

*WE ARE OUR GREATEST
RESOURCE*

A NEW APPROACH TO DIVERSIFICATION



50 YEARS OF INDEPENDENCE
TRINIDAD & TOBAGO

MINISTRY OF PLANNING AND THE ECONOMY

Socio Economic Policy Planning Division

22/06/12

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- CURRENT SITUATIONAL ANALYSIS
- EXPLORING NEW MARKETS
- THE NEW STRATEGY FOR ECONOMIC DIVERSIFICATION

A NEW APPROACH TO DIVERSIFICATION

TIMELINE

- 1990s:

RESOURCE BASED INDUSTRIALISATION

- 1995-2000:

ENTERPRISE DEVELOPMENT DRIVE

- 2001-2010:

VISION 2020

- 2010-PRESENT:

SUSTAINABLE DEVELOPMENT

HISTORICAL OVERVIEW

- Development of heavy industries related to oil and gas resources
- Point Lisas Industrial Estate
- Gov't control of energy companies
- RBI results: low revenue retention, heavy dependence on export markets, skilled personnel shortages and severe 'Dutch disease' effect

- Economic strategy - fiscal and monetary discipline, private sector investment and export-led growth
- Vibrant, robust, productive and diversified economy
- Improving competitiveness within businesses
- Development of the Micro, Small and Medium Enterprises Sector
- Enhancing and expanding export capabilities
- Increase foreign direct investment inflows and improve the domestic financial system

- Develop a national strategy that would guide the country becoming a developed nation by the year 2020
- Resilient, competitive, and diversified economy
- Targeted seven sectors for diversification
- Entrepreneurship & Human Resource Development
- Legislative reforms - increase trade and investment and to develop the financial and capital markets
- Public Service Reform

- 7 Interconnected Pillars for Sustainable Development
- Medium Term Policy Framework 2011-2014
- Generate productivity-led growth - diversified production structure, value and wealth creation
- Link the diversification strategy to absorption of throughput at the tertiary level
- Shift from over dependence on hydrocarbon resources to development of human capital
- Strategies: Creating A New Growth Dynamic supporting diversification; Creating new economic spaces; and Creating opportunities for investments, export expansion and diversification

Seven Sectors for Diversification

Sectors' potential for growth and contribution to development were assessed looking at factors such as:

- 1. YACHTING**
- 2. FISH AND FISH PROCESSING**
- 3. MERCHANT MARINE**
- 4. MUSIC AND ENTERTAINMENT**
- 5. FILM**
- 6. FOOD AND BEVERAGE**
- 7. PRINTING AND PACKAGING**

- Past GDP and export/foreign exchange earning;**
- Employment and potential demand for a range of skills;**
- Linkages to other sectors;**
- Potential for sustainable development of the industry.**

CURRENT SITUATIONAL ANALYSIS

- **GDP**
- **CENTRAL
GOVERNMENT
REVENUE AND
EXPENDITURE**
- **FOREIGN DIRECT
INVESTMENT**
- **EXPORT
PERFORMANCE**

It is not the intention in this Presentation to review the seven (7) sectors but to highlight that a new policy and strategic approach is needed.

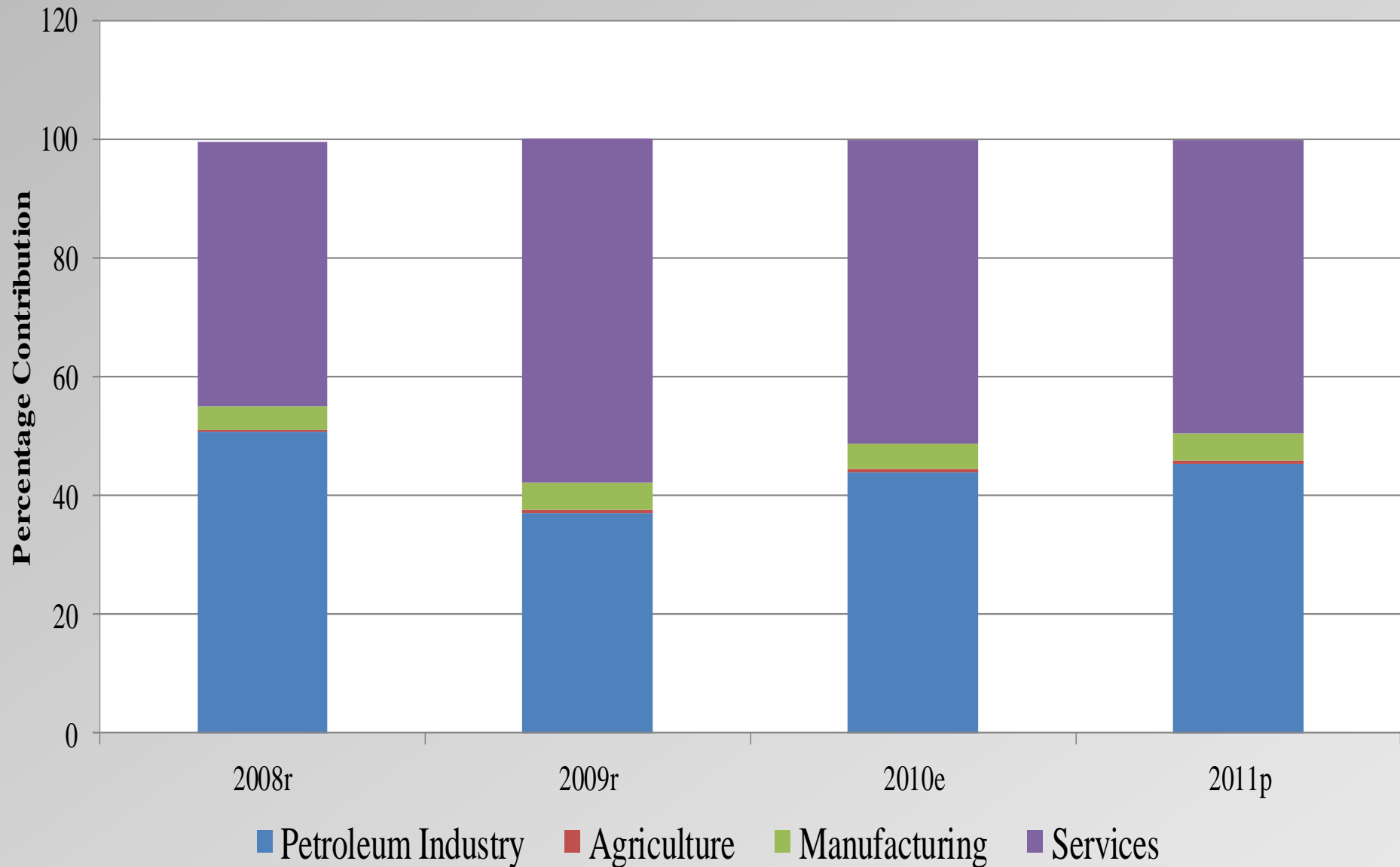
The Presentation will centre on a new approach to diversification that is linked to the creation of an Innovation-Driven Economy.

