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Committee on Trade and Development

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NOTIFICATION BY THE GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO UNDER SECTION C OF ARTICLE XVIII OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE 1994

The following communication, received on 12 November 2019, is being circulated at the request of the delegation of Trinidad and Tobago.

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In accordance with Paragraphs 1 and 4(a) and Section C of Article XVIII, Government Assistance to Economic Development of the General Agreement on Tariffs and Trade (GATT), the Government of the Republic of Trinidad and Tobago hereby notifies the Committee on Trade and Development of its modification of the bound rate of duty on HS 2523.90.00 Other Hydraulic Cements from the current rate of five percent (5%) to seventy percent (70%). The following table reflects the modification.

List of tariff lines to be modified

Tariff item Number (HS2012)	Description of products	Current bound rate duty (%)	INR	New bound rate of duty
2523.90	Other hydraulic cements	5%	-	70%

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1 INTRODUCTION

1.1. The Government of the Republic of Trinidad and Tobago (GORTT) is desirous of granting critical assistance for the expansion of the existing cement industry in Trinidad and Tobago. The GORTT accordingly, invokes the provisions of Article XVIII:C of the General Agreement on Tariffs and Trade (GATT) 1994 to modify the tariff concessions contained in its Schedule of Concessions/LXVII attached to the Marrakesh Protocol, in respect of HS 2523.90 Other Hydraulic Cements. The basis for this modification is set out below.

2 GENERAL STATE OF THE DOMESTIC ECONOMY

2.1. The Republic of Trinidad and Tobago is a developing state with a population of approximately 1.36 million persons. The country gained Independence in 1962, a mere fifty-seven (57) years ago. The fundamental shortcoming of the Trinidad and Tobago economy is its heavy reliance on the energy sector, with characteristics symptomatic of "Dutch Disease". In light of this dependence, Trinidad and Tobago's small, open economy is highly vulnerable to external exogenous shocks.

2.2. The dominance of the energy sector in the Trinidad and Tobago economy is reflected in the sector's contribution to Government revenue, foreign exchange earnings, foreign direct investment and employment. Challenging macro-economic circumstances since the global financial crisis of 2007/2008 have had an appreciable impact on the Trinidad and Tobago economy. These economic challenges, exacerbated by subsequent declines in the international price of natural gas and petroleum, as well as a reduction in domestic output levels, are manifest in extended fiscal imbalances and the consequential impacts.

3 THE 2008-2018 PERIOD

3.1. The country's Gross Domestic Product (GDP) at current prices plunged from USD 25.78 billion in 2008 to just USD 23.31 billion in 2018 representing a collapse of over 10% over this period, with a low of USD 17.84 billion in 2009. The slowdown in the world economy has impacted Trinidad and Tobago's economic recovery. The Central Statistical Office (CSO) recorded negative growth in 2009, 2011, 2014, 2016 and 2017 with rates of -4.4%, -0.3%, -1.0%, -6.5% and -1.9% respectively. The country entered a recessionary period in 2014 and flat growth was estimated for 2018.

3.2. Trinidad and Tobago's Gross Domestic Product (GDP) per capita also declined by 19.4% between 2008 and 2018 falling from a high of USD 21,410.80 in 2008 to USD 17,259.40 in 2018, with a low of USD 16,124 in 2016. This means that the amount of income earned by each member of the population fell, on average by almost 20% during the 10-year period of time under consideration, effectively lowering the purchasing power and standard of living of citizens.

3.3. As a small and vulnerable economy, it is unavoidable that the country will escape the impact associated with the deceleration in global growth and the related volatility in commodity prices. Trinidad and Tobago's economic performance has been adversely affected by a collapse of Government revenue fueled mainly by a fall in the country's major export commodities namely oil, natural gas and other petrochemical products coupled with decreased demand of these commodities in key traditional import markets. Oil prices which averaged USD 95 per barrel during the period 2011-2014 began a severe decline from mid-2014 reaching a low of USD 26 in 2017. Since then, oil prices have improved but continue to fluctuate between USD 48 and USD 64 from 2015 to 2018, nothing close to the pre-2014 levels. Natural gas prices also experienced severe external shocks over the period 2009 to 2018. During this period, prices averaged a high of USD 3.90 per MMBTU in 2009, reaching a low of USD 2.50 per MMBTU in 2016 (a 36% decline).

3.4. Government revenues experienced a sharp decline from Fiscal 2014 to Fiscal 2018 falling from USD 8.57 billion in 2014 to USD 6.34 billion in 2018 (representing a decline of 26%), with a low of USD 5.3 billion in in 2017. The country resorted to deficit financing in Fiscal 2014 which has since continued. Central Government Debt increased consistently from USD 3.4 billion in 2010 to USD 9.9 billion in 2018 registering an increase of 194% during this period. This rise in Central Government Debt was also evidenced by a rise in the country's Debt to GDP ratio, which has increased during the period 2011-2016. The Net Public Sector Debt to GDP ratio rose from 33.4% in 2011 to 58% in 2016. While the Government has introduced fiscal consolidation measures to reduce this figure, the Net Public Sector Debt to GDP ratio remained at 60.3% in 2017 and 60.8% in 2018.

