

Diversifying the T&T Economy – *Options for the Development of Alternative Sectors*

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Introduction – The Imperative of Economic Diversification

- ▶ The urgent need for the diversification of the TT economy away from the energy sector cannot be over emphasized
- ▶ It is not prudent for an economy to be heavily dependent on a single sector
- ▶ The energy sector has a limited lifespan, therefore alternative sources of sustainable revenue generation must be identified and developed
- ▶ Given the nature of the oil & gas markets – the dependence of the TT economy on the energy sector makes it extremely vulnerable to external shocks
- ▶ When there is a decline within the sector, in either output or price – the local economy follows a similar trend

- ▶ The options for this diversification are not limited – several viable options exist for economic expansion
- ▶ For this to happen specific bold transformative initiatives are required NOT a series of incremental changes
- ▶ Some key areas to be targeted within a comprehensive diversification strategy include:
 - i) Manufacturing and Trade
 - ii) Agriculture
 - iii) Entrepreneurship (particularly, the creative industry)

Role of the Energy Sector in the Diversification Process

- ▶ The energy sector has a key role to play in the diversification process
- ▶ Economic diversification ought to include diversification within the energy sector – increased investment in downstream activities
- ▶ Revenues from the energy ('offshore') sector ought to be channeled in a structured manner towards the development of other sectors ('onshore sector'), agriculture, manufacturing etc.



Options for the Development of Alternative Sectors

Manufacturing and Trade

- ▶ This is currently considered a significant sector – however, there is still room for expansion
- ▶ Said expansion must be geared towards creating a sustainable local business sector
- ▶ Key factors in the expansion of the manufacturing sector:
 - i) Innovation – not merely an expansion of traditional manufacturing streams
 - ii) Market Expansion – other potential markets should be explored, particularly Central and South America; and Brazil, China and India
- ▶ An additional benefit of a stronger manufacturing sector – reduced imports, and foreign exchange outflows

Entrepreneurship

- ▶ The production of unique products which emerge from our cultural imagination.
 - ▶ T&T undoubtedly has a comparative advantage in this regard.
 - ▶ Therefore, there is significant potential for this sector to be very lucrative.
 - ▶ Such initiatives should seek to link local culture and the creative imagination to certain manufactured goods.
 - ▶ All of the activities along the value chain (production, marketing, distributing etc. could be undertaken by local small and micro-enterprises.
 - ▶ Sectors where such an approach could be adopted include: - entertainment –fashion industry – gourmet food production.
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Agriculture

- ▶ Development of the local agriculture sector is vital as the nation endeavours to pursue a path of sustainable development.
 - ▶ Leading to reductions in the local food import bill and foreign exchange outflows.
 - ▶ Employment could also be generated – creating the possibility for the initiation of a positive multiplier effect.
 - ▶ The implementation of a comprehensive Land Use Policy is key so as to ensure that specific areas of land are guaranteed for agricultural activity.
 - ▶ Thereby in effect, guaranteeing a local supply of agricultural products and food.
 - ▶ Not only must those who have traditionally been involved in agriculture be targeted - mechanisms must be developed and implemented to attract persons towards this important sector
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Conclusions

- ▶ Economic diversification in the context of the local economy is imperative – its urgent need cannot be over emphasized.
 - ▶ Several options for the development of alternative sectors within the TT economy exist – representing tremendous potential for a successful diversification process.
 - ▶ While continued dependence on the energy sector is unsustainable, this lucrative sector has an important role in the diversification process.
 - ▶ For this diversification process to be successfully undertaken a coordinated approach is necessary – which could include developing a comprehensive strategy, akin to industrial policies
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