- **GDP 2011 TT\$143,880.7 million (est., current prices)**
- **2012 nominal growth expected to be 8.2%**
- **Real GDP declined by 0.9% from January to June 2011**
- **Real GDP is expected to decline 1.4% for the year**

GDP Trends and % Contributions by Sector 2011

- **Petroleum: 45.3% past years consistently below 50%, only slight increase despite award of new contracts and increase drilling activity.**
- **Service Sectors: 45.9% unchanged from 2010 and lower than 2009 and 2008**
- **Manufacturing and Agriculture: 9% and 0.6%, growth has stagnated, neither industry shows much resilience and both face specific challenges.**

Gross Domestic Product of Trinidad and Tobago - Percentage Contribution by Sector 2008-2011



REVENUE FROM THE ENERGY SECTOR FISCAL 2010/2011

- Total Revenue
TT\$45,018.5 million
- Tax Revenue
TT\$39, 299 million
- Tax on income and profits
TT\$30, 858.5 million – about
68.5% of Total Revenue
- Tax on oil companies
TT\$ 13, 989 million – about 31.1%
of total revenue
- Non Tax Revenue
TT\$5, 432.9 million
- Royalties on Oil
TT\$ 1,979 million – about 4.4% of
total revenue

CENTRAL GOVERNMENT REVENUE

ENERGY VS. NON-ENERGY REVENUE 2008 - 2010

	Oct 2008-May 2009	Oct 2009- May 2010	Oct 2009 - Sept 2010
	TT \$ millions		
<u>Revenue</u>	25,573.90	26,116.60	36,644.70
Energy	12,764.00	12,536.40	13,609.00
Non- Energy	12,809.90	13,580.20	23,035.70

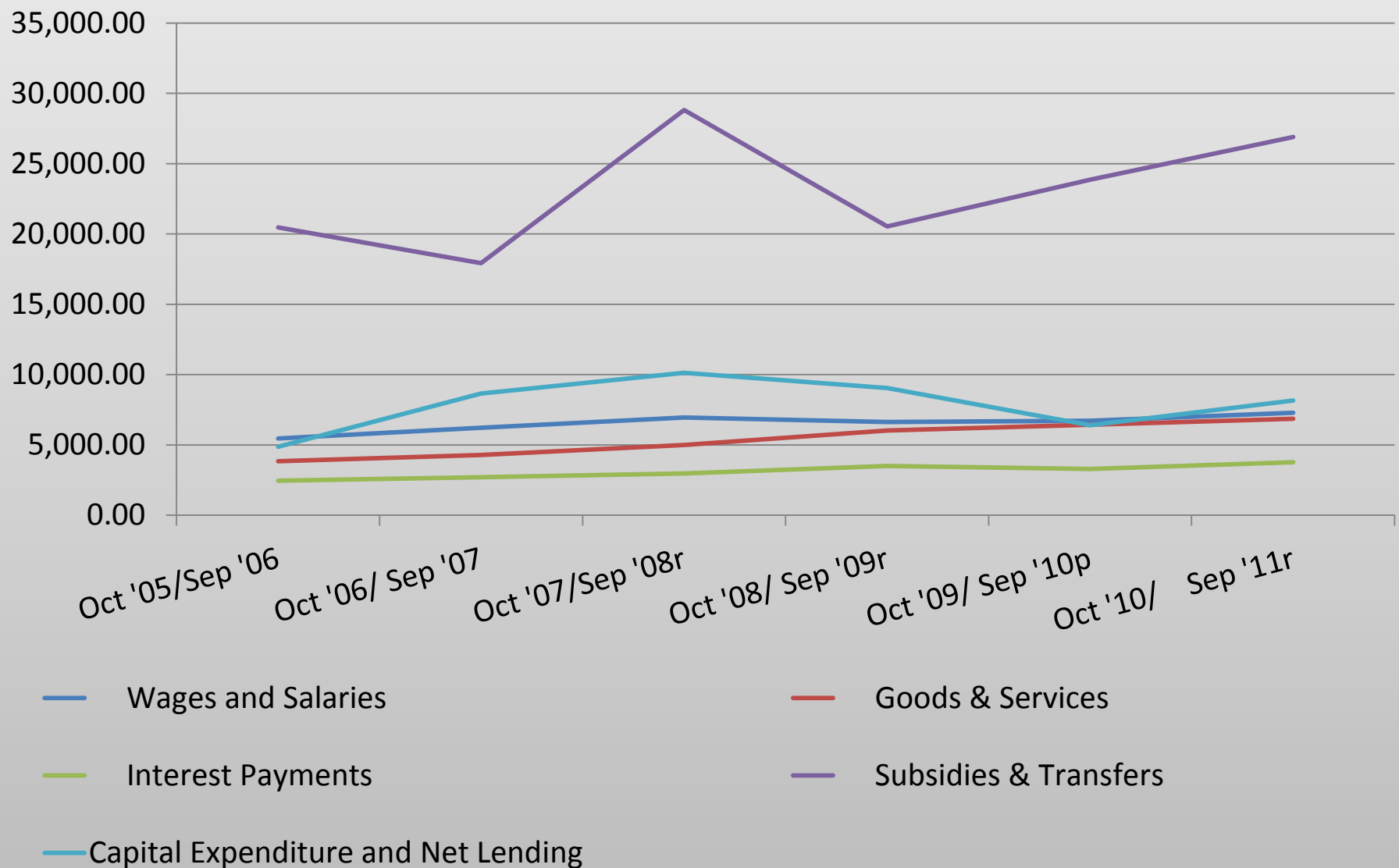
Source: Ministry of Finance and Central Bank Trinidad and Tobago

