



GLU Working Paper No. 68

TRINIDAD AND TOBAGO AT A POLITICAL CROSSROAD: PERSPECTIVES FOR A JUST TRANSITION FOR PEOPLE AND NATURE

October 2025

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First published 2025.

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ISSN: 1866-0541 (print) ; 2194-7465 (PDF)

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Preface



The Global People's Platform for Socio-Ecological Transformation is a global network of democratic civil society organizations, activists, academics, and trade unions; set out to co-create knowledge and contribute to global discourses and advocacy on socio-ecological transformations of the economy. Launched on the initiative of Misereor in 2021, the platform aims to explore development alternatives through a global, diverse, and participatory approach.

This paper is part of a series of publications representing the efforts of five thematic working groups, each focusing on a critical aspect of socio-ecological transformation and the result of extensive research, collaboration, and dialogue. It aims to provide novel insights, strategies, and policy recommendations to advance towards just and sustainable economic transformations globally. While distinct in focus, the working groups are united by a shared commitment to justice, sustainability, and systemic change. Together, they form the backbone of the platform's collective inquiry and action.

1. Transformative Just Energy Transition

This group explores the intersection of energy transition and justice, particularly in the context of critical minerals and the global energy system. Their work spans research on decarbonization trends, alliances between trade unions and social movements, and advocacy for a publicly driven, equitable energy transition.

2. Agroecology

Rooted in Indigenous knowledge and collective struggle, the Agroecology group positions agroecology as both a climate and social justice strategy. Through global learning exchanges, research, and advocacy, they promote sustainable agriculture and food sovereignty.

3. Alternative Finance

Confronting the structural crises of the global financial system, this group advances community-rooted, non-exploitative financial alternatives in the Global South. Their work includes mapping climate finance systems, and mobilizing civil society for financial justice.

4. Anti-Systemic Alternatives

This group mobilizes grassroots movements and fosters regional and cross-regional solidarity to reimagine economic systems from the ground up including documenting lived experiences of alternatives, developing shared frameworks, and joint advocacy campaigns.

5. Governance of the Commons

Focusing on territorial governance and the Rights of Nature, this group works to strengthen community-led land use planning and resistance to extractivism. Their research and advocacy support Indigenous-led governance and promote a paradigm shift towards ecological stewardship.

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Executive Summary

Trinidad and Tobago (T&T) stands at a critical juncture as it faces a set of interrelated socio-ecological crises: extreme vulnerability to climate crisis, rising levels of violent crime, and deeply rooted social inequality and exclusion fuelled by inequalities and injustices in the world of work and a patchy social protection and welfare. The root causes of this multiple crisis lie in a model of economic growth highly dependent on fossil fuels, particularly oil and natural gas, prioritizing short-term stability over long-term transformation.

Oil and gas have shaped the economy and welfare system for decades; T&T is among the highest per capita emitters of greenhouse gases in the world. The sector has supported relatively high income levels compared to the wider Caribbean and financed public services and welfare benefits, albeit failing to play an equalising role. Many people remain excluded from prosperity; more than one in five lived below the poverty line in 2016. Inequality is stark; the top one percent of earners appropriate more than 20% of all income and they earn roughly 22 times more than the bottom 10%. The social infrastructure is fragile and unevenly distributed. Chronic underfunding, staff shortages, and infrastructure problems leaves many communities – especially in rural areas and urban peripheries – lacking reliable access to healthcare, quality education, and stable jobs. Nearly a quarter of the labour force works informally and is excluded from the scheme. Informal workers – such as street vendors, day labourers, or domestic workers are excluded from the National Insurance Scheme (NIS), the main contributory system for pensions and social insurance. They often earn unstable incomes and must rely instead on non-contributory programs funded directly from the state budget. This creates a welfare system that is deeply unequal: a group of workers in formal employment, albeit eroding, enjoy relatively stable protections, while informal workers depend on oil-financed safety nets that are both inadequate and financially insecure. As a result, many people feel cut off from opportunities and from the benefits of national growth. These gaps became painfully visible during the COVID-19 pandemic when many informal workers were left without support. This sense of exclusion, combined with the weak presence of the state in some areas, has created space for criminal networks to expand. Meanwhile, these same communities bear the brunt of the climate crisis both in terms of health and the extreme climate events as they are hit hardest by industrial emissions, flooding, and poor waste management. Rising temperatures and heat stress also threaten workers' health and productivity, especially in agriculture and construction.

Amidst this alarming social and environmental crisis, trade unions, one of the most powerful social forces in the history of Trinidad and Tobago are facing continuous and increasing attacks on their fundamental rights and freedoms. Such attacks seriously undermine their capacity to tackle this multiple crisis of poverty, inequality, exclusion and indeed environmental devastation.

Most of these problems are intrinsically linked to two sets of problems. First, the structurally dominant role over the economy of the oil and gas sector, which itself

suffers from structural weaknesses, has led to a highly dependent economy. Second, a laissez-faire model of policy making, focusing on short-term solutions, which has failed to build a model of development that benefits all.

A number of interrelated and reinforcing macroeconomic problems explain the fragility of T&T's development model. Oil and gas dominate exports, provide most foreign currency, and supply a large share of government revenues. This leaves the economy highly exposed to world energy markets. When oil and gas prices rise, government income increases, spending grows, and the economy expands. But when prices fall, revenues shrink, public budgets come under pressure, and growth slows. Dependence on fossil fuels contributes to limited economy's diversification and weak domestic industries, fragile public finances, and heavy reliance on just a few partners. The fixed exchange rate, while helpful for keeping inflation low, ties the Central Bank's hands. At the same time, foreign investment does not play the role it should in supporting domestic development. T&T's investment regime is liberal, with few legal barriers, but inflows are largely confined to oil, gas, and finance. Most foreign companies send their profits back abroad rather than reinvesting them locally. In recent years, more money has left the country than has come in. This has created persistent shortages of foreign money — especially US dollars, which are needed to pay for imports of essential goods like food, medicine, and fuel. Under these conditions, the state's ability to steer the economy is limited. While the development banks could play a role, they are not effectively utilised. The result is an economy that remains trapped in a cycle of energy booms and busts, unable to develop a dynamic industrial policy and more broadly a development model that is centred on people and nature.

For Trinidad and Tobago, the challenge is twofold. On the one hand, a transition away from fossil fuels is necessary to confront the climate crisis. On the other hand, this transition must also address the deep economic and social crisis described above. Instead, the policy response as framed in the 2020 Draft Policy amounts to a “structural adjustment program,” packaged with ecological concerns, particularly the urgency of addressing climate change. This urgency is used to further advance privatization, commodification and liberalization of the country while paying no attention at all to the effect of transition on workers, vulnerable communities and society at large. This urgency discourse is also used to exclude workers and their organisations from the policy debate.

A 2024 survey of workers from various sectors showed that workers had little familiarity with the just transition concept and limited consultations about the process. They also provided important insights on workers' ideas and priorities of just transition and what needs to change at the workplace. Workers are aware of the need for transition; what is often portrayed as a dilemma or contradiction between labour and environment may be less significant than argued. The survey insights also suggest that workers possess a level of knowledge and understanding of production processes that can be of critical importance in the process of just transition. Addressing workers' concerns, hopes and what they consider priority would require inclusive policy-making and structured consultation processes to ensure a fair and effective transition.

The labour’s proposals developed in this document build on these insights. The proposals are premised on the fact that transitioning from fossil fuels requires a fundamentally different developmental model - one that is centred on people and nature. Essential to this, is an alternative industrial policy that is anchored on public ownership of energy as an entry point for broader socio-ecological transformations. In this framework, energy transition is a policy objective interconnected with and reinforcing economic transformation, environmental sustainability and inclusive development. Key policy measures include economic diversification focusing on supporting domestic industries, expansion of public services and social protection infrastructure, and strengthening respect for fundamental, democratic rights, in particular freedom of association and collective bargaining - as key enabling rights for work and life with dignity.

1. A socio-ecological crisis enfolding and intensifying

The twin-island nation, with a population of 1.531 million (2022), is rich in natural resources and boasts an industrialized economy that is unique in the English-speaking Caribbean. And yet, the country faces a set of interrelated and mutually reinforcing crises of crime, poverty, inequality and environmental degradation.

Despite relatively high GDP per capita (\$31,705 in 2023¹), over 20% of the population lived below the poverty line in 2016, with poverty particularly concentrated in urban peripheries and informal settlements (i.e., residents who are occupying state and private lands without ownership rights or leases) (CNC3, 2021). Income inequality is also striking: data from the World Inequality Database suggest that the top one percent of earners capture more than 20% of national pre-tax income, while the top ten percent earn roughly 22 times more than the bottom ten percent (CNC3, 2021). Many communities face limited access to social services and public infrastructure, particularly in rural and urban peripheries (BTI, 2024). Youth unemployment, school dropouts, and a lack of stable livelihoods in marginalized communities further contribute to social fragmentation and economic vulnerability.

Since the 1990s, the T&T has seen a dramatic increase in crime. In 2024, the country experienced an unprecedented escalation in lethal violence, culminating in 624 recorded homicides and prompting the government to declare a nationwide state of emergency (Associated Press, 2024). Police data attribute over 40% of homicides to gang-related activity, underscoring the entrenchment of criminal networks within socio-economically marginalized communities. These groups have increasingly filled governance voids, asserting authority through control of illicit economies such as drug trafficking, illegal gambling, and unregulated resource extraction. This limited presence of the state in certain areas has thus facilitated the emergence of alternative forms of order, embedded in and sustained by structural deprivation

¹ World Bank, World Development Indicators (2024). GDP per capita, PPP (constant 2021 international dollar). By way of comparison: the average value for high-income countries was 57,259 and for middle-income countries 14,217.

(Thannhäuser, 2025). In this section we discuss some of the main contributing factors to these interrelated crises.

1.1 The world of work: precarity and insecurity

At first sight, T&T appears to have a stable labour market. Of approximately 650,000 people comprising the labour force², nearly 5% are unemployed. Employment is predominantly concentrated in labour-intensive service sectors, while capital-intensive industries - despite their significant contribution to GDP - account for only a small share of total jobs (Table A1, Annex).

As of 2023, the most labour-intensive sector is the community, social and personal services sector³ with 37.2% of total employment (Table A1, Annex). This is followed by the combined category of wholesale and retail trade, restaurants and hotels (20.3%), which includes both formal retail trade and a large informal segment, along with food services and small-scale hospitality, indicating the importance of consumption-based and service-oriented employment. Construction, which accounts for 12.3% of employment, is dependent on both public infrastructure projects and private investment cycles. Other sectors contributing to employment are the financing, insurance, real estate, and business services sector (10%); other manufacturing, excluding sugar and oil, (7%); transport, storage, and communication sector (5.7%). By contrast, employment in the petroleum and gas sector, including production, refining, and service contractors, stands at only 1.8%, despite its central role in exports and government revenue. This stark imbalance highlights the capital-intensive and technologically advanced nature of the energy industry. Agriculture, forestry, hunting, and fishing accounted for 3.8% of total employment. Though small, the sector provides livelihoods in rural areas and is closely tied to informal and subsistence economic activity.

These figures underscore a structural disconnect between the sectors that generate GDP and those that absorb labour. High-output sectors such as energy and petrochemicals remain capital-intensive, while employment is concentrated in lower-productivity services, the informal economy, and public sector-related activities. The informal economy dominates sectors such as agriculture, construction, and domestic services, and is estimated to encompass about a quarter (24.5%) of the labour force (ILO, 2024). While workers in the informal sector are faced with low wages, job insecurity, and lack of social protection, workers in the formal sector experience heightened levels of precarity. Many jobs, particularly in construction, retail, manufacturing, and public services, are now filled on a contractual, temporary, or agency basis. This trend reflects a broader pattern of labour market flexibilization,

² In 2023, the male labor force participation rate was 64.6 percent, and the female labor force participation rate was 47.1 percent. The workforce is deemed generally well-educated, with a significant portion (29.3%) having completed secondary education and a growing number possessing tertiary qualifications (23.5%).

³ This broad category includes public administration, health, education, and other social services, reflecting the large role of the state and service provision in the labor market. The “personal services sector” more particularly includes barbers, hair dressers etc and many other micro businesses that are not registered as businesses.

where employers seek to reduce costs and liabilities by limiting long-term employment commitments.

According to the Labour Force data (2022–2023), over 21% of workers were employed in “simple jobs” or services where non-permanent contracts are increasingly common (Central Statistical Office, 2025a). Meanwhile, data from the Index of Employment (2016–2023) show that with permanent employment falling and full-time roles barely expanding, indicating a shift toward short-term and agency hiring. Job security has also frayed in historically stable sectors; the 2018 closure of Petrotrin alone led to the retrenchment of approximately 2,600 workers (Reuters 2018). These structural shifts contribute to high inequality, but also to the crisis of the social infrastructure discussed above, including pensions, healthcare, or unemployment relief. Meanwhile, many workers are deprived from exercising fundamental worker rights that should enable them to address precarity and inequality in the world of work. According to the Global Rights Index of the International Trade Union Confederation (ITUC, n.d.), although the right to freedom of association is enshrined in the Constitution, it is strictly regulated by the law.

The most serious violations pertain to the requirement to have prior authorisation or approval by authorities for the establishment of a union, restrictions on the right to elect representatives and self-administer in full freedom, restrictions on the right to freely organise activities and formulate programmes, prohibiting or limiting groups of workers from forming or joining a union or from holding office (e.g., members of the Teaching Service, members of the staff and employees of Central Bank, and domestic workers), and administrative authorities’ power to unilaterally dissolve, suspend or de-register trade union organisations.

Similarly, the right to collective bargaining although recognised in the law is strictly regulated. The main violations identified by the ITUC include: previous authorisation or approval by authorities required to bargain collectively; exclusion of certain matters from the scope of bargaining (e.g. wages, hours), excessive requirements regarding the criteria for representativity threshold for collective bargaining, prohibition or limitation of collective bargaining at a certain level, restrictions on the duration, scope of application or coverage of collective agreements, excluding groups of workers from the right to collective bargaining (see those excluded from the right to unionise), compulsory conciliation and/or arbitration in the event of disputes during collective bargaining beyond essential services, and authorities’ or employers’ power to unilaterally annul, modify or extend content and scope of collective agreements.

The right to strike, the most powerful tool of workers to exercise pressure, is also strictly regulated although recognised. Restrictions include: previous authorisation or approval by authorities to hold a lawful strike, restrictions with respect to the objective of a strike (e.g., industrial disputes, economic and social issues, political, sympathy and solidarity reasons), authorities’ or employers’ power to unilaterally prohibit, limit, suspend or cease a strike action, undue restrictions for ‘public servants’, excessive representativity or minimum number of members required to hold a lawful strike, authorities’ or employers’ power to prevent or end a strike by referring the dispute to arbitration, discretionary determination or excessively long list of “essential services” in which the right to strike is prohibited or severely

restricted, and excessive civil or penal sanctions for workers and unions involved in non-authorised strike actions.