3.5. In relation to the availability of foreign exchange, Trinidad and Tobago's Gross Official Reserves was reduced from a high of USD 9.3 billion in 2008 to USD 7.6 billion in 2018 representing a decline of 18.3% during the period under consideration. Additionally, the country's Import Cover (months) declined from 11.5 months in 2008 to 8 months in 2018.

3.6. Trinidad and Tobago has been undergoing a process of industrialization to correct its excessive dependence on primary production. The country has been somewhat successful in diversifying its commercial oil and gas sectors into the wider petrochemical industry. The economy is still however, heavily susceptible to external shocks. The GORTT has managed to transform the economy by developing a strong and vibrant manufacturing sector which contributes approximately 6.4 % of GDP and employs over 60,000 persons (7.5% of the total labour force). However, output in the sector is concentrated in a narrow range of products (in the food and beverage sector) with low levels of technology intensity and few export markets.

3.7. The GORTT has taken several steps to overcome these development challenges, including the implementation of a National Development Strategy (NDS) (2016-2030) which incorporates the principles and aspirations of the Sustainable Development Goals (SDGs), that aim to guide the development process, taking into consideration the immediate and future needs of all citizens. Following a review of Trinidad and Tobago's past and current performance against selected countries in key socio-economic areas, the NDS presents the main challenges that Trinidad and Tobago faces. Some of these challenges include:

- Expanding exports and increasing foreign exchange earnings and employment;
- Solving and preventing crime;
- Reversing the non-progressive values, attitudes and behaviours such as low productivity and poor work ethos;
- Undertaking constitutional and institutional reforms;
- Addressing the impact of shale gas, and low gas reserves/production in Trinidad and Tobago;
- Eradicating the culture of dependency and sense of entitlement among the population;
- Ensuring public service delivery, effective and efficient implementation of development interventions and measurement of results;
- Transforming the existing economic growth model into one that is environmentally friendly while addressing climate change, including reducing greenhouse gas emissions and building resilience to its adverse impacts; and
- Protecting and sustainably using our environmental resources.

3.8. The Trinidad and Tobago Government is focused on employment creation, further transformation of the economy beyond the energy sector, stimulating economic activity outside the urban centers, poverty reduction consistent with the UN-SDG commitments and the commitments in the National Development Strategy (2016-2030). It is in this context that an appropriate policy intervention to provide for the continued sustainability and expansion of the local cement industry is both necessary and urgent.

3.9. The Construction industry sector is a significant contributor to GDP averaging 5.6% of GDP within the last five (5) years. The industry utilizes a series of indigenous materials such as, clay and concrete blocks, sand, aggregates and cement. Naturally, the Cement sector is important to the growth and development of the wider construction industry in Trinidad and Tobago which currently employs in excess of 82,800 persons (or 13.2% of the total workforce).

3.10. One of the few areas of Foreign Direct Investment in the non-energy sector has been in the Cement industry (by Mexican Cement giant Cemex). Cemex has invested heavily into the local Cement industry through its subsidiary Sierra Trading which now owns 69.83% of shares in Trinidad Cement Limited (TCL) and hence controls majority ownership of the Company. The sizable investment by Cemex and other players to the tune of approximately USD 109 million over the period 2015-2018 sought to substantially transform the existing industry by introducing new technologies and has allowed TCL to continue its operations locally by repairing and upgrading its facilities, as well as building capacity to serve local demand and key export markets.

3.11. Cement manufacturing is heavily dependent on market size and economies of scale. The industry occupies a pivotal nexus between the manufacturing and construction sectors, building out of the country’s infrastructure; and an equally significant role in the country’s industrialization imperative, rendered more critical by the decline in the dominant energy sector. The domestic cement industry employs approximately 440 persons directly and another 410 persons indirectly. The industry is also a significant contributor to Trinidad and Tobago’s foreign exchange earnings. TCL has also contributed positively to building investments in corporate social responsibility projects, amounting to USD 4.5 million across the Caribbean Community (CARICOM). Cement is consistently among the top three products traded in CARICOM, and its economy-wide impact on the services sector is a significant contributor to economic activity.

3.12. The local cement industry manufactures three (3) types of cement products: (i) Portland Pozzolan Cement, (ii) Ordinary Portland Cement, and (iii) Class G High Sulphate Resistant (HSR) Oilwell Cement ("Class G Oilwell Cement"). Its core product is Ordinary Portland Cement, classified as Building Cement (Grey) (HS 2523.29.10).

3.13. Trinidad and Tobago has bound all of its tariff rates regarding cement at the World Trade Organisation (WTO) at seventy percent (70%), except for Other Hydraulic Cements which is bound at a rate of five percent (5%). The modification requested for Other Hydraulic Cements would ensure the harmonization of all bound rates for this category of products and would allow the GORTT flexibility in adopting suitable applied rates to assist with the preservation and further development of the local cement industry, including boosting local production levels. The present applied rate of duty on Other Hydraulic Cements is five percent (5%) and this went into effect on June 14, 2018.