CENTRAL GOVERNMENT EXPENDITURE FISCAL 2010/2011

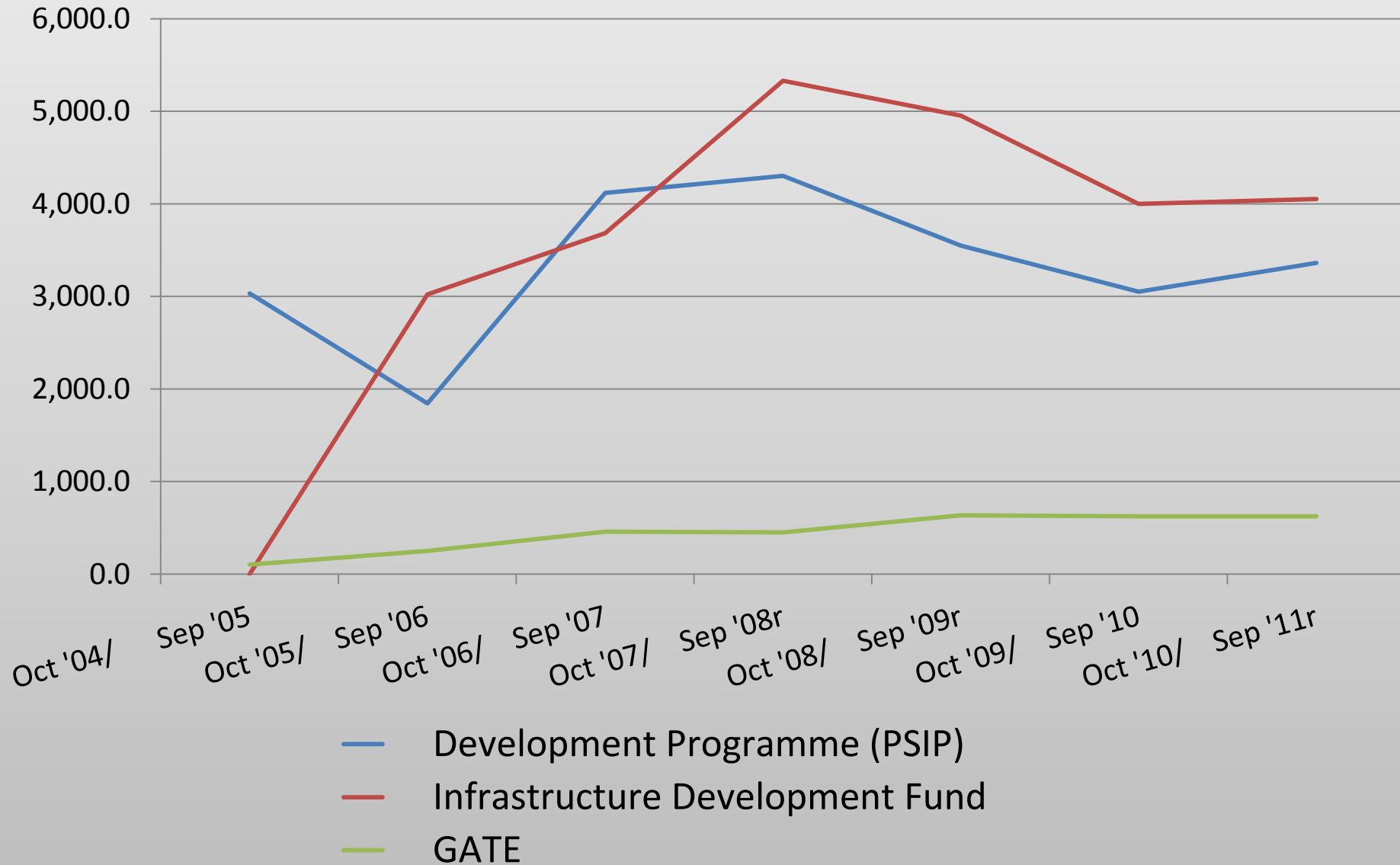
Category	TTD Millions	Percentage of Total Expenditure	
		2011	2006-2011
Total	52 966.5		
Recurrent Expenditure	44 817.8	84.6	
Subsidies and Transfers	26 903.6	50.8	45-54
Wages and Salaries	7 288	13.8	13-16
Goods and Services	6 858.9	13	9-14
Interest Payments	3 767.3	7	6-8
Capital Expenditure and Net Lending	8 148.7	13.4	14-22
Development Program	3360.9	6	6-10
Infrastructure Development Fund	4 051.8	8	7-11
GATE Program	625	1	0-1

Source: Ministry of Finance

Central Government Recurrent Expenditure and Capital Expenditure 2005 to 2011 (TT\$ Mns)



Central Government Capital Expenditure 2004-2011 (TT\$Mns)