1.2 Social welfare and social protection: limited and patchy

The investment in the main pillars of the social welfare system relies heavily on tax revenues from oil and gas revenues. This reliance on the energy sector makes the education system vulnerable to external shocks and underscores the importance of diversifying fiscal resources to sustain the social infrastructure and continued investment in human development indicators - critical to a healthy society and a dynamic economy. Periods of declining energy prices, such as the post-2015 downturn, were followed by budgetary cuts, underscoring the risks of heavy dependence on hydrocarbon revenues. For example, combined government expenditure on health and education has fluctuated between 6.6% and 8.5%⁴ of GDP over the past decade, subject to the boom-and-bust cycles of commodity markets. During the pandemic in 2020, combined expenditure on health and education exceeded 7.5% of GDP. By 2022, however, this had fallen below 6%, where it has since remained. The 2024 national budget was framed on optimistic oil and gas price assumptions, yet revenue shortfalls have already produced a fiscal deficit, with public debt approaching 70% of GDP. Paradoxically, the very sectors most critical for diversification and resilience education, training, and healthcare are the first to suffer when fiscal pressures mount. Unless stable financing mechanisms are developed to reduce reliance on volatile energy revenues, the country risks remaining trapped in a cycle of fiscal vulnerability and constrained social progress.

The public health care system is formally free of charge and universally accessible, including for non-nationals. Managed by the Ministry of Health, the system operates through centralized and decentralized public institutions and has no dedicated insurance fund. It offers primary, secondary, and some tertiary care services. However, chronic system weaknesses—such as infrastructure shortfalls, staff shortages, and insufficient service availability—have led to prolonged wait times, overcrowding, and delays in investigations and treatment (Bahall, 2018) These problems drive those who can afford it toward private healthcare, exacerbating inequalities.

The country lacks a universal health insurance scheme, so private health insurance—typically employer-sponsored or individually purchased—is mostly accessible to formal-sector workers, while informal workers rely exclusively on public services. Out-of-pocket expenditure remains high, accounting for 45.7% of total health spending in 2021 (World Bank, n.d.).

⁴ According to UNESCO's recommendation, a country's allocation to education should be at least 4% to 6% of their GDP to education, or 15% to 20% of their public expenditure (Education 2030 Framework for Action). Meanwhile, the World Health Organization has indicated that countries should spend approximately 5% of their national income on health services.

The *education sector* provides free access to public primary and secondary schooling. The national literacy rate, estimated at over 98%, indicates broad success in basic education, and a relatively large share of the population holds secondary or post-secondary qualifications. After secondary school, 23.5% of young people pursue tertiary education⁵, with the Government Assistance for Tuition Expenses (GATE) program subsidizing tuition costs for eligible citizens. In recent years, however, GATE funding has been scaled back, reflecting growing concerns about the fiscal burden of maintaining free tertiary education in the face of declining energy revenues.

Technical and vocational education and training (TVET) programs have also expanded in recent years to better align the education system with labour market needs, although formal apprenticeship schemes remain underdeveloped.

Despite high enrolment rates across both levels, the quality and effectiveness of the system is of major concern. In 2024, 43% of primary school students scored below 50% on the Secondary Entrance Assessment (SEA), while the proportion of students achieving over 70% declined (Newsday, 2024). Similarly, in the 2024 Caribbean Secondary Education Certificate (CSEC) examinations, more than half of the candidates failed Mathematics and English—two foundational subjects for further education and labour market entry. It is also important to note that 15% of those completing tertiary education are unemployed.

Meanwhile, the social protection system combines contributory social insurance and mandatory occupational pension schemes to provide old-age pensions, survivors' benefits, invalidity, sickness, maternity, and employment injury benefits and means-tested social assistance.

The system suffers from a number of problems, but here we focus on two major problems. First, the system is highly vulnerable in terms of its viability. The core contributory pillar of the system is the National Insurance Scheme (NIS), established in 1972 and administered by the National Insurance Board (NIB). This pay-as-you-go social insurance program is funded by mandatory contributions from employers and employees. These contributions are pooled into the National Insurance Fund (NIF), which is then invested to finance current and future obligations. While the NIS is not directly funded by oil revenues, its long-term viability is under threat due to rising benefit costs and demographic changes. In recent years, the fund has experienced persistent deficits—most recently TT\$1.5 billion in 2022/2023—and has had to draw from its investment reserves to meet benefit payments (NIBTT, 2024). This erosion of reserves raises questions about sustainability, particularly if economic volatility limits the state's ability to intervene.

As discussed earlier, the high share of informal employment - nearly a quarter of the labour force (ILO, 2024) puts additional pressure on the financial viability of the scheme. This includes a large number of self-employed individuals and informal wage earners who are not registered under any formal employment scheme. While self-employed persons are legally permitted to contribute to the NIS on a voluntary basis,

⁵ The University of the West Indies (UWI), the University of Trinidad and Tobago (UTT), and a network of technical and vocational institutions provide further training opportunities.

participation remains extremely low due to income instability and administrative hurdles, thus most in this category rely exclusively on oil-funded non-contributory transfers such as the SCP. During the COVID-19 pandemic, these gaps became even more visible, as many informal workers were excluded from emergency relief due to lack of NIS registration. As a result, a substantial portion of the working-age population is effectively excluded from contributory old-age protection and depends primarily on oil-funded non-contributory transfers such as the Senior Citizens' Pension. The persistence of a large informal sector thus creates a structural gap in the welfare regime and exacerbates its reliance on volatile public revenues.

In contrast, the system's non-contributory programs, which target the elderly, the poor, and persons with disabilities, are entirely funded by the central government and thus highly dependent on public revenues from oil and gas. The public sector also maintains a separate non-contributory pension scheme for government employees, governed by the Pensions Act (Chapter 23:52). This act guarantees defined-benefit pensions financed entirely by the state and does not require employee contributions, further reinforcing the fiscal burden on the public budget. Additional non-contributory programs include the Public Assistance Grant and the Disability Assistance Grant (DAP). Unlike the NIS, these programs are not backed by any contributory scheme or reserve fund and rely instead on annual budget allocations. Historically, a large share of these allocations has been sustained by royalty and tax revenues from the energy sector, which have long underpinned the country's fiscal model.

The significance of this dependency becomes especially apparent when considering the structural exclusion of informal and self-employed workers from the NIS. This reveals a deeply stratified system: formal sector workers have access to contributory protections, while informal workers depend on a publicly financed safety net. Another source of fiscal pressure is the increasing number of employers failing to make timely contribution payments to the NIS. In recent years, the government has introduced waivers on interest and penalties for arrears, but the full financial impact of these measures remains unquantified. To compensate for ongoing deficits, the NIB has drawn down its investment portfolio—an approach that is not viable over the long term.

Given that hydrocarbon revenues account for a significant portion of government income, the sustainability of the non-contributory welfare state is increasingly uncertain. If oil and gas royalties decline—as expected under global decarbonization efforts and domestic resource depletion—the government may face serious constraints in maintaining its social transfer commitments. While the NIS theoretically rests on worker and employer contributions, its deficits have also led to implicit fiscal risks, as the state may eventually be called upon to recapitalize the fund. To ensure the long-term viability of the welfare system, a number of progressive measures are required. These include strengthening the enforcement of contribution compliance, modernizing collection systems, and exploring alternative financing models that are less reliant on volatile resource revenues. Without such measures, both the contributory and non-contributory pillars of the welfare regime will remain vulnerable to fiscal and demographic pressures in a post-oil economy.

A second major problem is the limited coverage and inadequacy of benefits for the existing schemes. For example, as of 2024, the Senior Citizens' Pension (SCP), a universal old-age benefit paid to individuals aged 65 and over, covers roughly 63% of older adults (Clayton et al. 2024). Thus, the minimum benefit represents only 47% of the international poverty line of US\$6.85 per day⁶. The situation is even more dramatic in terms of protection from unemployment. Thus, the country currently lacks a formal unemployment insurance system. Although there have been discussions about introducing such a mechanism through proposed amendments to the Retrenchment and Severance Benefits Act, no consensus has been reached among the tripartite partners—government, labour, and business. In the absence of formal unemployment insurance, the state has relied on public employment schemes to provide temporary support to jobless individuals. Two key initiatives are the Unemployment Relief Programme (URP) and the Community-Based Environmental Protection and Enhancement Programme (CEPEP), administered by the Ministry of Rural Development and Local Government and the Ministry of Housing and Urban Development, respectively. Participants receive stipends rather than formal wages, with no entitlement to employment benefits such as paid leave or social insurance. For instance, Tobago's URP daily rate recently increased from TT\$79 to TT\$149.

These programs act as *de facto* unemployment relief measures, but because participants are officially counted as employed rather than unemployed, their widespread use suppresses the official unemployment rate. Critics estimate that without URP and CEPEP, actual unemployment could exceed 10%, compared to the official rate of around 4–5%. This inclusion masks the true depth of joblessness and limits the effectiveness of on-budget social protection policies. While URP and CEPEP serve immediate fiscal and local development objectives, their temporary and low-wage structure falls short of providing meaningful long-term social security.

1.3 An ecological crisis fuelled by the model of development

The environmental crisis in T&T is deeply intertwined with its fossil-fuel-driven model. While the country's overall contribution to global CO₂ emissions is small, its per capita emissions are among the highest in the world due to its reliance on hydrocarbons (21 tonnes of CO₂ equivalent per person in 2021). Most emissions come from the energy and petrochemical industries, with carbon dioxide making up 56%, methane 25%, and nitrous oxide 1.7% (Emission Index, 2024).

These emissions translate into significant health impacts: air pollution, particularly from industrial and energy sectors, contributes to high rates of stroke and ischemic heart disease. According to the World Health Organization (2022), approximately 15% of such deaths in T&T are attributable to air pollution, while PAHO reports 44 deaths per 100,000 inhabitants related to this issue—the highest rate in the Americas.

⁶ Benefit levels range from TT\$500 to TT\$3,500 per month, depending on the recipient's income. Individuals earning below TT\$2,500 per month are eligible for the full benefit, while those earning between TT\$4,500 and TT\$5,500 receive the minimum amount of TT\$500.

Meanwhile, poorer communities, which are mostly affected by state underinvestment in infrastructure, are hit hardest by pollution and flooding. According to United Nations Environment Programme (UNEP, n.d.), national reports, and Inter-American Development Bank assessments, illegal waste burning, especially in informal or unregulated dump sites, contributes to poor air quality in many low-income areas. Additionally, wastewater treatment and recycling services are significantly below the regional average, increasing the risk of disease and environmental degradation. Floods and degraded wetlands exacerbate displacement, but also inequality and crime. The economic damages from flooding are estimated between US\$15–38 million annually, with poor drainage and deforestation making things even worse.

Rising temperatures also pose serious challenges. The ILO (2019) warns that heat stress—especially in outdoor sectors like agriculture and construction—reduces productivity and increases health risks. In the Caribbean, these effects are already visible, suggesting that without adequate mitigation and adaptation strategies, labour and economic productivity will be further strained.

Environmental degradation leads to weakened ecosystem-based protections like mangroves, increasing flood risks. Global Forest Watch (GFW, 2025) provides an important overview of the scale of environmental devastation. Thus, between 2001 and 2024, Trinidad and Tobago lost about 25,400 hectares of tree cover, which works out to around 6.5% of the country’s tree cover compared to the year 2000. This loss released an estimated 14 million tonnes of carbon dioxide into the atmosphere (ibid.). The data doesn’t point to just one cause, but several well-known drivers stand out. Forests have been cleared to make way for farms, pastures, and other land uses. Logging, whether selective or more intensive, has also reduced forest cover, while fires, both natural and man-made, have played a role as well. In addition, settlements, roads, and other infrastructure projects have chipped away at forests, and traditional slash-and-burn or shifting cultivation practices have led to temporary clearing that, in many cases, does not fully regenerate (FAO, 2020). It’s also important to note that “tree cover loss” doesn’t always mean permanent deforestation (GFW 2025), but over time, much of this lost forest is not replaced. So, while some reforestation or regrowth might offset small portions, the bigger picture is clear: T&T has seen a significant reduction in its forests over the past two decades (FAO 2020; GFW 202).

Meanwhile, T&T is also known for chronic coastal pollution, especially near Caroni and Nariva wetlands, which are home to endangered wildlife like the national bird, “the Scarlet Ibis” (Ministry of Environment, 2001). In early 2024, an oil spill near the island of Tobago from a sunken vessel polluted 15 km of coastline, damaging marine life and forcing evacuations due to toxic fumes.

In summary, the climate crisis poses a major threat to the lives of people, especially those in low-income areas suffering from poor infrastructure, to workers, especially those in outdoor sectors and to ecosystems. It is a crisis that is fuelled by a dependency on oil sectors and which fuels inequality. And here is the paradox: while transitioning from fossil fuels is central to mitigating the ecological crisis, the fossil

fuels provide the main funding for some of the sectors that play a key role in addressing social inequalities.

The country's social welfare and social protection is structurally ill-equipped to support the population through a just transition away from fossil fuels. The regime relies heavily on oil and gas revenues to fund its non-contributory programs, including pensions and social assistance for vulnerable groups. This dependency poses a critical threat to sustainability as hydrocarbon income declines due to global decarbonization and domestic resource depletion. The contributory pillar—primarily the National Insurance Scheme (NIS)—faces persistent deficits and limited coverage. Informal and self-employed workers, who make up roughly a quarter of the labour force, are largely excluded due to low voluntary participation. As a result, the welfare system is deeply stratified: while formal workers have access to relatively stable protections, large segments of the population rely on oil-funded, means-tested assistance that is both inadequate and fiscally vulnerable. Furthermore, Trinidad and Tobago's welfare state has struggled to mitigate the broader social risks associated with inequality and exclusion. The rise in violent crime, particularly in economically marginalized areas, underscores the absence of a comprehensive, territorially responsive system capable of addressing structural deprivation. Youth unemployment, underfunded services, and governance gaps compound these issues. At the same time, the funding of social infrastructure through hydrocarbon revenues remains deeply volatile. Periods of high energy prices have historically enabled expanded public spending, but downturns—such as the 2014 price collapse—have triggered fiscal tightening, rising debt, and cuts to essential services. To ensure long-term stability, Trinidad and Tobago must diversify its revenue base. This includes improving tax collection, closing loopholes, and investing in non-energy sectors and renewables to create more predictable funding for social infrastructure.

In its current form, the welfare regime lacks the financial resilience, inclusive reach, and adaptive capacity required to navigate the socioeconomic and environmental disruptions that will accompany a just transition. Without substantive reform—particularly in diversifying revenue sources, enforcing contribution compliance, reducing social exclusion, and strengthening health and labour protections—the system is unlikely to deliver equitable protection in a post-carbon future.

2. The root causes of the socio-ecological crisis: a model of development heavily dependent on fossil fuels

The socio-ecological crisis in T&T is intrinsically linked to two sets of problems. First, the structurally dominant role over the economy of the oil and gas sector, which itself suffers from structural weaknesses, has led to a highly dependent economy. Second, a laissez-faire model of policy making, focusing on short-term solutions, which has failed to build a model of development that benefits all.

