trade was just over \$4billion

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- between 2005 and 2010 the annual percentage change in export performance in terms of value was 1%, that with a 51% decline in 2009.
- between 2006 and 2008, import duties represented just under 5% of total revenue, a relatively small percentage in this part of the world so we are more able to participate in tariff reduction.
- the USA is our major trading partner, receiving 54.4% of our exports and supplying 31% of our imports in 2010. 5.2% of our exports in 2010 went to Jamaica, 3.2% to Barbados and 2.0% to Suriname.

We are the largest traders in CARICOM. We are the largest service economy in CARICOM as well.

PLUS CA CHANGE....

The first point I wish to make is that generally as far as Trinidad and Tobago trade policy is concerned for a number of years consistency has been the hallmark, rather than change. It must be understood that successive Governments in Trinidad and Tobago have pursued an open trade and investment policy for essentially the last 25 years. Trinidad and Tobago is the most open CARICOM economy. It has shown a commitment to CARICOM that has not wavered, nor should it given the benefit Trinidad and Tobago's goods exporters have gained from the duty-free access to other CARICOM markets. This statement of support does not imply that I feel that we should not focus on addressing the deficiencies in CARICOM - quite the opposite

Furthermore, Trinidad and Tobago has been and continues to be the economy most willing to engage in trade liberalization with countries outside the CARICOM. Indeed, it has consistently provided leadership to the rest of CARICOM in this area. Remember that the

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so-called “new generation” trade agreements signed by the CARICOM have largely been the result of initiatives from Trinidad and Tobago - the Dominican Republic, Costa Rica Free Trade Agreements. It can be argued that this is essentially due to the nature of the Trinidad and Tobago economy and the willingness of Governments to seek new markets, primarily for its manufacturing sector, a sector which has dominated intra-CARICOM trade but which could use additional market access to expand production, export activity and earnings.

What has been missing is a willingness (or ability) to achieve such access for the services sector in Trinidad and Tobago. In this regard, it must be noted that successive Governments have faced several challenges, the most intractable of which has been the non-implementation of the CSME obligations regarding movement of services. Another factor has been, until recently, the absence of a private sector interlocutor on behalf of the services sector as a whole. Until the establishment of the Trinidad and Tobago Coalition of Services Industries, other business support organizations interacted on behalf of their membership not necessarily the sector. The TTCSI now has that task and has begun recently to make its presence felt in the national trade policy making environment. Finally, the policy framework for consistent action in this regard has been lacking.

But, getting back to the CARICOM issue, a report from the CARICOM Secretariat has placed into prominence the difficulties being experienced by CARICOM States in implementing their CSME obligations. Studies conducted for the CARICOM Secretariat indicate an overall compliance level of only 64%. The figures for the various regimes are as follows: -

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Element	Compliance Level
Movement of Goods	80%
Movement of Skills	66%
Movement of Services	37%
Movement of Capital	72%
Right of Establishment	64%

While the compliance with respect to the movement of services is terribly low and should catch most attention, a critical indictment of the CSME is the 20% non-compliance with aspects of the regime for the free movement of goods almost 40 years after the signature of the original Treaty of Chaguaramas establishing the Caribbean Community.

However, my main objective here was to note that while so many gaps remain in the effective implementation of their internal market commitments on services CARICOM states have been hesitant to include significant services liberalization in their international negotiation engagements. With this recognition, there really is little that Trinidad and Tobago can really do other than urge implementation AND to show the way by leading in its own implementation activities.

Within this general context therefore, while Trinidad and Tobago has been willing to engage in continuing external liberalization it has been careful in so doing in the area of trade in goods as well. One clear parameter has been to respect the framework set out by the Common External Tariff. While within CARICOM Trinidad and Tobago has generally sought to promote changes in the CET, it has also exhibited

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a recognition of sensitivities built into the structure of the CET regarding protecting CARICOM production and products which are used by CARICOM Governments for revenue-purposes.

This is a pragmatic consideration as it should be recalled that trade agreements negotiated by Member States of CARICOM must be approved by the Council on Trade and Economic Development (COTED). Including products sensitive to other Member States increases the chances of rejection of an agreement. Trinidad and Tobago has experience in this regard. This administration followed this principle in the just-concluded Panama negotiation largely at the insistence of the officials of the Ministry of Trade and Industry.

Trade Policy Promises of the current Government of Trinidad and Tobago

The current administration set out in its election manifesto several clear trade policy elements. It started with the truism that trade must be to the benefit of the people of Trinidad and Tobago. It proposed strategic linkages between various Ministries involved in the administration of trade policy and trade negotiation. It indicated an intention to develop within the first year an Industrial Policy, a National Export Strategy and a National Services Industries Strategy.