FOREIGN DIRECT INVESTMENT

FDI inflows over the period 2006 – 2010 have been highest in the energy sector- approximately 90%;

The non-energy sector received the remaining 10% of FDI inflows over the period

DIRECT INVESTMENT CAPITAL IN PRIVATE SECTOR ENTERPRISES BY SECTOR OF ACTIVITY, 2006-2010 /US - \$Mn/					
Item	2006	2007	2008	2009	2010
1. Petroleum Industries	794.9	763.4	588.8	646.9	501.0
1.1 Mining, Exploration and Production					
Refineries, Petrochemicals	735.5	710.6	532.5	610.2	470.8
1.2 Service Contractors, Marketing and Distribution	59.4	52.8	56.3	36.7	30.2
2. Food, Drink and Tobacco	6.8	9.7	7.3	5.0	4.4
3. Chemicals and Non-Metallic Minerals	2.3	2.2	1.6	1.6	1.2
4. Assembly Type and Related Industries	7.2	9.1	7.1	6.3	4.9
5. Distribution	2.9	2.7	2.0	2.1	1.6
6. All Other Sectors	68.6	42.9	2,194.0	47.2	36.3
TOTAL	882.7	830.0	2,800.8	709.1	549.4
Notes:					
"All Other Sectors" includes textiles, printing, publishing and paper convertors, miscellaneous manufacturing, construction, hotels, transportation and business services etc. , commercial banks, insurance companies and other financial institutions.					
In 2008, FDI amounted to US\$2,194 million in the "All Other Sectors" category.					

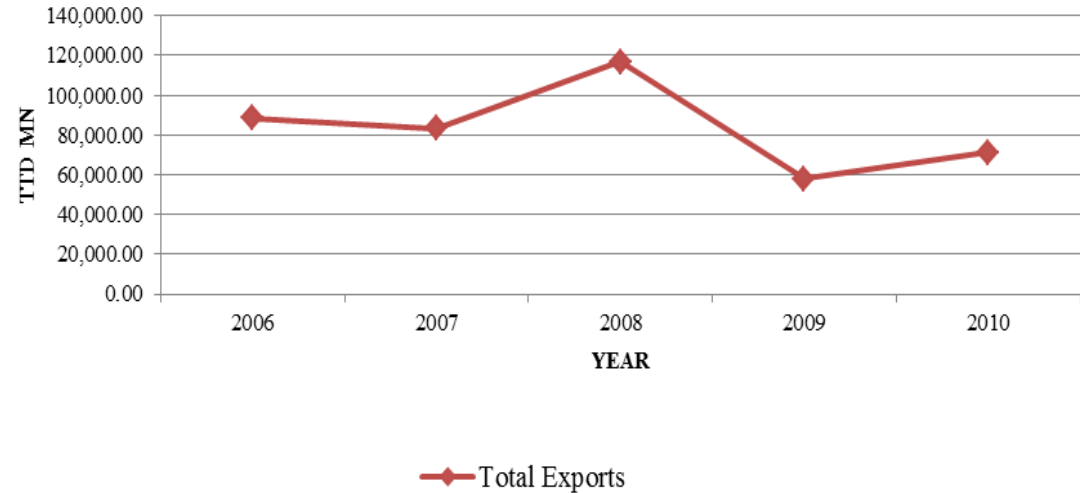
Source: Central Bank of Trinidad and Tobago

EXPORT PERFORMANCE

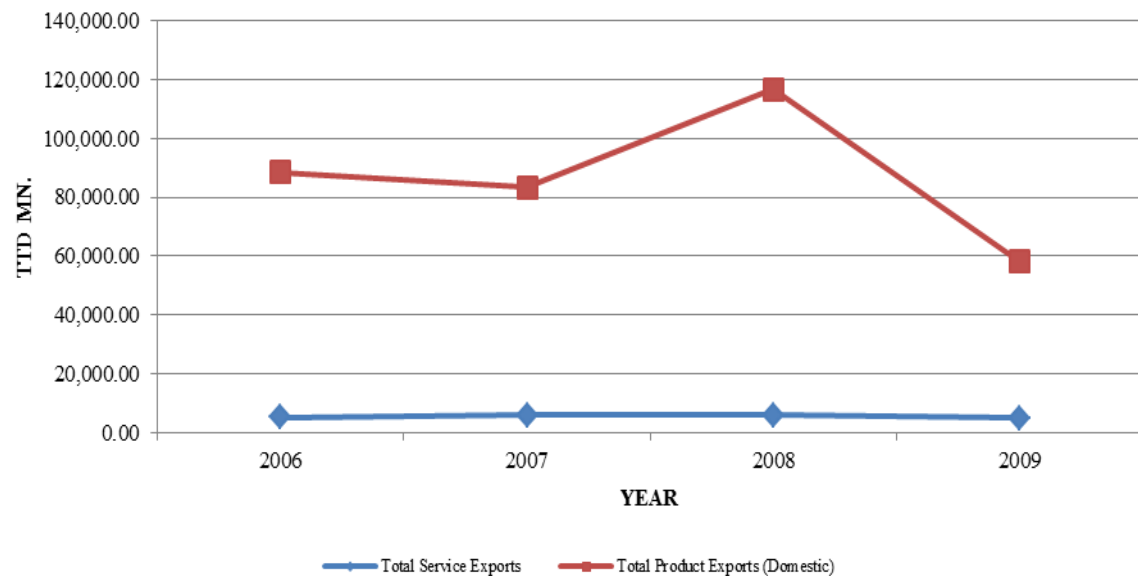
Exports of products have declined 25.6% overall from TT\$87,129.83 million in 2006 to TT\$ 64,816.98 million in 2010.

Exports of services were much lower and have remained relatively constant compared the export of goods.