A number of interrelated and reinforcing macroeconomic problems explain the fragility of T&T's economic model. At the heart of it, is the structurally dominant role over the economy of the oil and gas sector, which itself suffers from structural weaknesses. Oil and gas dominate exports, provide most foreign currency, and supply a large share of government revenues. This leaves the economy, and indeed government finances, highly exposed to world energy markets. When oil and gas prices rise, government income increases, spending grows, and the economy expands. But when prices fall, revenues shrink, public budgets come under pressure, and growth slows.

This dependence has resulted in a very narrow economy; oil, gas, and a few other commodities dominate exports. In contrast, most manufactured goods — such as machinery, vehicles, and even refined fuels — must be imported. The recent closure of the domestic refinery has further intensified the country's vulnerability and diminished the space for industrial policy. The country relies now on foreign suppliers to meet its own demand, even though it exports crude oil. This situation makes the paradox very visible: a resource-rich country that still depends on imports for the basics.

Dependence on fossil fuels contributes to limited economy's diversification and weak domestic industries. Another reason why local industries remain weak and find it difficult to compete is due to the way the currency is managed. The national currency is kept at a fixed rate against the US dollar. This means its value does not change with demand and supply — for example, when more people want dollars than local money — but is instead held stable by the Central Bank. On the one hand, this stability makes imported goods more predictable in price, helping to keep inflation low. On the other hand, it keeps the currency relatively strong. This makes imports cheaper but local exports more expensive abroad, reducing competitiveness. Over time, this has hurt domestic industries and increased dependence on imports.

The fixed exchange rate also limits the Central Bank's freedom to act in difficult times. To keep the rate stable, the Bank must always be ready to exchange local money for dollars at the set value. That requires large reserves of foreign currency. If the Bank lowered interest rates to stimulate growth, people might rush to convert their local money into dollars, draining these reserves. For this reason, the Central Bank prioritizes defending the fixed exchange rate rather than using interest rates to boost

the economy — leaving it with fewer tools to respond to crises. This is all the more important given that a significant share of government debt must be repaid in dollars. If the local currency weakens, paying back this debt becomes much more expensive, putting further pressure on public finances.

Trade patterns add another layer of fragility. Exports are concentrated in a small number of markets, especially the United States. This means that if these partners reduce demand, introduce new trade restrictions, or face their own crises, T&T is immediately affected. A downturn in the U.S. economy, or new barriers to imports, would quickly reduce export earnings. In this way, relying on just a handful of buyers makes the whole economy vulnerable.

At the same time, foreign investments have failed to meet the promise of supporting domestic development. T&T's investment regime is liberal, with few legal barriers, but inflows are largely confined to oil, gas, and finance. Most foreign companies send their profits back abroad rather than reinvesting them locally. In recent years, more money has left the country than has come in. This has created persistent shortages of foreign money — especially US dollars, which are needed to pay for imports of essential goods like food, medicine, and fuel.

The Central Bank has tried to manage this problem by rationing foreign currency. But the country's savings in dollars and other hard currencies — a kind of national savings account kept aside for emergencies — have been running down. These reserves are essential because they allow the country to pay for imports when foreign money is scarce and to defend the value of the national currency in times of stress. With these savings declining, T&T has less room to manoeuvre in a crisis.

Government finances show similar weaknesses. The Heritage and Stabilisation Fund (HSF), a sovereign savings fund built from oil and gas revenues, was designed to save for future generations and cushion the economy when energy prices fall. The Fund suffers from two main problems. First, it has often been used to cover everyday expenses instead of long-term investments. This reduces its ability to fulfil its original goals. Second, revenues from the energy sector are much lower than they should be. This is because large oil and gas companies often shift profits abroad by selling within their own networks at artificially low prices. On paper, this makes their profits in T&T look smaller, which reduces the taxes they pay to the state. Government spending has mainly focused on covering short-term needs rather than investing in projects that could diversify the economy and create new industries. This has meant that spending expands in good times, but little is set aside to prepare for bad times.

Institutions that could help drive diversification and innovation remain underdeveloped. Development banks exist, but they are small, fragmented, and underfunded. In principle, these banks should invest in new industries, innovation, and infrastructure. In practice, they mostly provide temporary loans or distribute foreign currency and thus do little to reduce the economy's dependence on fossil fuels or to build new industries.

The effect of all these interrelated problems is an economy that remains trapped in a cycle of energy booms and busts, unable to develop a dynamic industrial policy and more broadly a development model that is centred on people and nature.

We turn now to a more detailed analysis of the key problems in the oil sector and macro-economic policy identified above.

2.1 What is the problem with the energy sector in T&T?

The hydrocarbon sector continues to play a structurally dominant role in Trinidad and Tobago’s economy, whether in terms of GDP contribution, foreign direct investment and share of exports (see next sections in this chapter).

Box 1: From the third way to the market way: T&T’s Energy Sector in Transition⁷

Trinidad and Tobago’s development trajectory has been shaped by a combination of its colonial past and a longstanding dependence on hydrocarbons. Oil production began as early as 1907, while natural gas—initially treated as a by-product—only gained economic relevance after 1958, when technological advances made it possible to use gas for ammonia production. In the early 2000s, natural gas was increasingly seen as a cleaner alternative to coal and oil, and Trinidad and Tobago successfully positioned itself as a key exporter during this period.

The foundations for this energy-based industrialization were laid in the decades following independence. Building on ideas promoted by Nobel laureate Arthur Lewis—and responding to the structural legacies of a plantation economy—the government in the 1950s and 1960s adopted industrialization as a pathway out of underdevelopment. Through an export-oriented strategy based on foreign direct investment, it aimed to diversify the economy and reduce reliance on raw material exports to the UK. Under the leadership of Eric Williams and the People’s National Movement (PNM), this approach translated into large-scale investments in petrochemical industries, where multinational companies were encouraged to convert natural gas into higher-value products such as ammonia, methanol, aluminium, and steel, supported by tax incentives and other concessions.

By the 1970s, however, the capital-intensive industrial model began to reveal structural weaknesses. Job creation was limited, and social inequalities persisted. Nonetheless, an oil price boom brought windfall revenues, which the state used to finance large-scale development programs. The Point Lisas Industrial Complex was constructed during this period, equipped with a deep-sea port and infrastructure tailored to gas-based industries. The government also deepened its direct involvement in the sector—a direction often referred to as the “Third Way.” In 1975, it established the National Gas Company (NGC) to oversee domestic gas production, infrastructure, and commercialization. This approach allowed the state to play a more active role in shaping energy policy and industrial development.

However, the early 1980s marked a turning point. As global oil prices fell and external debt mounted, the government sought support from the International Monetary Fund (IMF). In

⁷ This box draws primarily on Campbell’s analysis of Trinidad and Tobago’s oil and gas sector (Campbell (2009)).

exchange, it adopted a set of structural reforms associated with the Washington Consensus: liberalization, privatization, and deregulation. These reforms curtailed the state's interventionist approach, and the "Third Way" was gradually abandoned. In the early 1990s, foreign direct investment surged again—this time under a more market-oriented policy regime.

Gas monetization now shifted toward liquefied natural gas (LNG). In the mid-1990s, a joint venture between NGC and foreign investors established Atlantic LNG. Exports increased rapidly. In the early 2000s, the government once again offered generous incentives to attract chemical producers. By 2002, Trinidad and Tobago had become a global leader in ammonia and methanol exports, while also producing butane, propane, and urea.

In 2001, then Prime Minister Manning announced a plan for "sustainable gas development," emphasizing local capacity-building: "We are encouraging a collaborative approach between our partners to assist locals to take on more value-added roles, management, and ownership in our economy" (Williams 2002:22, as cited in Campbell, 2009).

Despite these efforts, the oil and gas sector largely developed as an enclave economy—a model in which foreign-dominated industries operate in isolation from the rest of the economy, with limited local spillovers. Even during the more interventionist 1970s, the state failed to require foreign firms to invest in local skill development. Under liberalization, these opportunities further declined. Education and vocational training systems were not adapted to meet the sector's needs. Although the government later introduced local content requirements—meant to ensure that domestic firms and workers benefit from foreign investment—there were no effective state mechanisms in place to monitor or enforce them.

Still in the Enclave? Ownership and Control in the Liberalized Era

Since the 2000s, Trinidad and Tobago's energy sector has undergone significant structural changes. In 2018, the state-owned Petrotrin refinery in Pointe-à-Pierre was shut down by the Rowley-led PNM government, citing chronic debt, inefficiency, and sustained operating losses (UWI Today 2018). The closure of Petrotrin's refinery in Pointe-à-Pierre affected around 2,600 permanent positions, and triggered widespread protests led by the Oilfield Workers' Trade Union (OWTU), which emphasized the loss of jobs, health benefits, and national energy sovereignty (Reuters 2018; IndustriAll Global Union 2018). Trade unions and business groups have continued to advocate for the reopening of the refinery, and in recent years, efforts have been made by regional chambers and labour organizations to identify new investors and restore operations (Trinidad and Tobago Guardian 2025). The 2025 general elections brought a new government led by the United National Congress and the Coalition of Interest which was supported by a number of trade unions including the OWTU. A key element of the Coalition of Interest was the Workers' Agenda which stated the reopening of the refinery as a government priority. The new government committed to maintain public ownership of the refinery but will work with the OWTU to reopen and operate the refinery. As of mid-2025, however, no definitive plan has been implemented.

The National Gas Company (NGC) remains fully state-owned and continues to manage key infrastructure such as gas pipelines, natural gas liquids (NGL) facilities, and industrial services at Point Lisas (National Gas Company, n.d.). The Atlantic LNG facility in Trinidad & Tobago entered a major ownership restructuring in late 2022, under which the state-owned National

Gas Company of Trinidad and Tobago gained a larger equity stake and the Chinese Investment Corporation exited its 10 % participation in Train 1 (Reuters 2022).

The Point Lisas Industrial Estate is publicly owned and managed by the state-run Point Lisas Industrial Port Development Corporation (PLIPDECO). While land and port infrastructure remain under public ownership, most petrochemical plants operating on the estate are privately owned and operated by multinational companies (PLIPDECO n.d.).

Despite policy initiatives to boost local participation, the energy and petrochemical sectors remain largely export-oriented enclaves, with limited supply-chain integration and continued dominance of foreign ownership in higher-value segments. Moreover, the country exhibits persistent symptoms of Dutch Disease: sustained energy revenues have contributed to real exchange rate appreciation, which undermines the competitiveness of non-energy sectors such as agriculture and manufacturing. Trinidad and Tobago has experienced chronic exchange rate misalignment driven by hydrocarbon dependence, significantly constraining its ability to diversify (Hosein et al. 2022).

Research from the University of the West Indies demonstrates that successive oil booms in Trinidad and Tobago have held back agricultural development by diverting labour, capital, and policy attention toward the energy sector. This process has reinforced structural imbalances in the economy and increased dependence on hydrocarbon exports (Hosein 2007; Premdas & Ragoonath 2020).

The government has signalled renewed interest in rebuilding domestic capacity – through initiatives such as the revitalisation of the Pointe-à-Pierre refinery and stronger local-content enforcement in the energy sector. However, these efforts continue to encounter enduring institutional, regulatory and fiscal obstacles that have hampered past reforms (argus 2024; Charles 2024).

An additional paradox in Trinidad and Tobago’s trade structure concerns petroleum refining. While the country continues to export crude oil, it now imports a significant volume of refined petroleum products, including gasoline, diesel, jet fuel, and lubricants. This pattern became entrenched after the closure of the Petrotrin refinery in 2018 (see Box 1), which eliminated most of the country’s domestic refining capacity. As a result, refined fuels for domestic consumption are now sourced from external suppliers, primarily the United States and regional hubs. This situation exemplifies the country’s broader structural dependence: it exports raw hydrocarbons while importing higher-value refined products—a dynamic that reflects missed opportunities for domestic value addition. It also raises critical questions about energy sovereignty and industrial policy in a resource-rich state with long-standing hydrocarbon expertise. Without strategic investment in downstream capacity or alternative upgrading strategies, such patterns risk deepening the country’s position as a low-value exporter dependent on high-value imports.

2.2 Export and Import Structure: Heavy Reliance on Hydrocarbons, Limited Diversification

As noted earlier, energy-related activities — including oil and gas extraction, refining, petrochemicals, and distribution have a significant contribution to the GDP accounting for 22.8% in 2023 (compare Table A2, Annex). While this marks a decline from earlier peaks of over 35% in the early 2010s, the sector remains among the largest contributors to national income. For comparison, Trade and Repairs registered a slightly higher share in 2023 (25.3%), though this reflects domestic distribution and consumption rather than productive capacity. Within manufacturing, over half of the value added (7.9 out of 14.3%) came from petroleum and chemical products, further illustrating the sector’s reach across the economy. Other major sectors such as public administration (7.8%), financial services (7.5%), and construction (5%) remained considerably smaller.

Just as hydrocarbons generate a significant portion of GDP, they also account for a large proportion of the country’s exports. Trinidad and Tobago’s trade structure reflects its resource dependence and limited diversification. Exports remain heavily concentrated in hydrocarbons and related products: minerals (mainly LNG and crude oil), chemicals (such as methanol and ammonia), and metals together account for over 75% of total goods exports. In contrast, imports are more diversified but reveal key vulnerabilities. In 2023, the country imported a significant volume of refined fuels, machinery, vehicles, and a growing share of high-value services—especially in ICT and transport. This imbalance reflects an economy where upstream resource extraction is decoupled from downstream industrial capacity, resulting in persistent reliance on imported manufactured goods and services. As discussed in earlier in this chapter, nowhere is this problem more apparent than in the significant share of the imported refined fuels. The following Table 1 offers a snapshot of Trinidad and Tobago’s export and import structure in 2023.

Table 1: Exports and Imports of goods and services, 2023

	Exports Share	Import Share
Transport	4.02	7.08
Travel & Tourism	3.95	0.88
Insurance & Finance	1.45	4.72
ICT	1.3	11.08
Minerals	37.9	14.37
Chemicals	30.34	8.09
Metals	7.45	4.84
Agriculture	5.97	13.07

Other	4.46	2.68
Machinery	1.37	11.31
Vehicles	0.59	15.28
Electronics	0.49	3.5
Stone	0.35	0.9
Textiles	0.35	2.18

Source: Table reproduced from ILO Department of Statistics (2023: 6).

In 2023, Trinidad and Tobago’s export destinations remained geographically concentrated, with a heavy reliance on a few key markets (Table A3, Annex). The United States alone absorbed nearly a quarter of all exports (24.5%), followed by China (5.7%), the Netherlands (4.1%), Guyana (4.0%), and Chile (3.9%). A significant share also went to regional partners in Latin America and the Caribbean, including Brazil, Barbados, and Jamaica. European countries such as France, Belgium, and Spain also featured prominently. This concentration of trading partners reflects the export structure: the largest buyers are primarily countries with high demand for hydrocarbons, petrochemicals, and raw materials. The data further reinforces the country’s dependence on a narrow set of external markets—posing additional risks in times of geopolitical or energy price volatility.