In addition, the PP Manifesto outlines several specific actions: -

- implementing existing trade agreements in collaboration with CARICOM and ensuring the compatibility of existing treaties with CSME and WTO requirements
- ensuring continuous dialogue with the private sector and other stakeholder to pursue international arrangements which are likely to result in increased economic activity

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- pursuing a more aggressive trade policy with Central America and South America in particular
- using the Caribbean “diaspora” to create “beachheads” into developed country markets and leveraging human capital and investments for wealth creation at home
- strengthening institutions that facilitate trade and protect consumers
 - Customs; Trinidad and Tobago Bureau of Standards and Chemistry, Food and Drugs
- strengthening linkages between research and development institutions and the productive sector to develop mechanisms for market penetration
- linking the producer to the market by strengthening the Trade Directorate to ensure delivery in the areas of trade negotiations, trade facilitation, market intelligence and to attract investment in non-energy sectors through
 - strengthening human resources in trade negotiation through intensified and targeted training;
 - creating a functional linkage between the Trade Directorate, Foreign Affairs and missions abroad through the attachment of Trade Promotion Officers to selected missions;
 - supporting the private sector’s market penetration efforts by facilitating market feasibility studies and other intelligence;
 - developing an incentive scheme to promote local and foreign investment in sectors of focus for economic diversification and for investment in new sectors

Implementation of the elements of the Election Manifesto

It is both useful and relevant to evaluate the extent to which these elements have shown themselves in trade policy implementation. Please note that this does not constitute an evaluation of the content

of the promised elements. So what follows is not a critique of the trade policy but an assessment of performance against objectives.

Clearly, strategy development has lagged. None of the policies mentioned above (Industrial, Export or Services Industries) has been enunciated and as such roles and responsibilities remain blurred and contentious. Furthermore, there has been little high level political guidance or emphasis placed on the process. I do expect that some of these elements will see movement during the course of this year due to activities at the Ministry of Planning and at Trade.

By contrast, we have seen some recent progress on national implementation through the establishment of the Trade Implementation Unit at the Trade Ministry. Making the scope of operation wider than just the Economic Partnership Agreement is a useful development. The Unit's personnel have conducted consultations with private sector organizations and have shown a welcome commitment to cooperation. Less sure, and of more concern, is the longevity of the Unit given funding restrictions and the need to find external funding for the majority of its project activities.

Stakeholder consultation has generally been acceptable with existing mechanisms functioning adequately. There has, of course, been the odd exception to this rule and this is neither an unexpected nor novel occurrence.

Let's term other elements of the trade policy outlined above as largely unaccomplished. This categorization can be applied to the use of the so-called "disapora" and strengthening the collaboration between research and development institutions and the productive sector. Also, there is still no **programme** for the posting of trade attaches at missions abroad. What has been done to date differs little from the

past with individual appointments being made. And, investment promotion largely seems to be foreign focused with no incentive programme yet in place. Indeed, several agencies continue to participate in some way or another in investment promotion. Perhaps more will be seen from the newly-created InvestTT in the coming year.

Work can be said to be “in progress” in one critical element for the private sector - strengthening of trade support organization such as the Customs and Excise Division, Chemistry, Food and Drugs and the Trinidad and Tobago Bureau of Standards. There has been progress at Customs, ASYCUDA has begun to be implemented for example. The TTBS has been active and has launched a Technical Barriers to Trade project that holds significant promise in helping businesses understand the importance of TBTs, if supported. However, a number of private sector organizations including this one have suggested that particular emphasis needs to be placed on Addressing the continuing challenges of the Chemistry, Food and Drugs Division. However, this Government has moved closer to implementation of a trade facilitation measure that could make a difference - TTBizlink.

Some progress has been seen regarding the commitment to the:
- development of a trade negotiation apparatus within the public sector, establish a The Trade Delegation which would be a joint unit between the Ministries of Foreign Affairs and Trade and Industry and would take the lead in investment promotion and trade negotiation; and stronger engagement with Latin America in the search for new markets.

An Ambassador for Trade based not at the Ministry of Trade and Industry but at the Ministry of Foreign Affairs and Communications has been appointed. I need say no more about Ambassador Mervyn

Assam who is well known to the business community through his own business experience and time as Trade Minister.

The Government has begun also to staff the Trade Delegation but it has been encountering some difficulty in finding experienced personnel. Its personnel is academically qualified and enthusiastic but limited in number and negotiating experience. There the technical aspects of trade negotiation is still the **de facto** reserve of the staff of the Ministry of Trade and Industry.

This, in turn, has required both Ministries to adequately cooperate with each other and find some accommodation of their varying interests and responsibilities. I think it is fair to say that that process of engagement is continuing.

The engagement with Latin America began during the latter part of 2010 after the installation of the Ambassador for Trade. The negotiation with Panama began in January 2011 and lasted approximately six (6) months and three negotiating sessions. The agreement has not yet been signed but was submitted to COTED at its meeting in November 2011. Member States asked for time to review the agreement and we are awaiting their response at the moment.