TRINIDAD AND TOBAGO TOTAL DOMESTIC EXPORTS 2006 - 2010

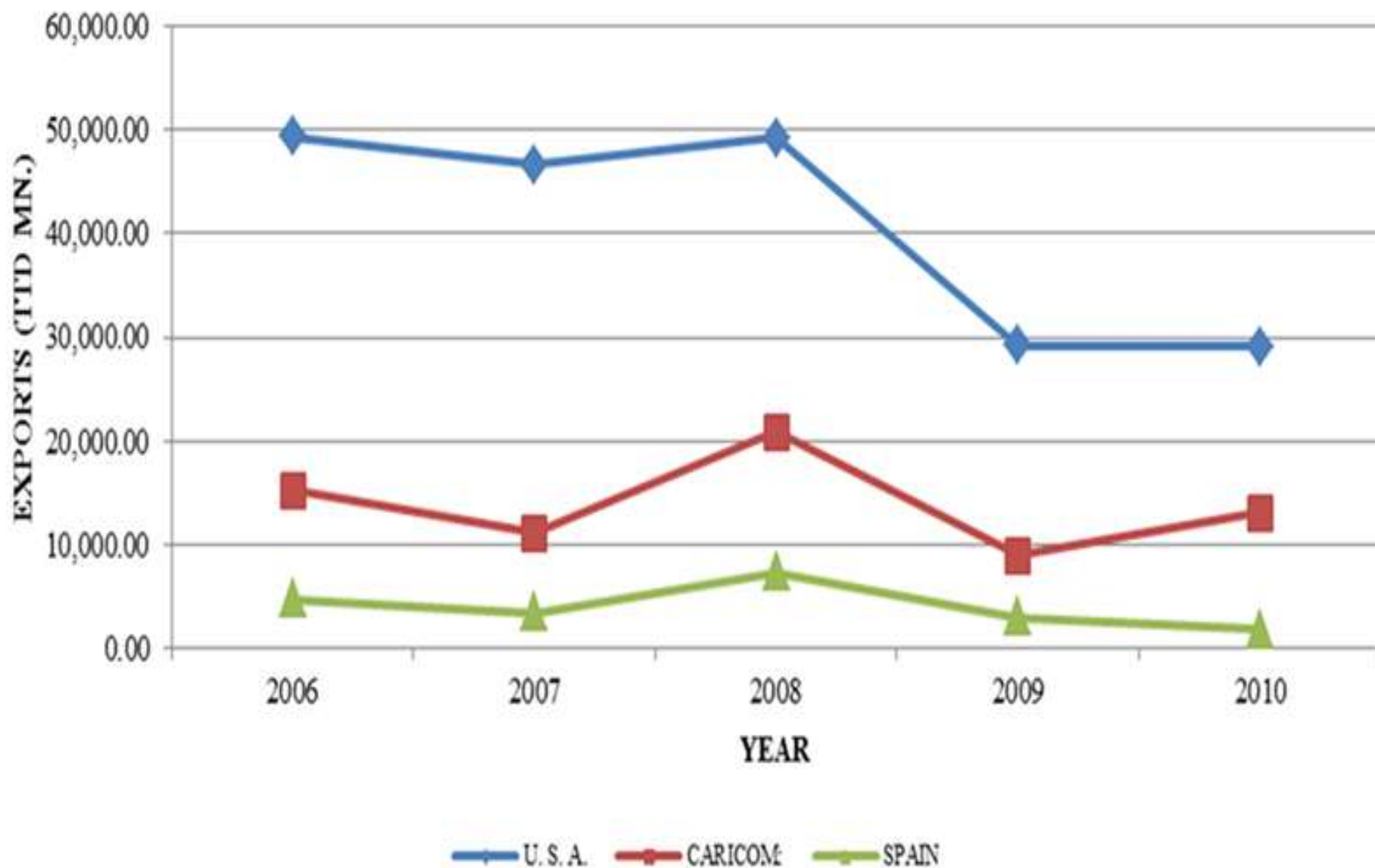


TOTAL EXPORTS OF GOODS AND SERVICES (2006 - 2010) FOR TRINIDAD AND TOBAGO

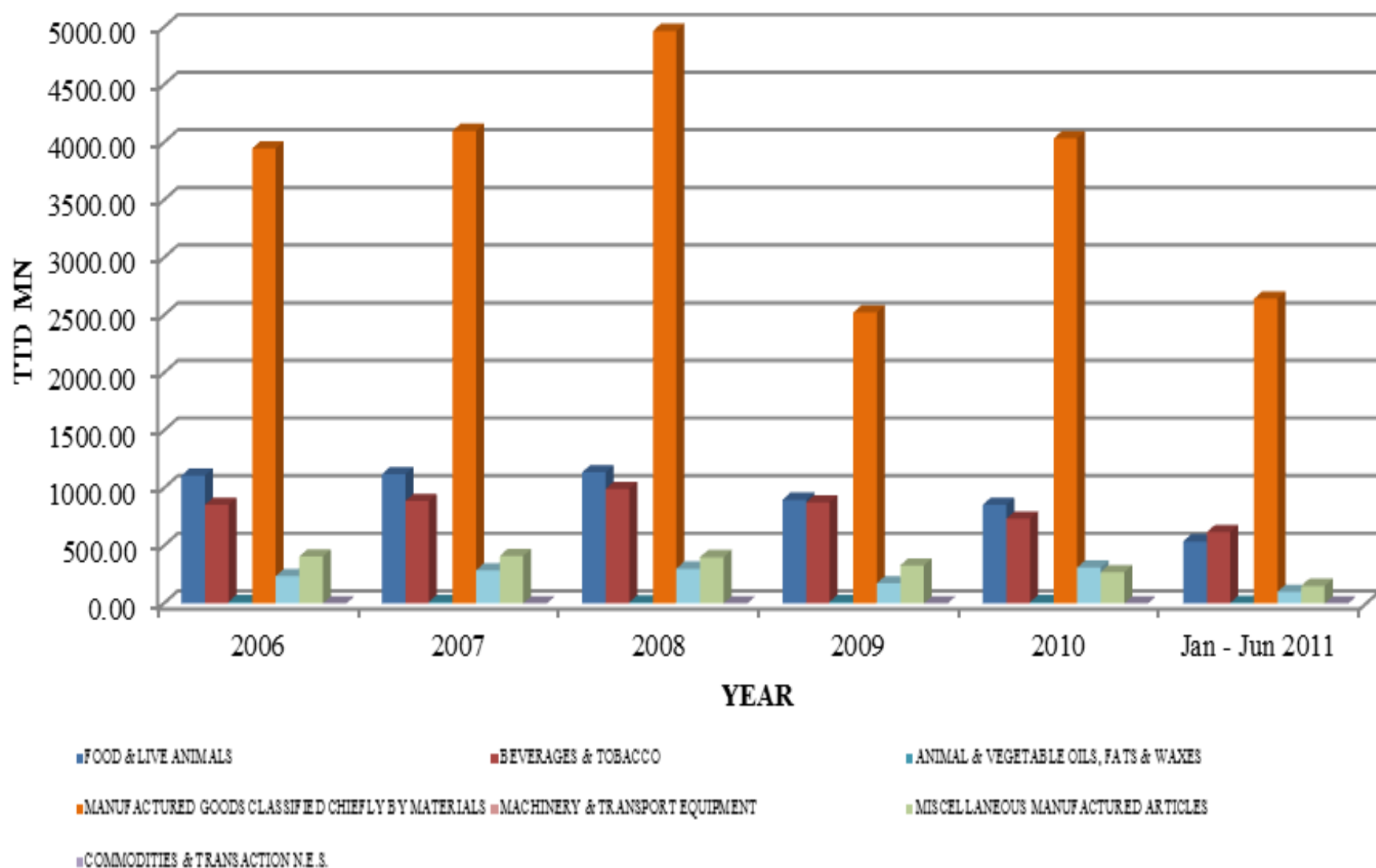


Source: Ministry of Finance

TRINIDAD AND TOBAGO TOP 3 EXPORT MARKETS (2006 - 2010)



DOMESTIC EXPORTS OF GOODS IN THE NON-ENERGY SECTOR (2006 - 2011)



Trinidad and Tobago trade agreements with central and south American countries:

- **Government has signed a Partial Scope Agreement and a Memorandum of Understanding Establishing Cooperation in the Energy Sector with the Panamanian Government;**
- **Discussions on a partial scope agreement between Trinidad and Tobago and Guatemala began in April 2012 and are ongoing.**

MARKET DIVERSIFICATION