The following Table 2 presents the top five export and import partners in 2023, highlighting the asymmetry in trade relations and the prominence of the United States across both flows.

In 2023, Trinidad and Tobago’s import structure revealed strong geographic concentration and a high reliance on service-based imports. The United States remained the dominant source of imported goods and services, accounting for nearly one-quarter (24.9%) of total imports. China followed with 6.2%, while Guyana—reflecting growing regional energy and goods trade—represented 12%. Other key partners included Brazil (3.2%), Canada (2.3%), Japan (2.1%), and Germany (1.7%).

The data also highlight a significant volume of imports that could not be allocated to a specific trading partner. A striking 23.8% of all imports fell under the generic category of “services partners.” This reflects a common statistical limitation: unlike goods, services are not recorded through customs systems and often lack bilateral attribution in official data. Many services—particularly in ICT, finance, and logistics—are delivered digitally or through cross-border corporate arrangements, making it difficult to trace their origin. As a result, large volumes of services trade remain unattributed, appearing in trade statistics as flows without a defined country counterpart. This structural opacity in services trade complicates efforts to evaluate partner dependence and strategic vulnerabilities. Still, the data suggest that the same sectors that dominate the country’s import bill—especially ICT and transport services—are closely linked to global service providers located in advanced economies. Without targeted investment in local service capabilities, this import

structure is likely to persist, reinforcing Trinidad and Tobago’s role as a net consumer of high-value digital and financial services.

Table 2: Top five trading partners in 2023

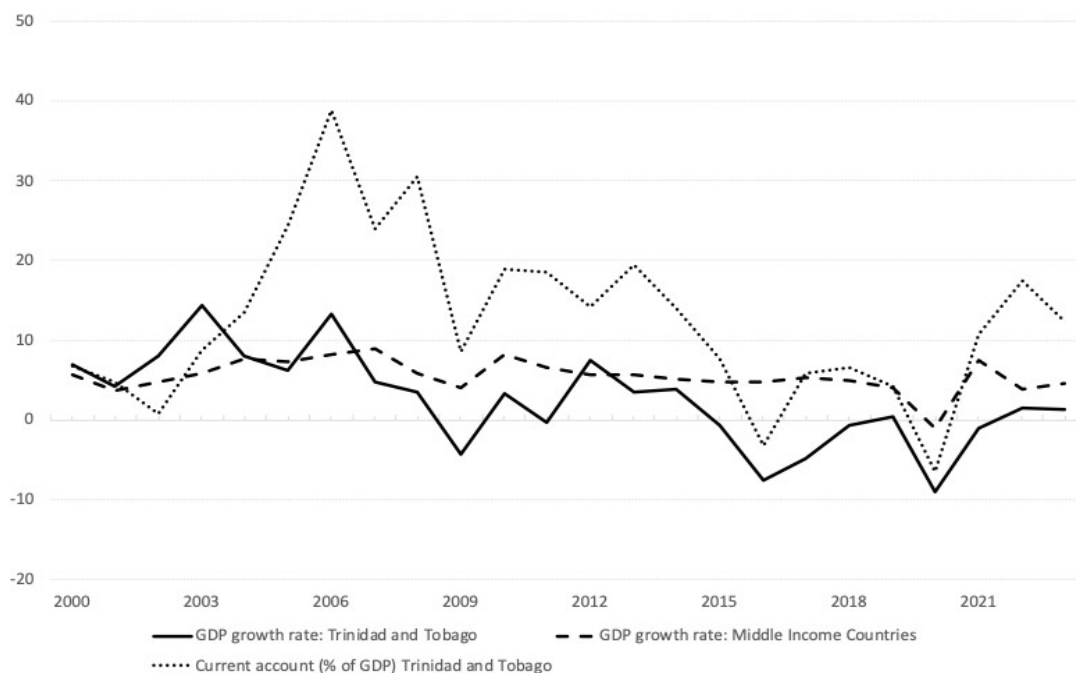
Rank	Country	Share of total Exports (%)	Country	Share of Total Imports (%)
1	United States	24.5	United States	24.9
2	China	5.7	Service Partners (aggregated)	23.8
3	Netherlands	4.1	Guyana	11.9
4	Guyana	4	China	6.1
5	Chile	3.9	Brazil	3.2

Source: The Atlas of Economic Complexity (2025), authors’ presentation.

2.3 Dependency on hydrocarbon prices: macroeconomic implications

Figure 1 shows the co-movement of GDP growth and the current account balance as a share of GDP since 2000. While Trinidad and Tobago experienced growth spurts during the energy price boom of the early 2000s, its growth trajectory has diverged significantly from the average of middle-income countries since the global financial crisis. The dotted line shows the current account, which is tightly linked to the energy export cycle, depicted in Figure 2.

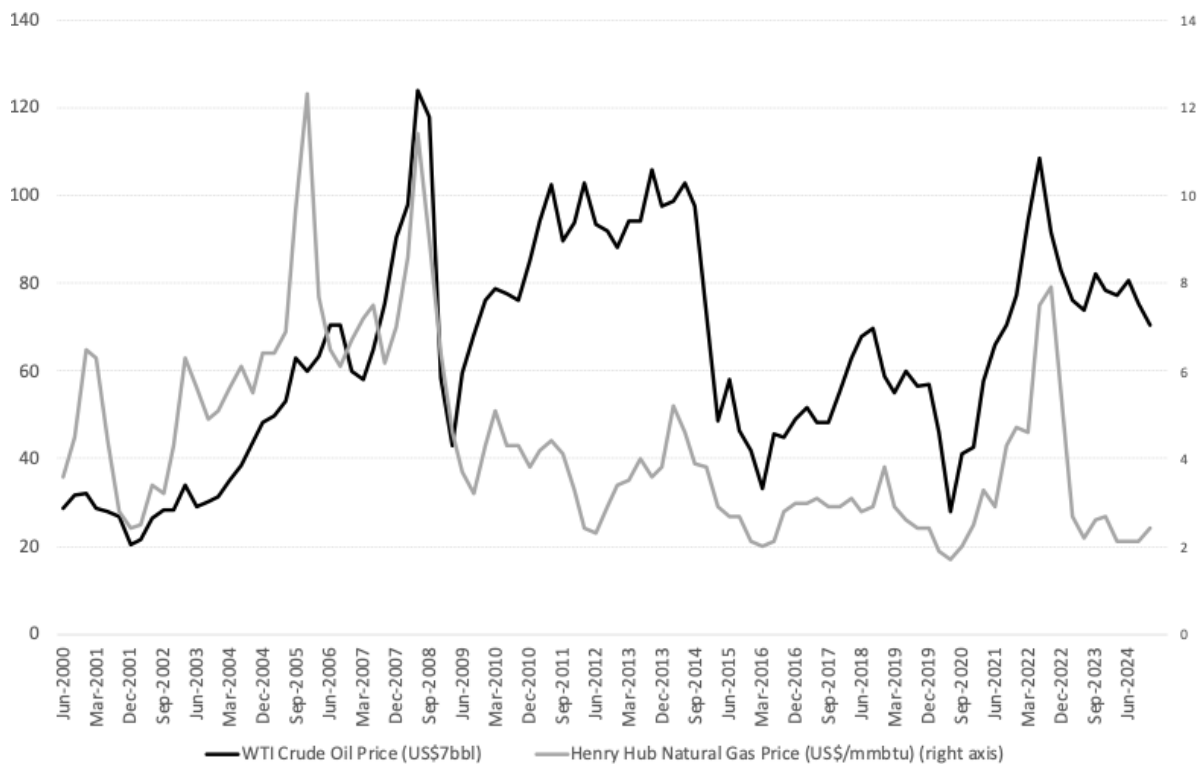
Figure 1: GDP growth rates (in %) and Current Account (in % of GDP)



Source: World Bank (2024), World Development Indicators; authors’ presentation.

Figure 2 reinforces this point by illustrating the volatility of international energy prices over the same period. Both crude oil and natural gas prices exhibit strong cyclical swings, with sharp peaks in the mid-2000s and after 2021, followed by equally dramatic declines. These price movements have directly shaped Trinidad and Tobago’s macroeconomic outcomes, including growth, current account surpluses or deficits, and fiscal space. The figure underscores the structural vulnerability of relying on hydrocarbons: as prices rise, revenues expand temporarily; but as prices fall, the economy contracts—without buffers, diversification, or counter-cyclical policy to break the cycle.

Figure 2: Crude oil and natural gas prices in US dollar



Source: Central Bank Trinidad and Tobago (2024); author’s presentation

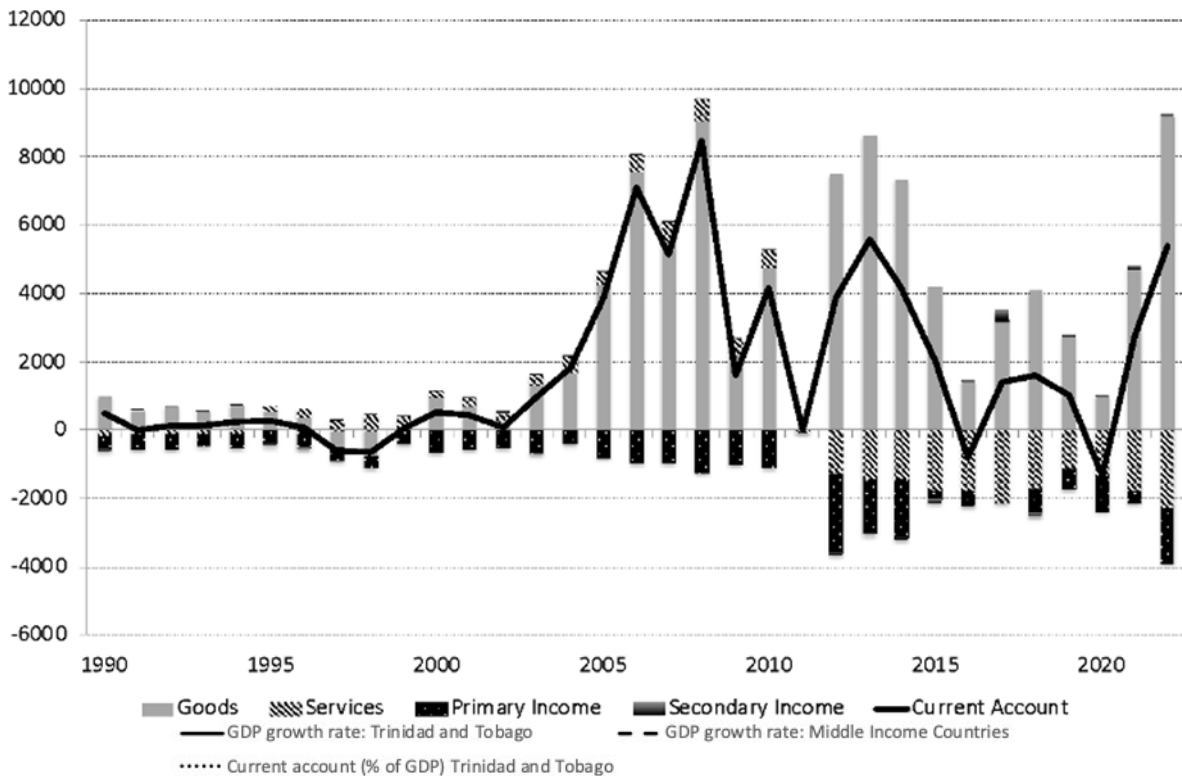
The current account oscillations also highlight the same weaknesses (Figure 3). The components of the current account⁸ remained relatively balanced until the early 2000s.

From then onward, surging net exports of goods, especially during periods of high energy prices, became the main driver of the current account surplus. However, since 2013, the surplus has declined, due to higher outflows of primary income, i.e.

⁸ The current account consists of the trade balance (the difference between exports and imports of goods and services), net primary income (investment income and compensation of employees), and net secondary income (transfers such as remittances and aid). A current account deficit indicates that a country is sending more payments abroad for trade, investment income, and transfers than it is receiving, which must be financed through capital inflows such as foreign investment or borrowing.

the repatriated profits of foreign multinational companies that transfer home their profits, and a deepening services deficit. Trinidad and Tobago has become increasingly dependent on imported services, particularly in ICT (46.6% of service imports in 2023), transport (29.8%), and finance and insurance (19.9%). These deficits reflect not only trade patterns but also the structural weakness of domestic service industries.

Figure 3: GDP growth rates (in %) and Current Account (in % of GDP)



Source: International Monetary Fund (2024) Balance of payments statistics.

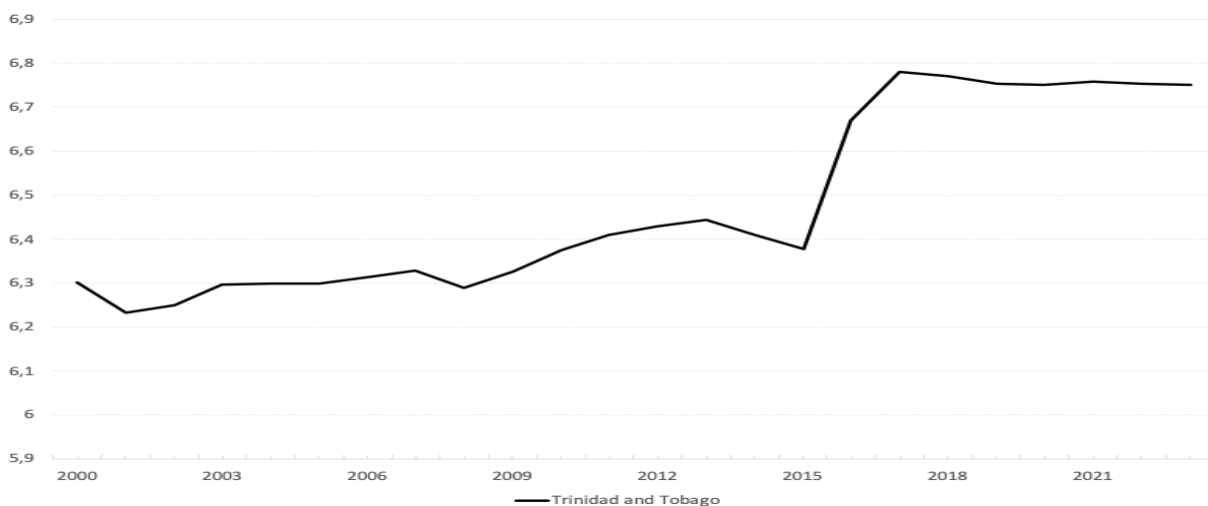
The figures above reveal two fundamental problems in the country's economy. First, the economy's extreme dependence on external rents and imported services. Second, the absence of a counter-cyclical strategy to stabilize growth: when energy prices fall, growth collapses; when prices recover, growth picks up temporarily—only to fade again without structural support. The state takes a largely passive role in the face of this volatility, with no long-term plans to delink national development from the commodity cycle.