Generally, the agreement would liberalize some products immediately, others would receive immediate percentage reductions. Some duties would be eliminated on a phased basis for periods up to 10 years and some agricultural products would benefit from seasonal access to each other's market. Specific rules of origin have been negotiated for the products to be liberalized. Generally, goods to receive preference into Panama include energy products, food and beverages and some household items. It is critical to remember that

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this is a partial scope agreement so only a minuscule portion of the tariff universe (between 200 and 300 products) is included for liberalization.

The agreement does not include services and investment liberalization commitments. These two elements will be negotiated at a later date. Part of the reason for this must be the complications that this would have put into the negotiation and the effect that this would have had on the timetable for completion. It remains to be seen the extent to which this agreement can, in fact, be a framework for other agreements with other countries in Latin America or a guide to other CARICOM countries wishing to take a similar tact. I mention particularly Barbados, which in last quarter of 2011 mounted a reasonably large public and private sector trade mission to Panama.

In the first quarter of 2011, Guatemala initiated contact with a view to a similar partial scope negotiation. The Ministry of Foreign Affairs wanted to commence negotiation immediately on conclusion of the Panama negotiation and began the preparatory work under the leadership of the Ambassador for Trade. At the insistence of the Ministry of Trade and Industry, which was burdened with other matters under its purview, it was agreed to delay commencement until the first quarter of 2011. There was also high Government representation (Minister of Trade and Industry) on a Chamber-led Mission to Guatemala in March 2011. We certainly expect and hope that these negotiations will indeed commence shortly as well as move to completion at a pace similar to the Panama negotiation.

It is instructive that in this process of engagement with Latin America, Chile has hardly received mention. It appears that the Trade Directorate is interested in new negotiations, particularly with Central America. However, Chile engaged Trinidad and Tobago before either

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Panama or Guatemala. It could be that, as frequently occurs, perhaps there is not the same interest from government of Chile after its change of government last year.

We also must not forget the Dominican Republic and Costa Rica agreements. Implementation issues bedevil these two agreements and it is necessary also to seek to expand the coverage of these agreements into areas not completed during the original negotiation. The local private sector has been continuously agitating in this regard and will continue to do so.

Ladies and Gentlemen,

It is perhaps possible to point to some elements that might be features to national trade policy in the coming year, or at least should be.

First and foremost, policy must lead action. We must develop the framework for our trade and investment interventions. Business support organizations in the country stand ready to participate with government in the development of such policies.

Second, more emphasis should be placed on integration of the services sector in new negotiating activity to improve export earnings from that sector. The largest services sector in the Caribbean must be able to contribute significantly more than 12-15% of overall export earnings.

Third, it would be appropriate for Trinidad and Tobago to seek to provide more leadership to CARICOM trade policy and implementation. This market will continue to be critical to our diversification efforts. Implementation of commitments should be a

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priority as should the necessary revision of CARICOM rules of origin and the Common External Tariff. This will call for effective coordination among various Ministries and effective interaction with CARICOM Governments. Policy development will allow us to prioritize our interventions within CARICOM. In this regard, it will be interesting to see the effect on CARICOM of the new Governments in Jamaica and St. Lucia, parties that have traditionally been supportive of the regional integration movement and whose Prime Ministers have spoken positively of the Caribbean Court of Justice's final appellate jurisdiction. And, there is need to energize the Canada negotiations as well if these are to be timely and adequately completed.

Fourth, additional emphasis must be placed on trade promotion from an institutional and practical perspective. Despite the actions of the Business Development Company, it is not a full-scale trade promotion organization. This country needs the full scale trade promotion organization that it has lacked since the demise of TIDCO, untimely demise I continue to submit.

Fifth, the improvement of agencies involved in trade facilitation must be a priority. TT Bizlink is a good start in the right direction. In some cases, this is likely to mean institutional reorganization or realignment. The legal framework may also have to be amended as well to rationalize responsibilities. And, with the recognition of the importance of services other agencies not traditionally considered as trade-related will also have to be modernized and see their performance improved.

Overall, trade policy implementation under the current administration can be said to have largely followed the blueprint of successive Governments. There has been no significant policy change from

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previous TT governments. CARICOM remains at the centre of trade policy.

On the other hand, Government has made more progress from an institutional standpoint than any other. However, the policy lag mentioned earlier has affected the implementation of aspects of the policy by not clarifying exact roles and responsibilities of the various key players. It also has meant that there is no common identification of priorities, particularly for negotiating activity but also in the allocation of resources, human and otherwise. However, the trade facilitation improvements have begun to be felt and must be supported and continued.

It should be an interesting and challenging year ahead.

Thank you.