- **CARICOM's sluggish economic performance since the global financial crisis reiterated the need for market diversification away from traditional and regional markets;**
- **The BRICS will provide an excellent market for Trinidad and Tobago to penetrate with domestic exports;**
- **Trinidad and Tobago, through CARICOM have engaged discussions with SICA to strengthen the institutional relationship.**

CASE FOR A NATIONAL INNOVATION POLICY

A proper system has never been institutionalised in Trinidad and Tobago, which outlines the roles and responsibilities of the key players and the necessary interactions to drive the diversification process forward.

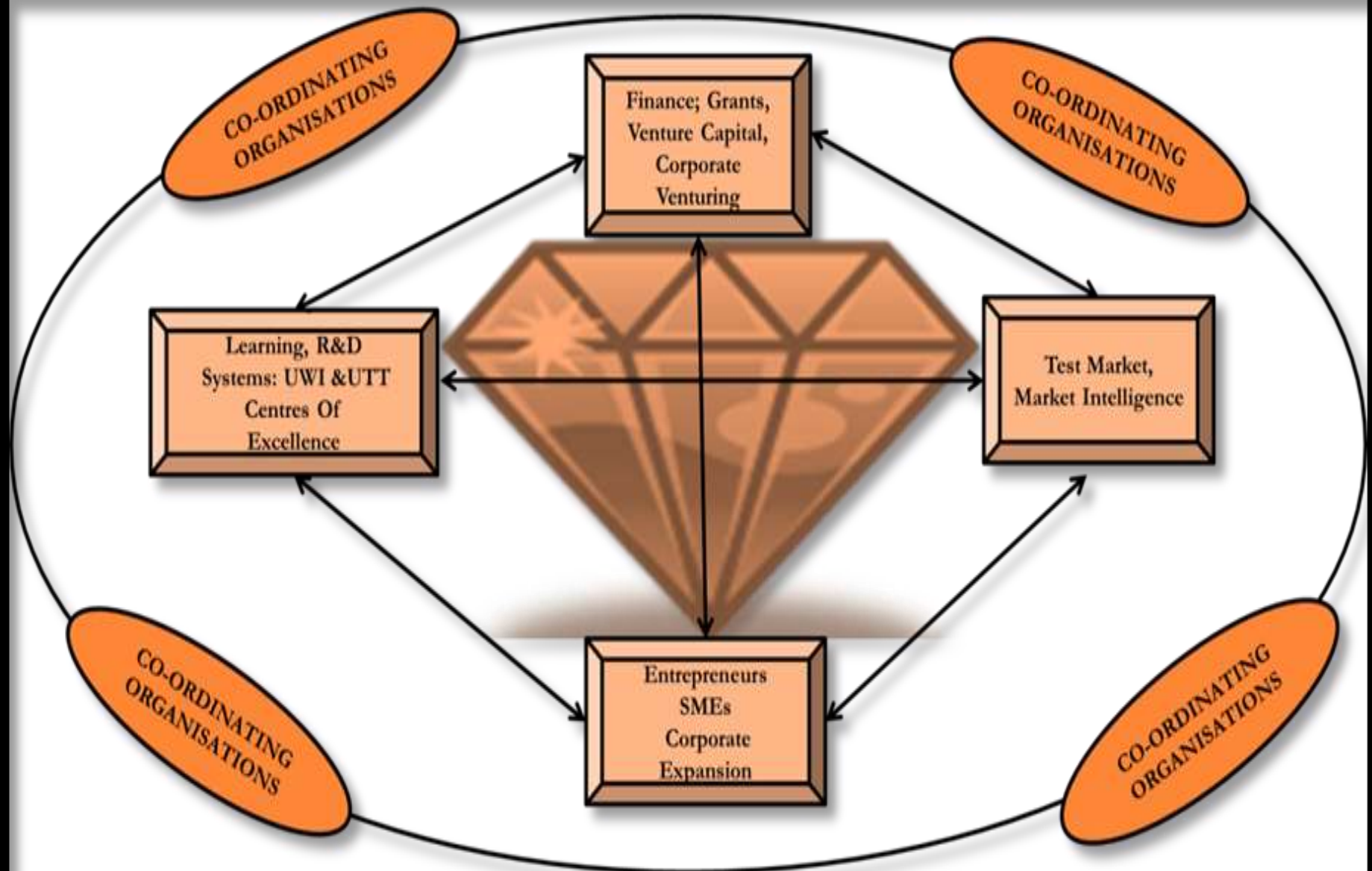
A National Innovation Policy (NIP), which builds on the overarching framework for a National Innovation System (NIS), can help solve this problem.