2.4 Beyond dependency on oil: fundamental problems in monetary and fiscal policies

The macroeconomic fragilities discussed in the previous section are not just a reflection of external price cycles—they are institutionalized through a set of policy choices that have prioritized short-term stability over long-term transformation. At the core lies the management of the exchange rate. Trinidad and Tobago has maintained a de facto peg to the US dollar (WTO, 2019), which has helped anchor inflation within a given range but has also contributed to persistent real exchange rate overvaluation. This is a classic symptom of Dutch disease: the inflow of foreign currency from oil and gas exports has appreciated the currency, making non-energy exports less competitive and reinforcing import dependence (Hosein et al. 2022). As a result, the tradable non-energy sectors—such as manufacturing and agriculture—have stagnated or declined, while the economy has become increasingly reliant on external supply chains.

Since 2015, chronic foreign exchange shortages have forced the Central Bank to ration US dollars and manage demand administratively rather than through market-based or strategic allocation. Figure 4 shows the evolution of Trinidad and Tobago’s official exchange rate since 2000.

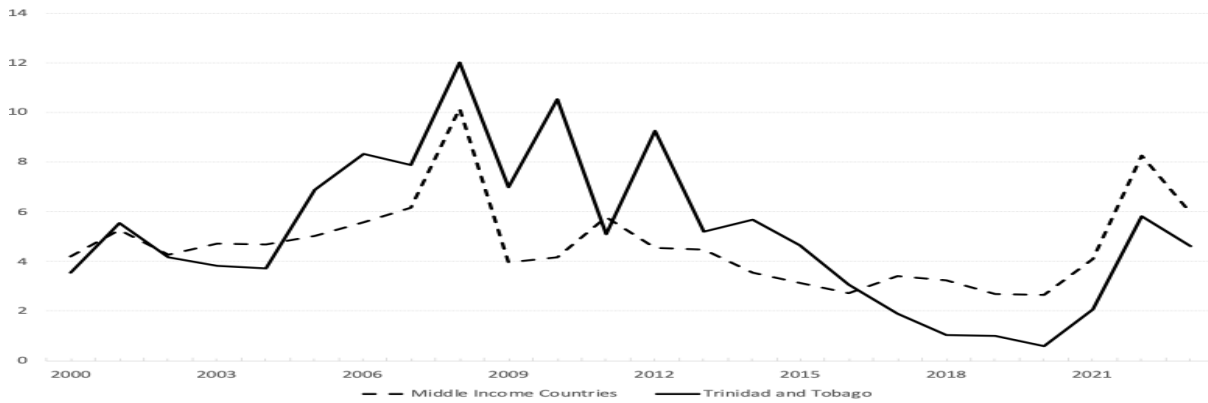
Figure 4: Official exchange rate TT\$, 2000-2023



Source: World Bank (2024), World Development Indicators; authors presentation

After more than a decade of relative stability, the TT\$ was devalued in 2015–2016 and has since been held steady at around 6.75 TT\$/USD. While the 2015–2016 devaluation has helped contain inflation (see Figure 5), the country remains highly exposed to global price shocks due to its dependence on imported goods. The reason inflation has remained relatively low is that an overvalued exchange rate makes imports - especially food and fuel-cheaper, which helps keep overall prices down in the short term.

Figure 5: Inflation rate, 2000-2023

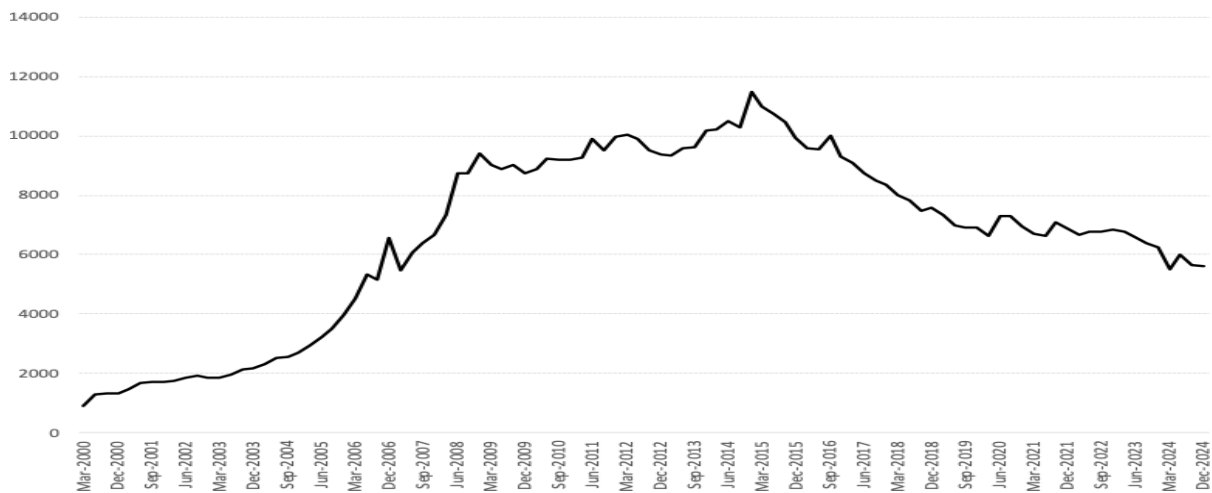


Source: World Bank (2024), World Development Indicators; authors presentation

However, this strategy comes at a cost. To maintain the exchange rate peg, the Central Bank must sell US dollars to meet demand, thereby reducing official reserves. When export earnings fall—as they often do in commodity-dependent economies this approach becomes unsustainable. Meanwhile, the strong currency discourages local production and deepens reliance on imports. This makes the objective of maintaining a target inflation more vulnerable to global disruptions, as seen in the food and fuel prices surges linked to the war in Ukraine.

Official foreign currency reserves have declined steadily, showing that the country is under increasing pressure to manage its external finances (see Figure 6). This situation is made worse by three closely connected issues: a rigid exchange rate, rising inflation, and shrinking reserves. Together, they highlight and deepen existing structural weaknesses in the economy. They also point to key areas for policy intervention: moving toward a more flexible exchange rate regime, boosting foreign exchange earnings beyond oil and gas, and supporting productive diversification to reduce import dependence.

Figure 6: Central Bank of T&T net official reserves in US\$ (million), 2000-2024



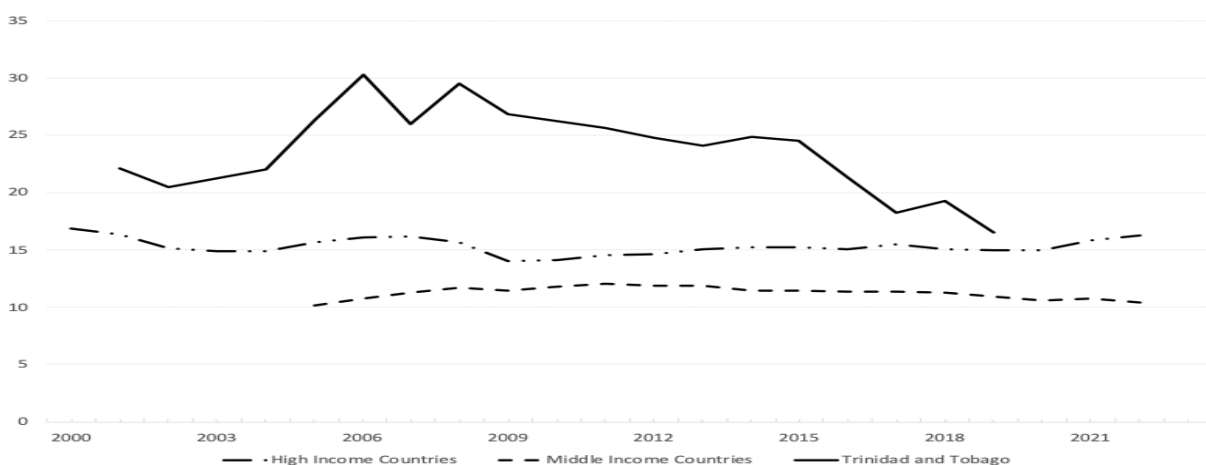
Source: World Bank (2024), World Development Indicators; authors presentation

This configuration of pegged exchange rate, high exposure to global price volatility, and declining official reserves leaves little manoeuvring room for monetary policy. While the current monetary regime has ensured nominal price stability (i.e., moderate inflation), it has also come at the cost of flexibility: the Central Bank’s ability to influence economic growth through interest rate adjustments remains limited. The fixed exchange rate constrains the Central Bank’s ability to respond to economic slowdowns. In difficult times, most central banks would try to lower interest rates or inject money into the economy to encourage borrowing, investment and job creation. But in Trinidad and Tobago, maintaining the exchange rate peg takes priority, which makes it harder to use these tools. Some economists, including Williamson in his discussion of the “impossible trinity,” have argued that small, open economies benefit more from flexible exchange rate regimes, because they allow quicker adjustment to external shocks and give central banks more freedom to act (Williamson, 2000; International Monetary Fund, 2023). In theory, a more flexible regime could help realign the exchange rate with economic realities and support the development of other sectors. However, in practice, flexibility can also lead to instability - especially in countries that depend heavily on imports and lack strong institutions to manage inflation and volatility.

This is the core dilemma: the current approach keeps prices and the exchange rate relatively stable, but it also locks the economy into a pattern that is difficult to change. Because the currency remains overvalued, it becomes harder for local industries outside the energy sector to compete - both at home and abroad. Over time, this discourages investment in other areas of the economy and makes it more difficult to build a more diverse and resilient economic structure.

The approach of the state in relation to fiscal policy displays similar patterns to monetary policy: a narrow focus on certain targets. This has become more apparent in 2014 when following the decline in energy prices, the government revenues collapsed (Figure 7).

Figure 7: Tax revenues in T&T in percent of GDP

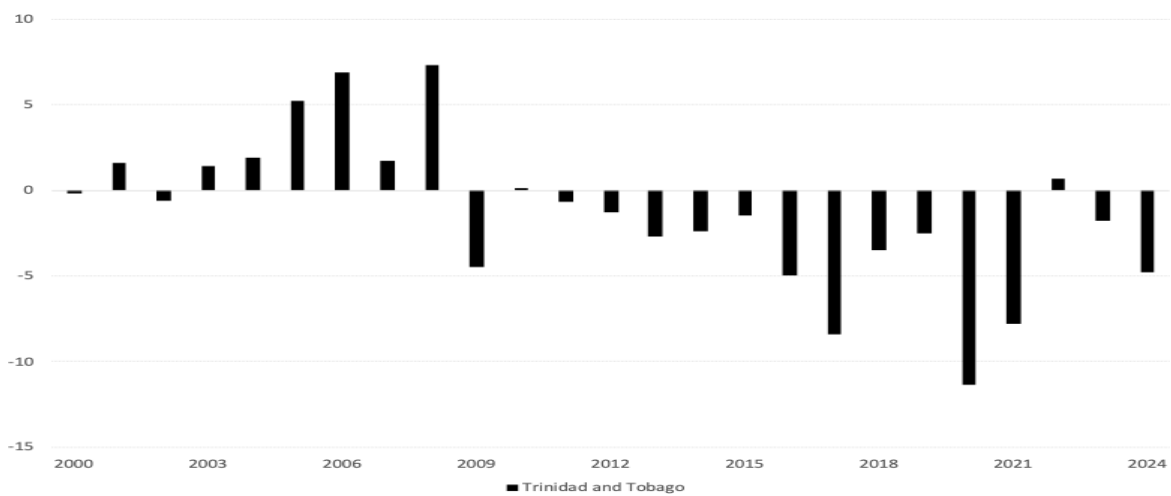


Source: World Bank (2024), World Development Indicators; authors presentation

In response, the state ran sustained deficits and drew heavily on accumulated fiscal buffers (Figure 8). During this period, government debt stood at 53% of GDP in 2023

(Trading Economics, 2024). This comprises both domestic and external obligations, with approximately 65.5% denominated in Trinidad and Tobago dollars and the remaining 34.5% in foreign currencies—primarily US dollars—exposing the country to exchange rate risk (Ministry of Finance, 2024). This external exposure means that a depreciation of the exchange rate would directly increase the cost of debt service, limiting the state’s fiscal flexibility and further constraining its ability to pursue counter-cyclical investment. This risk is one reason why authorities have opted to maintain the exchange rate peg, despite the constraints it imposes on monetary autonomy. The composition of public debt thus reinforces the trade-offs discussed above: monetary and exchange rate policy cannot be considered in isolation from the risks embedded in the structure of external liabilities.

Figure 8: Fiscal balance in Trinidad and Tobago in percent of GDP



Source: Central Bank Trinidad and Tobago (2025)

In this context of declining revenues, rising debt, and limited fiscal space, Trinidad and Tobago’s Heritage and Stabilisation Fund (HSF) became a critical tool for managing fiscal pressures. Originally, it was created to save part of the government’s oil and gas income during boom years, so that money would be available in times of crisis. These savings were invested abroad to prevent overheating the domestic economy and to help control inflation. This design also supported the credibility of the exchange rate peg by limiting the amount of energy revenue circulating at home.

However, since 2015, as energy revenues fell and budget deficits grew, the government began to withdraw money from the fund to finance ongoing public spending (Government of the Republic of Trinidad and Tobago, 2021). Since 2015, the Government of Trinidad and Tobago has periodically withdrawn resources from the Heritage and Stabilisation Fund to help finance budget deficits, particularly during periods of low energy revenues and economic stress (Ministry of Finance, 2021). *The withdrawals were used primarily to maintain regular government spending rather than strategic long-term investment, revealing the extent to which the fund was deployed to stabilize consumption rather than restructure the economy.* Although the HSF was not designed to manage the exchange rate, its structure- keeping most of the money invested overseas - has helped to support economic stability. By not

injecting this money into the domestic economy, the fund helps reduce inflation and protect the fixed exchange rate. In this way the HSF has played two roles: originally as a savings and stabilization mechanism that helped ease inflation and support the exchange rate, and more recently as a source of emergency funding to maintain government operations during a period of falling revenues. (Government of the Republic of Trinidad and Tobago, 2007).

The fiscal problem is exacerbated by the country's limited control over a large share of resource rents. Tax revenues from multinational corporations in the energy sector have been volatile and difficult to predict. One underlying reason is the problem of transfer pricing and intra-company transactions. Multinational energy firms are often vertically integrated and sell intermediate goods—such as natural gas or condensate—between their subsidiaries. These internal transfer prices are not transparent and often do not reflect global market prices (Ministry of Finance, 2022). As a result, the recorded profits in Trinidad and Tobago can be significantly lower than the actual commercial value of exports, reducing the taxable base. This makes it harder for the state to collect a fair share of profits from natural resources, and it adds to the long-term problem of not having enough reliable public revenue. While using the reserves helped the government postpone more severe austerity measures, it also highlighted the lack of a comprehensive strategy for long-term economic adjustment.