3.14. Since 2016, there has been a significant increase in the imports of Other Hydraulic Cements (see Table I below). For the period 2016 to 2018, Trinidad and Tobago’s imports of Other Hydraulic Cements increased by over 303%. These imports have a similar end-use to the product manufactured by TCL. This rapid increase in imports has negatively affected the local cement industry, thereby compelling the GORTT to intervene with a view to ensuring that the cement industry is able to maintain and expand its contribution to employment creation, standard of living, economic activity and foreign exchange inflows.

Table I: Imports of Other Hydraulic Cements into Trinidad and Tobago (2016-2018) in USD

Tariff Item Number (HS2012)	Country of Origin	Share of Imports	TOTAL	2016	2017	2018
2523.90						
	Canada	0.10%	2,034		1,592	437
	China	0.30%	5,611			
	Barbados	0.00%	260	260		
	Germany	11.20%	233,681		233,106	575
	Portugal	0.10%	1,992			
	Puerto Rico	0.00%	715			
	Turkey	85.40%	6,500,809	2011	1,774,551	4,724,246
	United Kingdom	0.70%	14,112	4,550		
	United States of America	2.20%	60,160	8,757	23,880	14,743
	Suriname	0.00%	261		261	
	TOTAL	**100%**	**6,819,374**	**15,578**	**2,033,390**	**4,740,001**

Source: Central Statistical Office, Trinidad and Tobago (USD equivalent)

3.15. Over the period October 2016 to October 2018, the local cement industry recorded a decline in sales volume of just over 18%. Increased imports led to a reduction of the domestic company’s revenue by over 47% over the period 2016 – September 2019. The impact of the import increases on the domestic cement industry therefore signals an urgent crisis.

4 THE ATTEMPT TO INVOKE THE PROVISIONS OF ARTICLE XXVIII

4.1. In 2018 Trinidad and Tobago sought to respond to the sudden increase in imports of Other Hydraulic Cement which is placing the continued viability of the local cement industry in jeopardy, by approaching the Council for Trade in Goods (CTGs), to modify the bound rate on Other Hydraulic Cements under GATT Article XXVIII(4). The Council did not approve the application made under Article XXVIII (4) on account of the objection by one Member. Another option available to Trinidad and Tobago is the renegotiation of the bound rate pursuant to Article XXVIII(1). However, in light of the impact faced by the local cement industry, there is an immediate urgency to treat with this issue promptly. Trinidad and Tobago does not have legislation in place at this time to apply a safeguard mechanism in accordance with the WTO Agreement on Safeguards.

5 TRINIDAD AND TOBAGO'S PROPOSAL TO APPLY THE PROVISIONS OF ARTICLE XVIII

5.1. In an effort to secure the development and future sustainability of the local cement industry and to preserve the significant contributions of the industry to the national economy and thereby the standard of living in the country, the GORTT invokes the provisions of Article XVIII of the GATT, specifically Article XVIII, paragraphs 1 and 4(a) and Section C. The purpose of this action is to increase, with immediate effect, the applied rate of duty on Other Hydraulic Cements, in order to treat with the sudden increase of imports of Other Hydraulic Cements thereby allowing the space for the development of the capacity of the local industry.

5.2. Consequent on the decision of the GORTT to immediately increase the applied rate of duty on imports of Other Hydraulic Cements, Trinidad and Tobago is prepared, in accordance with paragraph 16 of Article XVIII, to enter into consultations with any WTO Member that may have a substantial interest in the Trinidad and Tobago market for Other Hydraulic Cements.

5.3. Evidently, in the period leading up to the decision by the GORTT to invoke Article XVIII of the GATT and simultaneously to increase the applied rate on imported cement, the increase in imports continues to affect domestic sales of cement negatively. In the absence of policy intervention by the GORTT, this substantial increase will have negative consequences for the viability of the domestic cement industry, with direct implications for national economic development prospects. Without the policy intervention instituted by the GORTT the domestic cement industry would continue to suffer the consequence of drastic import increases to the point of decimation, which in the final analysis, would contribute to the national economy being even more dependent on the energy sector, a loss of critical foreign exchange, rising unemployment, increasing levels of poverty and social exclusion, and a general deterioration in the general standard of living and economic development.

6 CONCLUSION

6.1. The GORTT is committed to the development of the local cement industry in a general effort to raise the standard of living of its people. The GORTT has concluded that, other than the provisions available to it under Article XVIII, there exists no other measure consistent with the normal rules of the GATT that are suitable and practical to support the commitment by the Government of Trinidad and Tobago to the development of the local cement industry.

6.2. Accordingly, having decided to increase the bound rate for Other Hydraulic Cements based on the compelling reasons set out above, the GORTT declares that, in compliance with paragraphs 1 and 4(a) and Section C of Article XVIII of the GATT, it is open to consultations with any WTO Member that has a substantial interest in Trinidad and Tobago's modification of the bound rate of duty on Other Hydraulic Cements of Heading 2523.90.00 from five percent (5%) to seventy percent (70%).

November 7, 2019