THE NEW STRATEGY FOR ECONOMIC DIVERSIFICATION

The new focus will see Trinidad and Tobago moving from its current mix of goods and services into products and services that differentiate themselves in the world market place on the basis of quality, value and innovation rather than on price alone.

Central to this new strategy is the formulation and implementation of a National Innovation Policy, the development of new economic spaces and the development of human capital for economic sustainability.

THE INNOVATION DIAMOND



The Centres of Excellence:

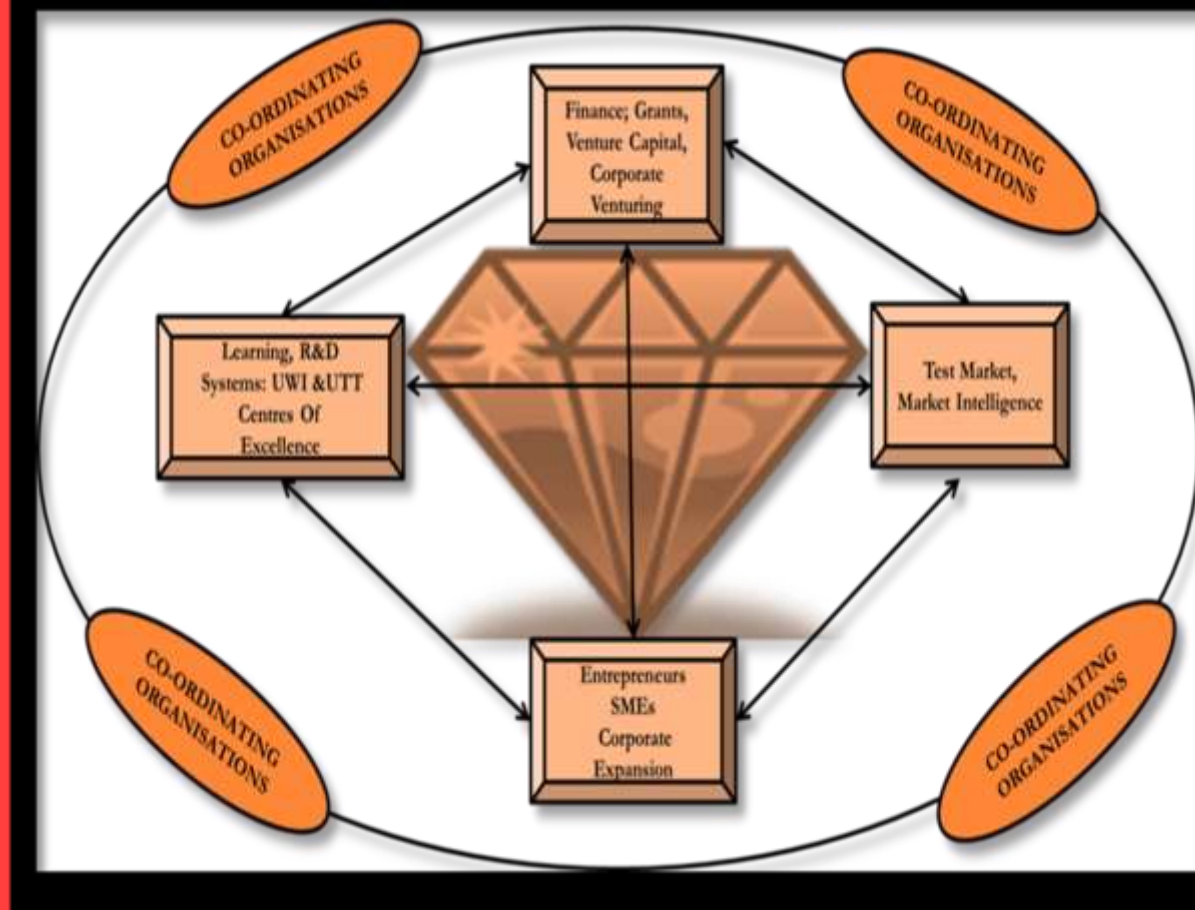
Learning communities dedicated to the derivation of value from knowledge acquisition, its use and creation.

The SMEs and entrepreneurs in clusters: These can exploit the opportunities created by the Centres or provide R&D ideas to the Centres.

A Financing System:

Research and Development grants, Seed Money, Venture Capital and Corporate Venturing; and

The creation of a **Test and Adopted Market:** Can be used in feedback and feed-forward modes to inform the SMEs and Centres.



Co-ordinating Organisations: On the periphery of the diamond, organisations which will work to network these four key points.