Both monetary and fiscal policy in Trinidad and Tobago have been oriented toward short-term stabilization - keeping inflation low, maintaining the exchange rate, and covering recurrent spending—rather than supporting long-term transformation. While monetary policy has aimed to ensure price and currency stability, fiscal policy has been shaped by volatile revenues and reliance on savings, limiting its ability to drive structural change and reduce economic dependence on oil and gas. Without broader reforms—such as industrial policy, local capacity-building, and investment in tradable sectors—these macroeconomic policies will continue to reinforce, rather than resolve, the structural vulnerabilities associated with Dutch disease.

2.5 Foreign Direct Investment: a path to development or a trap?

The limitations of fiscal autonomy outlined above are closely tied to the structure of Trinidad and Tobago's investment regime. Faced with declining public revenues and mounting external liabilities, the state has long relied on Foreign Direct Investment (FDI) not only as a source of capital, but as a core pillar of its industrial and development strategy (as discussed in Chapter 1).

Between 1991 and 2013, FDI inflows were overwhelmingly concentrated in the petroleum sector, which accounted for an average of 91.4% of total FDI during this period, with annual shares ranging from 85.3 to 97.8% (Central Bank of Trinidad and Tobago, 2014).

The country prides itself in a highly liberal investment regime. Under the Foreign Investment Act of 1990, foreign investors may own 100% of the share capital in private companies, with no requirement to form joint ventures or share management control. A license is only required when acquiring more than 30% of a public company. There are no restrictions on profit repatriation or reinvestment, and the judicial system generally respects contract enforcement—though court proceedings are widely regarded as slow. Trinidad and Tobago also maintains a well-developed institutional infrastructure for investment promotion. The state agency InvesTT serves as the primary contact for foreign investors in non-energy sectors, offering facilitation services, aftercare, and policy advocacy. It targets investment in areas such as agriculture, maritime services, creative industries, software development, and manufacturing. Additional tax and duty exemptions are available under the Tourism Development Act of 2001, and the country’s Aid for Trade Strategy identifies clean technology, agri-business, ICT, downstream energy, and tourism as priority areas.

However, despite these promotional efforts, net FDI inflows have remained negative in recent years—US\$ -0.49 billion in 2022 and US\$ -1 billion in 2021 (UNCTAD 2023). As shown in Table 3, the mining and quarrying sector—primarily oil and gas—recorded the highest net outflows (US\$1.3 billion in 2023, with a further US\$ -251 million withdrawn in the first three quarters of 2024). This was followed by manufacturing and financial services (US\$ -166.2 million and US\$ -171.3 million, respectively), while virtually no new investment flowed into other sectors. These figures highlight that foreign direct investment is not only declining, but also narrowly concentrated, offering little support for diversification or broad-based growth.

Table 3: Direct Investment: Net Incurrence of Liabilities (By Sector)/ US\$ Million⁹

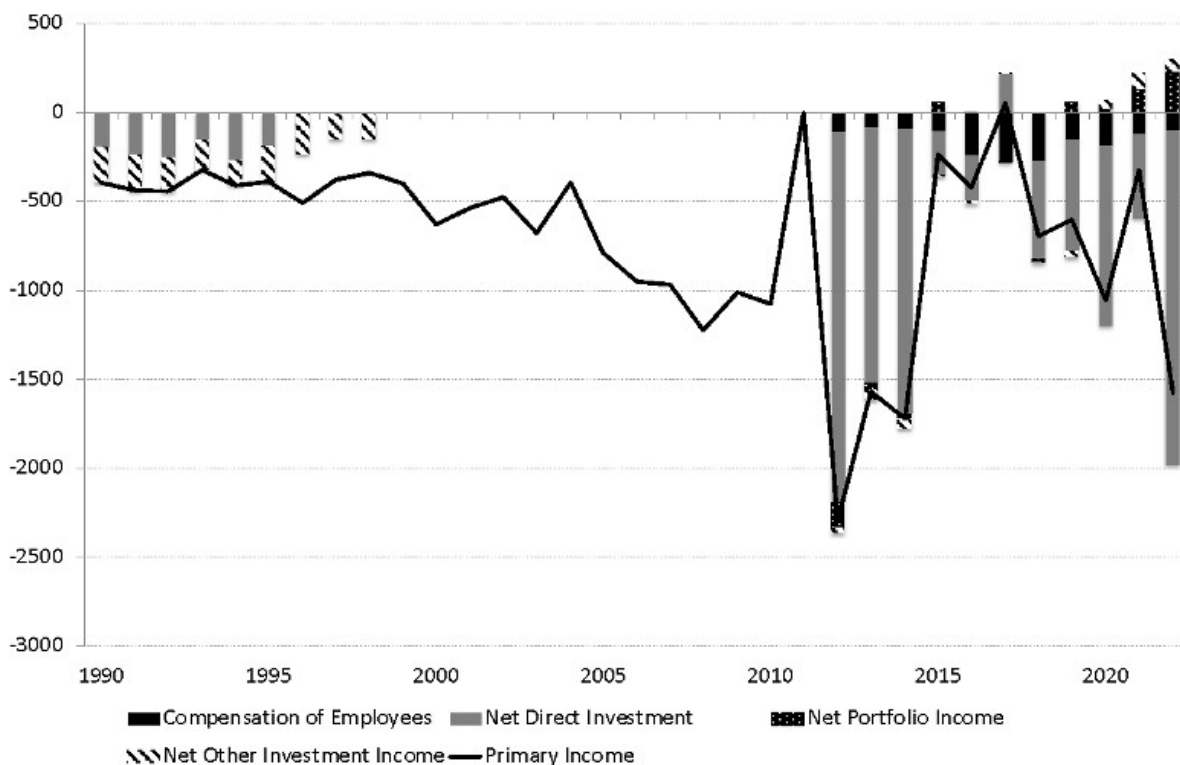
Item	2022	2023	Jan-Sep 2023	Jan-Sep 2024
Mining and Quarrying	-1,102.1	-1,312.4	-743.7	-251.1
Manufacturing	131.8	-412.9	-168.7	-166.2
Wholesale and Retail Trade	-28.3	-14.7	-95.2	-20.0
Financial and Insurance Activities	119.7	180.8	119.5	-171.3
Other Sectors	-34.7	3.8	-1.2	9.4
Total Memorandum Items:	-913.5	-1,555.5	-889.4	-599.2
Energy Sector	-1,091.6	-1,607.6	-825.5	-429.7
Non-Energy Sector	178.0	52.1	-63.9	-169.5

Source: Central Bank Trinidad and Tobago (2025)

⁹ Notes: This table shows net changes (increases less decreases) in direct investment liabilities (direct investment in Trinidad and Tobago). A decrease in liabilities (outflow) is represented with a negative sign. An increase in liabilities (inflow) is represented with a positive sign. “Other sector” include Agriculture, forestry and fishing, Electric power generation, transmission and distribution, Construction, Transportation and storage, Manufacture of gas; Distribution of gaseous fuels through mains, Steam and air conditioning supply, Water supply; sewerage, waste management and remediation activities, Accommodation and food service activities, Information and communication, Real estate activities, Professional, scientific and technical activities, Administrative and support service activities, Public administration and defense; compulsory Social security, Education, Human health and social work activities, Arts, entertainment and recreation and Other service activities.

The primary income outflows—especially repatriated profits by foreign investors—have played a growing role in shaping the current account (Figure 9). A sharp increase in these outflows between 2011 and 2014 was followed by a renewed surge in 2022. While other components such as interest payments and employee compensation remain relatively minor, repatriated earnings from FDI continue to represent a significant leakage from the domestic economy. These outflows illustrate the risks of heavy reliance on foreign ownership: profits are often extracted rather than reinvested, and domestic linkages remain limited. Promoting local ownership—especially in high-import sectors like ICT and transport—could help retain value domestically and reduce external vulnerabilities.

Figure 9: Primary Income and its components, 1990 until 2022



Source: International Monetary Fund (2024) Balance of Payments Statistics

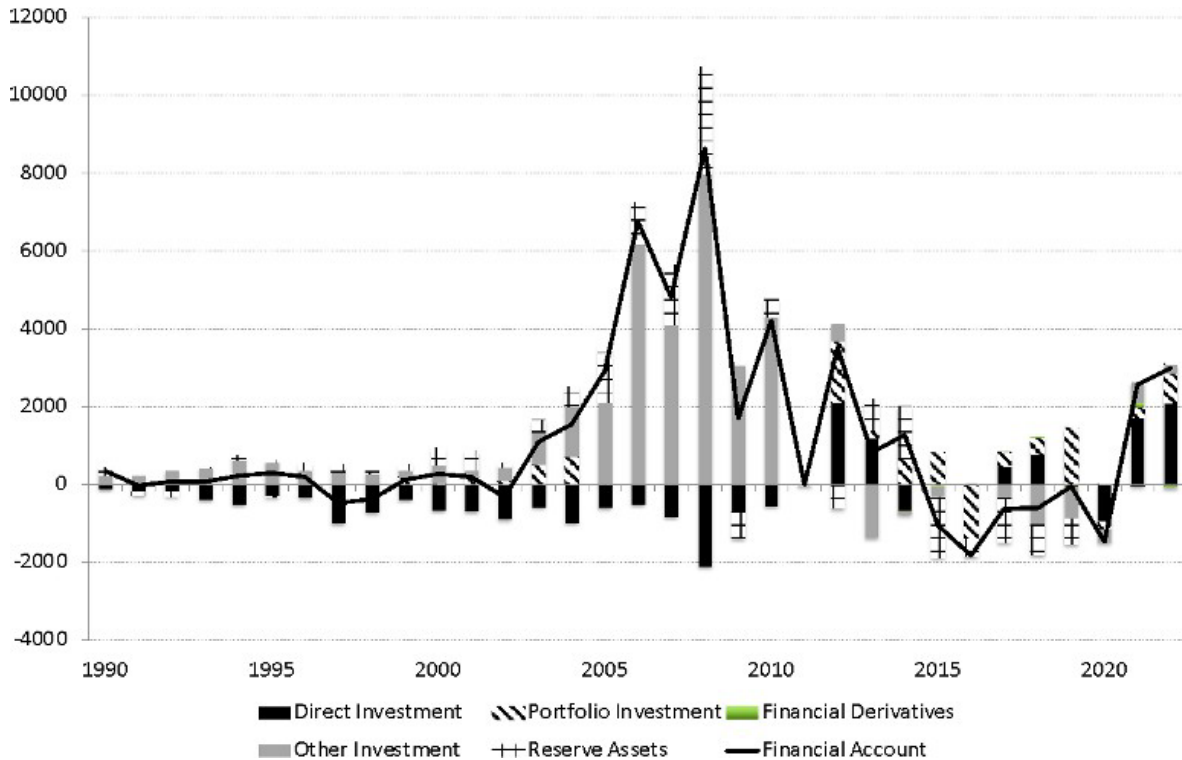
While individual projects—such as the \$180 million solar initiative launched by Shell Renewables Caribbean and Lightsource—demonstrate targeted interest, they remain isolated exceptions. The stock of FDI, estimated at US\$ 8.3 billion in 2022 (roughly 30% of GDP), is still heavily concentrated in hydrocarbons, petrochemicals, and metals. These sectors continue to function as export-oriented enclaves with limited integration into the wider economy.

The composition of the financial account¹⁰ from 1990 to 2022 (10) indicates a surge in other investments, including trade credits and bank loans, likely supported by central

¹⁰ The financial account forms the counterpart to the current account: in accordance with the principle of double-entry bookkeeping, every surplus or deficit on the current account is mirrored by an equivalent movement on the financial side. A current account surplus, for example, implies that the country is a net

bank intervention to limit exchange rate appreciation. Since 2010, the financial account has stabilized, but FDI inflows remained modest until 2013.

Figure 10: Financial Account and its components; 1990 until 2022



Again, even in finance and services, FDI has not translated into developmental gains. The banking sector, for example, is dominated by foreign institutions. While Republic Bank and First Citizens remain domestically controlled—with a government minority stake in the latter—Scotiabank and the Royal Bank of Canada (RBC) hold a significant share of the commercial banking market. RBC re-entered the Trinidadian market in 2008 through its acquisition of RBTT Financial Holdings. Although foreign banks are often viewed as sources of capital and financial stability, their role in domestic development is limited. As Stiglitz and Greenwald (2003, 2014) argue, foreign-owned banks tend to prioritize lending to multinational clients, limiting access to credit for small and medium-sized enterprises (SMEs). These institutions often repatriate profits rather than reinvest locally, and during periods of financial crisis, they have been shown to withdraw capital rather than act as stabilizers. This reinforces capital flight rather than structural upgrading.

These dynamics reflect a broader problem: a liberal, investor-friendly regime does not automatically produce developmentally beneficial outcomes. Despite having few legal or institutional barriers to investment, the actual patterns of FDI reflect the country’s deep structural dependence on extractive industries. Trinidad and Tobago

lender to the rest of the world, while a deficit signals external financing needs. As such, the financial account captures how Trinidad and Tobago’s external position is financed—whether through foreign direct investment, portfolio flows, or other capital movements.

has failed to attract FDI that contributes meaningfully to structural transformation. Instead, investment flows are volatile, driven by external cycles and investor sentiment, concentrated, and disconnected from broader economic goals of structural transformation. Even where FDI has expanded into finance or construction, it has not deepened domestic capabilities or generated significant spillovers.

Rather than focusing narrowly on reversing disinvestment trends, the more fundamental question is: What kind of investment serves Trinidad and Tobago’s long-term development objectives? The current model—legally open, institutionally organized, but economically shallow—suggests that the challenge is not simply to attract foreign capital, but to reshape the terms on which it enters and operates. This includes promoting local ownership, strengthening domestic service industries, and aligning investment with national development strategies.

At the same time, the macroeconomic consequences of the current investment regime are becoming increasingly visible. Persistent outflows of repatriated profits and a growing reliance on imported services have weakened the balance of payments and intensified pressure on international reserves. These dynamics reduce the state’s capacity to defend its exchange rate, meet external debt obligations, and respond to future shocks. In this context, building a more resilient economy will depend not only on rethinking FDI, but also on reducing structural dependence on foreign capital and capturing a greater share of value locally.

2.6 Can the model of public finance (development banks) be an alternative to FDI?

While FDI and trade have shaped the contours of Trinidad and Tobago’s economy, the role of public finance—particularly development banks—remains a critical but often underexplored component of the country’s industrial policy toolkit. In the context of persistent external vulnerabilities, foreign exchange shortages, and limited FDI in productive sectors, development banks are among the few policy instruments available to support targeted investment and structural transformation (Dünhaupt and Herr 2020).

