

## Information on Consequences of Non-Renewal of CBERA

This document seeks to provide an overview of trade relations between the United States of America (USA) and Trinidad and Tobago, as well as the consequences for Trinidad and Tobago if the Caribbean Basin Economic Recovery Act (CBERA) legislation in the USA is not extended beyond the September 30, 2020 expiry date.

### Trade Relations with the USA and Consequence of Non-Renewal of CBERA

Trinidad and Tobago has a longstanding positive bilateral relationship with the USA in a number of areas including international trade. Trinidad and Tobago recorded a deficit trade balance of TT\$2.5 billion in 2016 followed by surplus trade balances in 2017 (TT\$ 1.9 billion) and 2018 (TT\$ 1.5 billion). However, in 2019 Trinidad and Tobago fell back into a deficit trade balance of TT\$ 4.2 billion due to a sharp decline in exports of iron and energy products. **Non-renewal of the CBERA legislation may further deteriorate Trinidad and Tobago's exports to the US market and therefore widen the trade balance.**

According to the USTR's 2019 Report on Operation of CBERA, **Trinidad and Tobago has been the leading exporter to the US under CBERA since 2005.** Trinidad and Tobago exported US\$ 551.8 million to the US in 2018, which represents an increase of 13.1% over its value in 2017. The main exports from Trinidad and Tobago to the US were methanol (US\$ 449 million) and petroleum and petroleum-related products (US\$ 55.4 million).

An analysis of Trinidad and Tobago's trade statistics with the USA revealed that the top energy exports to the US in 2019 including liquefied natural gas (LNG), anhydrous ammonia, urea and methanol accounted for approximately TTD\$ 8.6 billion. Trinidad and Tobago's top non-energy products to the US in 2019 including rum, aerated beverages, sugar confectionery, sauces and biscuits accounted for approximately TTD\$ 55 million. **If the CBERA legislation is not extended beyond September 30, 2020, Trinidad and Tobago's products may face duties up to 5.5%.**

As is the case with many other countries around the world, Trinidad and Tobago is currently faced with a challenging situation in managing its COVID-19 response and the fallout on its economy. This is being done alongside the pursuit of initiatives and measures to stimulate economic growth. **Non-renewal of CBERA prior to September 30, 2020 would certainly set back positive growth in various sectors of Trinidad and Tobago's economy, particularly in manufacturing and employment.**

Over two hundred (200) Trinidad and Tobago companies exported duty free to the USA in 2018 and 2019 respectively. As it relates to Trinidad and Tobago's Manufacturing Sector, a sample of eleven (11) companies who export to the USA were reviewed. It was found that these 11 companies employ over nine hundred (900) employees combined. These companies were mainly in the food and beverage and construction industries. Within Trinidad and Tobago's Energy Sector, one (1) company reported employing over one thousand (1000) members of staff. It is therefore imperative that the CBERA legislation be extended beyond the September 30, 2020 expiry so as to not increase the risk of job loss for these and other employees in Trinidad and Tobago.

**If CBERA preferences are not extended, small, medium and even large companies in Trinidad and Tobago will face increased costs to export to the USA and may be unable to compete with larger foreign companies. Operations of these local companies may also contract as a result, which can lead to increases in the number of jobs lost. The effect of job loss would not only impact the lives of the employees themselves but also the network of supplying companies and those of their families.**

There are companies in Trinidad and Tobago whose major export market is the USA for reasons including market size, ease of doing business, lack of language barrier, diaspora etc. These companies face the most risk in the event that CBERA legislation is not extended beyond September 30, 2020 due to the heavy reliance and influence of the US market on the companies' respective levels of output and employment.

**Additionally, the link between unemployment and crime in Trinidad and Tobago is a perspective that should be considered.** A number of publications<sup>1</sup> have pointed to a positive correlation between increases in unemployment and increases in crime, especially among younger persons. The jobs available through the Manufacturing, Energy and other Sectors provide opportunities for persons within the younger age group. These opportunities will decrease in the event of non-renewal of CBERA as there are many companies who export heavily to the USA. This is a reality that Trinidad and Tobago is seeking to avoid given its ongoing battle with high crime rates in the country.

### Impact of COVID-19 on Trade with the USA

In order to determine the possible effect of the COVID-19 pandemic on trade performance with the US, data for the 6-month period January to June was compared for the years 2018 to 2020.

The data show that Trinidad and Tobago recorded positive trade balances with the US in Jan-June 2018 (TT\$ 1.7 billion) and Jan-June 2019 (TT\$ 493.7 million), however a deficit trade balance of TT\$ 1.1 billion was recorded in Jan-June 2020 which was attributed to a decline in exports.

**Exports to the US for the respective 6-month periods (Jan-June 2018 to 2020) showed an overall downward trend and have been falling at a similar pace since 2018. It is uncertain whether the decline in exports in 2020 is attributed to a negative impact from COVID-19.**

The products that have been declining in export value were iron ore, LNG, anhydrous ammonia and methanol. **Some of Trinidad and Tobago's exports actually showed increases over the period despite the COVID-19 pandemic.** These products include other sugar confectionary, pepper sauce, biscuits, other mineral waters, curry, chocolate and margarine. **While these products showed positive growth in exports during the**

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<sup>1</sup> (i) <https://publications.iadb.org/publications/english/document/Crime-and-Violence-in-Trinidad-and-Tobago-IDB-Series-on-Crime-and-Violence-in-the-Caribbean.pdf>

(ii) <https://scielosp.org/pdf/rpsp/2004.v15n6/417-423/en>

**COVID-19 pandemic, it is envisaged that non-renewal of CBERA would erase these gains made in the Manufacturing sector as companies will scale back operations and the number of staff required due to the increased competition and duties faced in the US market. This also reduces Trinidad and Tobago's much needed foreign exchange earnings.**

The Government of the Republic of Trinidad and Tobago has recognized that the catalyst for achieving economic expansion and diversification post-COVID 19 is a developed Manufacturing Sector. Non-renewal of CBERA will surely negatively impact this goal as the USA is among the top export markets for Trinidad and Tobago's manufactured goods as well as its energy products.

## **Conclusion**

Based on the analysis conducted above, the following conclusions can be made:

- Trinidad and Tobago's top exports to the US may face duties up to 5.5% in the event of non-renewal of the CBERA legislation;
- Trinidad and Tobago's exports to the USA will decline further, thus widening its deficit trade balance with the US;
- Non-renewal of CBERA would set back positive growth in the Manufacturing sector of Trinidad and Tobago's economy; and
- Companies in Trinidad and Tobago will scale back operations in the event of CBERA non-renewal due to increased costs and competition in the US market. This would also result in thousands of jobs lost and reduced foreign exchange earnings.

***Ministry of Trade and Industry***

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