- **There are a multitude of co-ordinating organisations which will play a coordinating role.**
- **By making the roles and responsibilities clear, and by strengthening the relationships, we will transform from an environment of silos and duplication to one of synergy and efficiency.**

CO-ORDINATING ORGANISATIONS

- 1. Ministry of Planning and the Economy**
 - **The Economic Development Board**
 - **The Council for Innovation and Competitiveness**
- 2. Ministry of Trade and Industry**
 - **Industrial Policy**
 - **Investment Policy**
 - **National Export Strategy**
- 3. Ministry of Legal Affairs**
 - **Intellectual Property (IP)**
- 4. Ministry of Labour, Small and Micro Enterprise Development**
- 5. Ministry of Science, Technology and Tertiary Education**

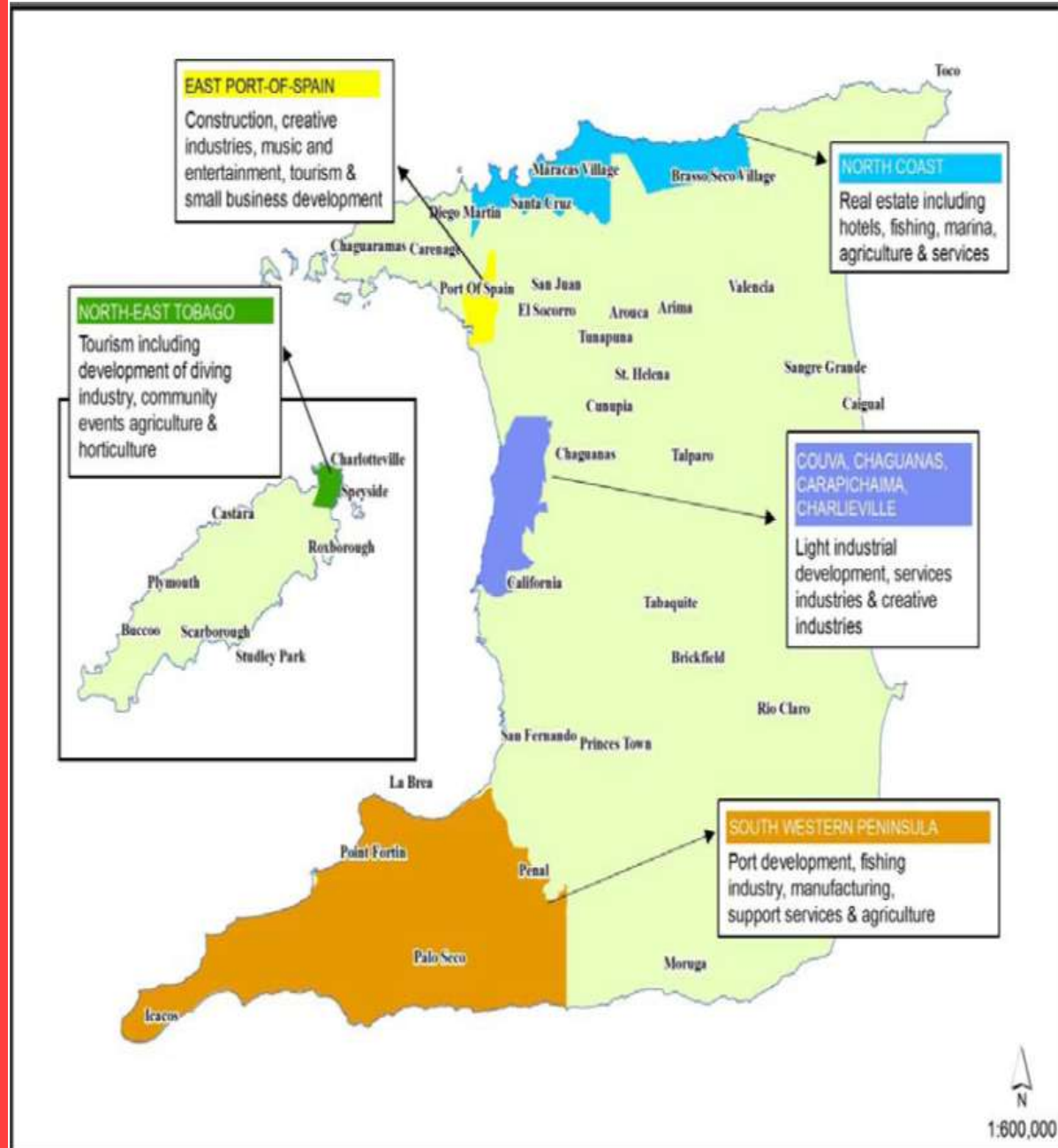
Five (5) growth poles:

- Central
- The South Western Peninsula
- East Port of Spain
- North-Coast
- North-East Tobago.

Other growth areas:

- Invader's Bay,
- The Chaguaramas Peninsula,
- Tamana Intech Park,
- Cove Estate in Tobago
- The Capital City of Port of Spain.

NEW ECONOMIC SPACES



HUMAN CAPITAL DEVELOPMENT

- **The Implementation of key reforms within the education system. Areas include literacy development, education administration, curricula reform, and tertiary education and training.**
- **The promotion and installation of positive values and attitudes through the education system.**
- **Addressing skills shortages and building workforce competencies.**
- **Supporting lifelong learning and self advancement among workers.**
- **The development of a structured approach to human capital development such as through the establishment of a Labour Market Information System.**

CONCLUSION

- **Diversification measures have not yielded the desired results that is acceptable by the Government or the national population.**
- **The proposed National Innovation System is the key towards economic transformation and a National Innovation Policy is being developed.**
- **New and emerging sectors for diversification should be selected on the basis of being globally competitive; expanding employment opportunities and net foreign exchange earners.**
- **High priority for the Ministry of Planning and the Economy is a coherent and well co-ordinated national diversification strategy.**