Trinidad and Tobago maintains several state-owned financial institutions with development mandates. The Agricultural Development Bank (ADBTT) provides credit to support food security and economic diversification. It offers loan packages for dairy production, cocoa processing, fisheries, and agri-business security (ADBTT, 2025). Meanwhile, the Export-Import Bank (EXIMBANK) is tasked with improving export competitiveness and alleviating foreign exchange shortages. EXIMBANK also manages the Foreign Exchange Allocation System (FAS), which aims to ensure USD availability for importing critical goods (Eximbank n.d.). In addition, the National Entrepreneurship Development Company (NEDCO) offers small loans to micro-enterprises, aiming to stimulate grassroots entrepreneurship (NEDCO n.d.). The Tobago House of Assembly (2022) has also announced plans for a new Tobago

Development Bank to provide working capital for local businesses. Yet these institutions face significant limitations. Most are undercapitalized and operate on narrow sectoral mandates. Their capacity to finance large-scale industrial upgrading or climate-related infrastructure remains extremely limited. Moreover, the current institutional framework lacks a dedicated green or industrial development bank—despite growing calls for investment in downstream energy sectors, local service industries, and climate-resilient infrastructure.

In this context, development banks tend to function as stop-gap measures to manage short-term foreign exchange constraints rather than long-term structural challenges. For instance, EXIMBANK's role in foreign exchange allocation is a response to ongoing current account imbalances and the erosion of energy export revenues, not a substitute for broader macroeconomic reforms. Similarly, ADBTT's support for agriculture is constrained by the structural effects of Dutch Disease and import competition, as discussed in earlier in this chapter.

These limitations highlight the constrained role that development banks currently play in the country's financial architecture. Rather than acting as engines of structural transformation, they primarily function as reactive tools for managing foreign exchange shortages and sector-specific vulnerabilities. Yet their very presence suggests a latent potential. With renewed public investment, a stronger role, and better coordination with national development goals, these banks could become key actors in promoting industrial upgrading, green infrastructure, and local value creation. Without such reforms, however, they will remain peripheral actors, addressing immediate problems rather than helping to transform the economic model.

In conclusion, the macro-economic analysis in this report highlights the following 16 key problems:

1. Structural Dependence on Fossil Fuels

The economy remains dominated by the hydrocarbon sector, which continues to account for a large share of GDP, exports, and manufacturing value added. This dependence makes the country highly vulnerable to energy price cycles and constrains diversification.

2. Highly Concentrated Export Structure

Exports are dominated by hydrocarbons, chemicals, and metals, while imports are more diversified but reveal a heavy dependence on refined fuels, machinery, vehicles, and services—especially ICT and transport. The export basket reflects upstream extraction with weak downstream capacity.

3. Geographic Concentration of Trade Partners

Trade is concentrated in a small number of countries—particularly the United States—making the economy more vulnerable to external shocks or geopolitical shifts. Services trade data is further obscured by statistical limitations, especially in ICT and finance.

4. Exposure to Energy Price Volatility

Economic growth, the current account, and fiscal performance are tightly linked to energy prices. Booms bring temporary surpluses and growth; busts lead to contraction, without effective counter-cyclical stabilization.

5. Persistent Services Trade Deficit and Weak Domestic Capabilities

The growing import bill for services—especially ICT, transport, and finance—reflects structural weaknesses in local service provision. This undermines the current account and deepens technological and institutional dependency.

6. Lack of Counter-Cyclical Macroeconomic Strategy

The state responds passively to boom-bust cycles in energy markets. There is no long-term plan to break the link between growth and commodity exports, leaving the economy exposed to repeated shocks.

7. Overvalued Exchange Rate and Dutch Disease Effects

The fixed exchange rate has supported inflation stability but discouraged non-energy exports, reinforcing import dependence and deindustrialization. Dutch disease effects remain entrenched.

8. Foreign Exchange Shortages and Reserve Depletion

Chronic FX shortages since 2015 have forced the Central Bank to ration foreign currency. Reserves have declined, limiting the state's ability to defend the currency and respond to external shocks.

9. Weak Monetary Autonomy

The fixed exchange rate limits the Central Bank's ability to use monetary tools to stimulate growth or respond to downturns. The trade-off between stability and flexibility has narrowed the space for macroeconomic management.

10. External Debt Exposure and Fiscal Rigidity

A significant portion of public debt is denominated in foreign currency, exposing the state to exchange rate risk. Fiscal flexibility is further constrained by the need to preserve the exchange rate peg and service debt.

11. Drawdown of the Heritage and Stabilisation Fund (HSF)

The HSF has been used to finance recurrent spending rather than long-term investment. While it has helped stabilize public finances, its depletion has weakened the country's external position.

12. Limited Tax Revenue from the Energy Sector

Transfer pricing and intra-firm trade reduce the taxable base. Multinational firms often report low profits domestically despite high export values, undermining the state's ability to capture resource rents.

13. Short-Term Fiscal Orientation

Fiscal policy has prioritized consumption and stabilization over investment and transformation. Spending has remained pro-cyclical, with few mechanisms to support long-term diversification.

14. Highly Liberal but Economically Shallow FDI Regime

Although legal and institutional barriers to FDI are low, inflows have been concentrated in extractives and finance, with minimal contribution to industrial upgrading, diversification, or technology transfer.

15. Negative Net FDI and Profit Repatriation

In recent years, FDI outflows have exceeded inflows, and repatriated profits have become a growing drain on the current account. Foreign ownership has not translated into reinvestment or domestic value retention.

16. Underdeveloped Role of Development Banks

Development banks exist but are underfunded, fragmented, and narrowly focused. They function as stop-gap mechanisms for foreign exchange allocation or sector-specific support rather than drivers of structural change.

3. Just transition debate: contestation of visions and policies

3.1 The Government's 2020 Draft Just Transition Policy: exacerbating the crisis of the developmental model in Trinidad and Tobago

In 2020 the government of Trinidad and Tobago led by then Prime Minister Dr. Keith Rowley developed a Just Transition Draft Policy for an Equitable Low Carbon Future for Trinidad and Tobago (*2020 Draft Policy*).

The *2020 Draft Policy* amounts to a “structural adjustment program,” packaged with ecological concerns, particularly the urgent need to address climate change. It used this sense of urgency to advance further privatization, commodification and liberalization of key sectors of the economy, but also to exclude workers and their organisations from a critical policy debate that has enormous impact on them and the society as a whole.

Overall, the tone of the *2020 Draft Policy* is to present T&T as a country that is too dependent on the state-owned companies and particularly oil and gas echoing the decades long neoliberal orthodoxy of the International Monetary Fund and World Bank.

At that time the *2020 Draft Policy* asserted that: “Globally, oil and gas-dependent countries are embarking on an energy transition process,” and that there is a “global trend towards decarbonization”, the data from that period shows that oil and gas-dependent countries continue to import oil and gas at record or near-record levels. Oil consumption in early 2015 was 95 million b/d. By late 2019 it surpassed 100 million b/d—an increase of over 5.2%. The 2020 Draft Policy claimed that the trend towards economies’ decarbonization will lead to “lower demand for oil and gas and lower prices.” There is no evidence to support the claim that economies’ are decarbonizing, which means that, until now, decarbonization commitments made under the Paris Agreement have thus far had no noticeable impact either on energy demand or on prices.

In terms of the future, the *2020 Draft Policy* suggests that national commitments made under the Paris Agreement mean that oil and gas consumption will decline and prices will fall. In other words, political commitments are expected to impede the rise of both energy use and emissions levels. But there are few signs that decarbonization policies are significantly altering energy consumption. However, according to the analysis of energy sector unions, like Oilfields Workers’ Trade Union (OWTU), the current low prices for oil and gas can be explained by two factors, namely, the global price war of 2019 and the economic impacts of the COVID pandemic, 2020-2021.

It is indisputable that globally, the electrical power sector is undergoing a series of important changes. Modern renewable energy—principally wind and solar—is growing rapidly. In 2020, nearly 200GW of net wind and solar capacity was installed globally. But in terms of installed capacity, the growth of renewable energy has been struggling

to keep pace with the rising demand for electricity (which, prior to the COVID19 pandemic, had normally averaged between 2% and 3% per year). According to the International Energy Agency, in 2024, wind and solar together generated about 15% of the world's electricity and are expected to reach almost 20% by 2026 (IEA, 2025). It is true that the *proportion* of renewable energy generation in the power sector is increasing. However, the continuing rise of overall *demand* for electricity means that year-on-year increases in the share of that demand met by renewables have been marginal.

The *2020 Draft Policy* states that, “The trend of global investment in renewable energy is increasing.” but Bloomberg New Energy Finance report (2021) had reported that \$303.5 billion was invested in new projects and small-scale systems in 2020, a 2% increase over 2019. Therefore the leading assumptions which the *2020 Draft Report* is based on, unfortunately does not hold. And yet, the Rowley led government began implementing a form of transition by removing fuel subsidies which already started producing negative and regressive social outcomes such as the rise in unemployment and violent crime. These are a continuation of policy measures which seeks to reorganize the state in the function of an even more “business-friendly”, profit driven agenda where the focus on the environment is used as a means to attract private investment from outside T&T and extract wealth from the ordinary people. Already, over the last ten years the same government policies have led to the closure of the steel plant, the refinery, petrochemical plants, the manufacturing plants, and more than 20,000 people have lost their jobs. The unilateral process of restructuring other state enterprises under the guise of preparation for climate change, was in fact used to open up these strategic economic units to private operators driven solely by a profit-maximisation motive, as well as to weaken trade unions and terminate the collective agreements, which were some of the most progressive ones. In other words, these restructuring exercises serve a double purpose: opening up key sectors for profit extraction whilst weakening any forces of resistance. The so-called green economy, and green jobs were becoming nothing more than a precarious economy and precarious jobs. Similar to the earlier wave of structural adjustment programmes, the Rowley government showed full disregard for those affected by restructuring. Indeed, there were no announcements of any measures to mitigate the social impact of the energy transition - a key measure in determining whether the thrust towards a Just Transition is indeed expected to be just.

Following the April 28, 2025 general elections a new government has come to power. The new government's first priority should be gathering some more updated statistics on GHG emissions. Precise and accurate research should be done, to gather the necessary data for tackling such a big goal as reducing our CO2 emissions as well as the effect on workers, the most vulnerable communities and society as a whole.

3.2 Just transition: workers' views and involvement

Trade unions recognise that climate change is real, particularly impacting smaller island states. They understand that a carbon reduction strategy needs to be developed to deal with the high emissions from the power generation, transportation, and industrial sectors. The reduction of T&T's share to global emission - from 0,11% (2017) to 0.10% (2019) is a step in the right direction. It is important, however, to ensure that workers and their organisations are involved in a meaningful way in policy debates which affect their lives and the livelihoods of communities.

To get a sense of the state of workers' views and involvement in the just transition debates, the research team conducted a survey with workers across various sectors during the period June-September 2024. Respondents came primarily from construction, energy, transport, and public services, with most in full-time employment but a significant minority in contract, informal, or precarious jobs. Although limited (61 respondents), the survey provides important insights into workers' awareness, concerns, and hopes about the energy transition.

Overall, the survey shows that workers are rather unfamiliar with the just transition concept. Thus, nearly half (47.5%) of respondents were reportedly not familiar at all and a slightly higher share (14.8) indicated some familiarity. Only a small fraction (8.2%) indicated high familiarity with the concept.

To a great extent, this is due to limited exposure to the discussions and consultation about just transition. Thus, only slightly more than one in four (26.2%) respondents have participated in training or awareness activities on just transition. Among these, a small share (27.5%) reported that the activities were organized by trade unions and even a smaller share (12.5%) pointed to such activities organised by employers. Government-organised activities were reported only by 1.6% of respondents. Similarly, the survey also attempted to capture workers' views about consultations about just transition between the main just transition actors. These views varied from meaningful discussions between trade unions, management, and employees (30%) to no consultations at all (27.7%). The most dominant views between these two positions included: real consultations between the government and trade unions (7.7%); some form of consultation (6.2%) and real consultations between the management and trade unions (4.6%).

The workers' views of consultation become even clearer when workers are asked about their concerns with the way transition is implemented in their sector. The most dominant concerns are "trade unions having little power to affect the direction of just transition" as reported by nearly half (49.2% of respondents) and "lack of discussions about what will happen to workers who will lose their jobs" indicated by more than two in five (42.6%) respondents. Other commonly cited concerns include "lack of policies about support packages for workers who lose their jobs and their families" (36.1%); "lack of policies about training workers to get other jobs" (27.9%); "lack of policies about alternative jobs" (27.9%); and "precarious/contract workers are not considered in the process of consultations" (21.3%). Overall, the findings suggest that

many workers feel left out of critical conversations, contributing to a sense of uncertainty and exclusion.

Despite limited awareness about the concept and limited consultations, workers have their own ideas of what a just transition should look like. Thus, a substantial share (37.9%) said it was about “protecting jobs and wages so as to maintain and create quality jobs, ensure fair wages, and support affected workers and their families.” Slightly over one in three (34.8%) pointed to “inclusive policy making, that is engaging workers, employers, and governments in crafting policies for job retraining, social protections, and new economic opportunities.” This was followed by “a fair shift to sustainability, a process of ensuring eco-friendly practices respect the needs and rights of affected workers, communities, and industries” (15.2%).

Workers also listed what they considered the main priorities of just transition. The most common priorities included “better working conditions” (73.8%) and “safer workplaces” (62.3%). Interestingly, more than half (58%) of respondents prioritised “more respect for nature, including the right to stop production if it pollutes the environment outside the workplace”; over 40% prioritise “more time for family life and other activities” and around 20% “shorter working hours”.

Finally, the survey provides important insights on worker awareness and ideas of what needs to change in their workplaces. Nearly half (45.9%) of respondents stated the “need to transition to more sustainable materials or production methods”. The next most commonly cited change was the “need to transition to more sustainable energy sources” (16.2%); “a need for significant restructuring” (8.2%); and “a need to transition to other materials or modes of production” (3.3%).

Taken together, workers’ ideas and priorities of just transition and what needs to change at the workplace suggest that workers are aware of the need for transition. What is often portrayed as a dilemma or contradiction between labour and environment may be less significant than argued. The survey insights also suggest that workers possess a level of knowledge and understanding of production processes that can be of critical importance in the process of just transition. Addressing workers’ concerns, hopes and what they consider priority would require inclusive policy-making and structured consultation processes to ensure a fair and effective transition.

3.3 Just transition: views of experts from various disciplines

Important reflections about a just transition are also provided by interviews with nine key informants, which included academics from various fields, union leaders, and former government officials. Taken together, their insights provide a nuanced understanding of the Caribbean's distinctive vulnerabilities and opportunities, helping to chart a just transition that balances environmental, economic, and social priorities.

The discussions revealed that the concept of a just transition, while widely acknowledged as critical, requires careful and deliberate execution to truly benefit all segments of society. The insights provided by these interviews emphasize several fundamental pillars that must guide this transition, most notably strategic planning, robust governance, quality public education, training and retraining, as well as active involvement of all relevant stakeholders, particularly trade unions.

Strategic Planning emerged as a crucial element, as the transition from a hydrocarbon-dependent economy to a more sustainable one involves complex economic, social, and environmental considerations. The informants highlighted the necessity of a well-defined roadmap that not only addresses the immediate impacts of the transition but also anticipates future challenges and opportunities. This included diversifying the economy, investing in renewable energy, and ensuring that the transition is inclusive and equitable.

Good Governance was mentioned as equally essential, with a clear call for transparency, accountability, and the need to combat corruption, particularly in the management of energy resources and the implementation of transition policies. It was suggested that without strong governance frameworks, the benefits of the transition could be unevenly distributed, potentially exacerbating existing inequalities. Informants emphasised the need for policies that are not only well-intentioned but also effectively implemented, with mechanisms in place to monitor progress and make adjustments as needed.

Quality public education, training and retraining was deemed key to a just transition. The public must be well-informed and engaged. This involved not only raising awareness about the impacts of climate change and the necessity of the transition but also providing education and training to equip the workforce with the skills needed for new industries. Educational institutions, from primary schools to universities, along with community organizations, must be mobilized to foster a culture of sustainability and resilience.

Involvement, particularly of trade unions, was highlighted as critical to ensuring that the transition is truly just. The informants pointed out that workers, who are often the most directly affected by economic shifts, must have a voice in the process. This included incorporating just transition provisions into collective bargaining agreements and ensuring that worker protections are a central component of any transition plan. Trade unions and other worker organizations were seen as vital partners in both advocating for and implementing policies that protect jobs and

support workers in acquiring new skills. It should be emphasized that workers from the level of the shop floor must be included from as early as the planning stages.

As Trinidad and Tobago moves forward with its just transition, it is clear that a concerted and coordinated effort will be required. Policymakers must strive to align ambitious goals with the practical realities on the ground, ensuring that the transition does not leave anyone behind. The transition must be managed in such a way that the economic, social, and environmental benefits are equitably shared across all sectors of society. This meant paying special attention to vulnerable groups, including low-income communities, small businesses, and those employed in traditional industries that may be adversely affected by the shift to a low-carbon economy.

From the interviews it was clear that the path to a just transition in Trinidad and Tobago, while fraught with challenges, was also rich with opportunities. By adhering to these principles and aligning policy goals with practical realities, Trinidad and Tobago can navigate this transition successfully, ensuring that the benefits of a sustainable and prosperous future are equitably shared across all segments of society.

4. An alternative development model centred on people and nature: guiding

This section proposes a number of policy proposals (at various time frames) for a dynamic industrial policy, which seeks to transform the developmental path of Trinidad and Tobago. Rather than an exhaustive list, the proposed policy measures aim to open a debate in the labour movement and among progressive groups on how to collectively shape a transformative socio-ecological transition for T&T. These proposals are guided by the following principles and long-term policy objectives:

- Public ownership of energy for transformative just transition. Beyond state-ownership, ‘public’ means democratic control and decision making of those economic units and services that are critical to our society;
- Expansion and strengthening of social infrastructure and public services to ensure universal access and protection: health and care services, education, energy, transport, water, utilities, social protection schemes and others;
- Transforming production processes of key sectors of the economy to allow nature to regenerate (extractivism, agriculture, tourism, water usage, contamination);
- Development of new industries and alternative export structure guided by the need for socially useful products that could be produced with the knowledge and skills of workers in the energy sector and other sectors while being mindful of the environmental impacts required in the production process of these new products: solar panels, wind turbines, public transport vehicles and bicycles instead of cars, and others;

- Open and meaningful debates about technologies promising quick technical fixes and the technical unresolved problems with those technologies;
- Full compliance with international labour standards to ensure effective recognition and application of fundamental workers' rights (the right to organise and collective bargaining, and the right to strike) as a cornerstone to democratic and equal societies; and
- Deep and meaningful engagement of workers and their organisations as well as other social movements (environmental, farmers etc.) in the development and implementation of any energy transition plans at various levels. Workers' ideas and knowledge about how production processes can be transformed as well as their aspirations about relation to nature, shorter working hours and more time for family and community should guide the policies for socio-ecological transformations.

The rest of the Chapter, expands on the policy proposals in the two main areas of this report, which are critical to a dynamic industrial policy: the energy sector and macro-economic analysis.

4.1 Energy sector: short to medium term policy proposals

Energy Infrastructure:

- To establish a new public renewable building programme under the Trinidad Generation Unlimited company anchored by a rapid solar deployment programme of 500MW from 2025 to 2027. The programme should focus on building a portfolio of projects ranging from small scale systems on critical public infrastructure such as schools, municipal buildings, hospitals as well as large scale utility systems on suitable public land sites.
- To establish a fund to develop several publicly owned pilot initiatives developing alternative downstream agricultural production under a joint partnership between the Ministry of Agriculture, Land and Fisheries and the Ministry of Energy and Energy Industries. Over a 3 year period the initiative should produce an economic assessment of the investment needed to upscale production, market analysis for domestic and international consumers, as well as detailing the employment potential of the sector.
- Conduct a publicly commissioned feasibility study to conduct a resource mapping exercise for high wind energy potential sites in the territory including near-Offshore sites in coastal areas in close proximity to existing transmission infrastructure.
- To re-open the Pointe-à-Pierre Refinery under majority state ownership with the trade union as a critical partner in the control, management and operations. By maintaining majority state ownership, the country can ensure a balance between profitability with the need for affordable energy, domestically can be struck, acknowledging that gas-to-power will remain a key feature of local energy consumption in the medium term.

Policy Reform:

- Initiate a medium-term policy aimed at vertically re-integrating the electricity sector by consolidating generation, transmission, and distribution operations under a single, state-owned enterprise. This restructuring will necessitate a comprehensive overhaul of the electricity pricing regulatory framework, including a revaluation of the revenue model for electricity provision. The revised approach should strike a fair balance between public funding through progressive taxation and adjusted equitable tariff rates, ensuring that electricity remains affordable for the working class while generating sufficient revenue to maintain operations and support critical infrastructure development. It will also include strengthening the transmission and distribution infrastructure to guarantee a reliable, sustainable and affordable supply of electricity.
- Develop a process to revise and update the 2011 Framework for Development of Renewable Energy in Trinidad and Tobago, incorporating an up-to-date techno-economic assessment of current renewable energy technologies. This process should also include a comparative analysis of the cost implications of future infrastructure development under both public and private ownership models.
- The workforce to staff the new public renewable programme should be employed under a public works programme which provides clear and specific avenues for existing workers in the Oil & Gas sector to gain entry.
- A permanent body should be set up to look at the sectors in which development should take place. The body should look at where there are other areas/sectors.
- Since there are now major problems with crime and inequality, it is very important to promote and formalise small and medium-sized enterprises to involve all sections of society.

Education, Research and Development:

- To establish a joint-regional Caribbean research initiative spearheaded by the University of the West Indies (UWI), focused on transferring key strategic clean technologies over the next decade to improve the localisation of the associated value chains. The research program should prioritise collaborative innovation with local industries, and be supported by Global North states financially, and through technology transfer and skills training commitments are genuinely economically beneficial for the region.
- Public investment should also be directed to technical and vocational programmes to improve the skills base for prospective workers in the new emerging industries. These programmes could be linked directly to work placements in the public works initiative.

New Finance Initiatives:

- The national government should engage with the Central Bank of Trinidad and Tobago to explore the possibility of issuing low interest bearing Green Bonds to directly finance the short term renewable build programme. A further plan is required to discuss options for a debt relief package to resolve the debt crisis plaguing the Trinidad and Tobago Electricity Commission to enable operational reconsolidation.

- Establish a Sovereign Wealth Fund targeted at financing the country's energy transition as well as ensuring low interest bearing capital is available to support publicly owned domestic gas refinement. Leveraging a specified portion of the revenue from the fossil fuel sector. This Fund could provide critical investments in renewable energy infrastructure, energy efficiency projects, education and research initiatives and to support the early development of new sustainable industries .
- Establish a Development Bank, that can also support Small and Medium Enterprises

International Cooperation Initiatives:

- In preparation for the launch of this initiative the government of Trinidad and Tobago should seek audience with the diplomatic missions of the People's Republic of China to invite solar original equipment manufacturers to discuss the possibility of establishing a local solar module assembly manufacturing facility in the country, appreciating the potential for future exports to the Caribbean and South America.
- Re-double regional diplomatic efforts to encourage neighbouring states to refine their natural gas products in Trinidad and Tobago.

4.2 Macro-economic policy proposals for a dynamic industrial policy: medium to long term proposal

The following policy proposals build on the macroeconomic problems analysed in Chapter 2.

- ***Diversification and Industrial Policy***

Promote structural diversification beyond hydrocarbons by identifying and supporting a small number of priority non-energy sectors. This will require targeted procurement policies, sector-specific investment incentives, and stronger enforcement of local content rules to ensure domestic firms capture value. Skills training and reskilling programmes should be aligned with these priorities, creating alternative employment pathways for workers from the energy sector. State owned companies can play a critical role in this process.

Here, the creation of economic clusters is a critical part of a dynamic industrial policy because they develop synergies or positive external effects. However, there are a number of conditions for their success. First, there is a need for solid networks of different players such as firms, trade unions and employers' associations, research institutes and universities, government departments and even civil society organisations. Such a network plays an important role in creating and disseminating knowledge and innovations. The research activities of the companies reinforce each other through joint research or informal information flows. Second, a pool of skilled labour is important. Third, clusters can only succeed if there is sufficient demand for their products. Therefore, public procurement can play a key role in strengthening the

demand for selected sectors. Governments can also support marketing activities abroad and help find new export channels. Finally, such networks are promoted by industrial policy measures ranging from specific training to transport and information infrastructure. In a selective way foreign direct investment can play a positive role in clusters. In the ideal case foreign direct investment takes the form of joint ventures and has to follow local content rules. Foreign capital should not dominate a cluster. Trade unions can play a positive role in existing economic clusters as well. They can influence, for example, the scope of further training for employees. And they can influence the direction and intensity of innovation, for example by setting up round tables to discuss the general development of the cluster or parts of it. Economic structural changes should be discussed and managed with trade unions. Trade unions can also play an important role in monitoring whether government support for clusters is going in the right direction and not being wasted.

- ***Export Structure and Market Dependence***

Expand the export basket by linking natural gas allocation and pricing to downstream value-added industries, while using EXIMBANK export finance to support firms entering new regional and global markets. At the same time, reduce the dependence on imported services by building local ICT, transport, and finance capacities. An annual Energy and Diversification Report should be published to track progress and reduce geographic concentration in trade partners. Current account deficits should be avoided.

- ***Counter-Cyclical Macroeconomic Strategy***

Introduce a fiscal rule based on a structural balance approach, with hard-wired mechanisms for saving windfall energy revenues in the Heritage and Stabilisation Fund (HSF). The HSF should be restructured into two windows—stabilisation and intergenerational savings—with clear withdrawal rules. This will help smooth expenditure, insulate the budget from energy price shocks, and reduce pro-cyclicality in fiscal policy.

- ***Exchange Rate and Dutch Disease***

Gradually move toward a more flexible exchange-rate regime, such as a managed float with bands, to reduce chronic overvaluation and allow the central bank greater monetary autonomy. This should be complemented by targeted support for non-energy exporters and tradable sectors, ensuring that exchange rate adjustments strengthen competitiveness and encourage diversification.

- ***Foreign Exchange and Reserves***

Address chronic foreign exchange shortages by linking EXIMBANK financing more directly to firms that earn or save foreign exchange. This should be tied to measurable export or import-substitution outcomes, thereby easing reserve pressure while supporting domestic production. Push for current account surpluses to increase foreign reserves.

- ***Resource Rent Capture***

Close transfer-pricing loopholes and strengthen revenue collection from multinational energy companies through mandatory project-by-project reporting, reference pricing for intra-firm trade, and the creation of a specialist audit unit. This will secure a larger and more stable tax base from the energy sector. Strengthen state owned companies in the field.

- ***Fiscal Orientation***

Reorient fiscal policy from consumption-driven stabilisation toward long-term transformation by prioritising public investment in tradable sectors and infrastructure. Tax incentives and concessions should be redesigned with sunset clauses and linked to clear performance indicators, ensuring they deliver domestic value before being renewed.

- ***Foreign Direct Investment Regime***

Replace the open-door investment approach with performance-based contracts that tie investor benefits to local training, reinvestment, and procurement requirements. Establish a dedicated Investment Contracts Office to negotiate, monitor, and enforce these agreements, ensuring FDI contributes to structural transformation rather than profit extraction. Support or enforce joint ventures. Close certain areas for FDI, for example real estate or finance.

- ***Repatriation of Profits***

Develop mechanisms to encourage reinvestment of profits in the domestic economy, such as preferential tax treatment for retained earnings. Promote local ownership in high-value service sectors, including ICT and transport, to reduce outflows from profit repatriation.

- ***Development Banking***

Upgrade and capitalise existing state-owned financial institutions into a consolidated Industrial and Green Development Bank. This institution should finance diversification, renewable energy, and climate-resilient infrastructure while providing long-term credit for SMEs. All financing should be conditional on training and technology transfer, ensuring domestic capability-building.

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Annex

Table A1: Exports and Imports of goods and services, 2023

	Exports Share	Import Share
Transport	4.02	7.08
Travel & Tourism	3.95	0.88
Insurance & Finance	1.45	4.72
ICT	1.3	11.08
Minerals	37.9	14.37
Chemicals	30.34	8.09
Metals	7.45	4.84
Agriculture	5.97	13.07
Other	4.46	2.68
Machinery	1.37	11.31
Vehicles	0.59	15.28
Electronics	0.49	3.5
Stone	0.35	0.9
Textiles	0.35	2.18

Source: Table reproduced from ILO Department of Statistics (2023: 6).

Table A2: Top five trading partners in 2023

Rank	Country	Share of total Exports (%)	Country	Share of Total Imports (%)
1	United States	24.5	United States	24.9
2	China	5.7	Service Partners (aggregated)	23.8
3	Netherlands	4.1	Guyana	11.9
4	Guyana	4	China	6.1
5	Chile	3.9	Brazil	3.2

Source: The Atlas of Economic Complexity (2025), authors' presentation.

Table A3: Direct Investment: Net Incurrence of Liabilities (By Sector)/ US\$ Million²⁰

Item	2022	2023	Jan-Sep 2023	Jan-Sep 2024
Mining and Quarrying	-1,102.1	-1,312.4	-743.7	-251.1
Manufacturing	131.8	-412.9	-168.7	-166.2
Wholesale and Retail Trade	-28.3	-14.7	-95.2	-20.0
Financial and Insurance Activities	119.7	180.8	119.5	-171.3
Other Sectors	-34.7	3.8	-1.2	9.4
Total Memorandum Items:	-913.5	-1,555.5	-889.4	-599.2
Energy Sector	-1,091.6	-1,607.6	-825.5	-429.7
Non-Energy Sector	178.0	52.1	-63.9	-169.5

Source: Central Bank Trinidad and Tobago (2025)

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Acknowledgements

The author Petra Dünhaupt thanks Matheus Micelli for excellent research assistance.

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