

Section #1

Background Information on Trinidad and Tobago: The Republic of Trinidad and Tobago is an island country in the southernmost part of the Caribbean, off the coast of Venezuela. Originally colonized by the Spanish and later given to the United Kingdom, the multiple islands that comprise this nation gained their independence in 1962, becoming a republic in 1976. While many other Caribbean nations, which mostly rely on tourism to fuel their economy, Trinidad and Tobago's economy is heavily reliant on petroleum, petrochemicals, and natural gas. In previous years, 37% of GDP was derived from the petroleum and petrochemical industries, and 70% of all exports came from ores and mineral fuels. However, tourism as well as food processing and agriculture of sugar and cocoa still play a role in the economy. The country has a population of around 1.5 million people, with relatively stable growth of around 100,000 people over the last two years. The islands fall outside of the Atlantic hurricane zone/belt, which minimizes risk for both companies and citizens of the country in terms of standard of living as well as business investments within the country. Major religious practices in Trinidad and Tobago consist of Christianity, Hinduism, and Islam, and the official language is English (although there are a variety of other languages and dialects that are spoken due to the geographical location and history of the nation).

Current Political Environment: Trinidad and Tobago adheres to a parliamentary democracy system and is currently led by Prime Minister Keith Rowley, affiliated with the People's National Movement (PNM). A parliamentary democracy is a system of government where citizens elect representatives to serve on a legislative parliament to make necessary laws for the good of the country and its citizens. The parliament directly represents the people. Prime Minister Rowley remains a part of the legislature and has a hand in law making, as opposed to the United States, where the president heads the executive branch and is not as directly involved with the legislative process. Positive aspects of the political environment for potential investors into the country include stable democratic governance, energy sector policies and international relations and trade. The stability of the political system under a parliamentary democracy reduces uncertainty and allows for long-term business planning for companies both within the country and for external companies looking to invest in areas of Trinidad and Tobago. Energy companies in particular are drawn to this country because of Trinidad and Tobago's focus on the energy sector, providing investors with incentives to go into business with the country. Along with this, the heavy reliance on exports forces Trinidad and Tobago to retain strong international relationships with the United States, various European countries, and its neighboring Caribbean nations. This strong attention to keeping up international government relationships is attractive to potential investors, who see this country as stable with the ability to grow in the energy sector and beyond. However, the reliance on the energy sector also serves as a potential risk factor for the country, as it is subject to fluctuations in the global economy specifically pertaining to oil and natural gas prices. Trinidad and Tobago would be well served to push harder on policies regarding the diversification of its economy to help minimize this risk. This is critically important for the country, and fiscal policy has been geared towards maintaining manageable levels of debt and spending to ensure long-term fiscal sustainability while also focusing on economic diversification policy efforts as concerns about eventual depletion of oil and gas reserves rise.

Strengths and Weaknesses of the Current Economy: Trinidad and Tobago's current economy is largely fueled by its oil and gas sectors. They serve as a major exporter of liquefied natural gas and petroleum

products. It is actually due to their heavy reliance on this industry that makes the country one of the wealthiest in the Caribbean. Boasting a high GDP per capita, Trinidad and Tobago is classified as a high-income developing country, which primarily trades with the United States. Although the economy has been stable and rebounding very well post-pandemic, there are a few weaknesses associated with their economy. Due to their heavy reliance on the oil and gas industry, they face not only a lack of diversity but also vulnerabilities to price fluctuations. Global market volatility and their susceptibility to changes in global oil and gas prices creates fragility within their economy. In addition to these issues, concerns regarding aging infrastructure, healthcare, and education are all areas to keep an eye on when evaluating their economy.

Section #2

History and Analysis of Country's Exchange Rate and Policies: There have been many changes to the economy of Trinidad and Tobago over its history. Before 1964, the country utilized the British West Indies Dollar as their currency and it wasn't until 1964 that they established their own national currency (Trinidad and Tobago Dollar). This dollar was initially pegged to the British pound but later onto the US dollar. During the 1970s oil booms, their foreign exchange inflows were strong and supported a stable exchange rate; however, due to the oil price collapse in the 1980s, this stability was rattled and the economy faced challenges. From 1993 to today, the country has adopted a managed float system to allow the exchange rate to be market-driven but influenced by interventions to maintain stability. In terms of policy, fiscal and monetary policies were introduced to control the exchange rate movements. Utilizing subsidies, energy taxes, and state-owned enterprises in the energy sector played key roles in foreign exchange inflows. There has also been diversification efforts mainly in manufacturing, tourism, and financial services in order to relieve the reliance on their energy exports. The real effective exchange rate has been relatively stable since 2015, and from 2022-2023 the REER depreciated by 3.6%. Interventions from the Central Bank have done impressive work in order to maintain the stability of their exchange rate. In recent days, Trinidad and Tobago maintains foreign reserves to cover several months of imports, which provides a buffer against external shocks.

History and Analysis of Country's Capital Markets: The establishments of banks in Trinidad and Tobago can be split into three stages, with the Colonial Bank of the UK initially making its mark in 1837. Slowly, more foreign banks emerged into the country, with the Canadians introducing themselves in the early 20th century before many other foreign countries followed in the mid 1900s. During the last period, North American investment grew exponentially to finance various programs to search for oil. The newfound investment into the developing nation caused Trinidad and Tobago to create their own Treasury Bills and dollar notes, the first evidence of the Central Bank gaining autonomy and preparing for heavy investment opportunities. In 1974, Trinidad and Tobago created the Foreign Exchange Division to set daily exchange rates so countries could trade in their currency when working with them. Just two years later, the central government announced they would break away from the pound and link their currency to the US dollar. This proved a beneficial matter, as the oil transactions were done through the dollar.

The capital markets of Trinidad and Tobago emphasized the importance of foreign investment, but did not always benefit the citizens of the country. The local banks for the local people were often referred to as "Penny Banks" as they did not offer any lending capabilities. They merely attracted many small deposits and did not reward people for their investment. The system is often called "financial

repression” because of the lack of assistance for those inside their own country. The financial system was owned by many foreign commercial banks, contributing to a large dissociation between the people and the central bank.

In the 1980s, Trinidad and Tobago set up their stock exchange. Today, it is the leading exchange of the Caribbean with the highest market cap at over \$17 billion. The Trinidad and Tobago exchange partners with the Jamaican stock exchange and the Barbados stock exchange to augment the scope of the securities. The thriving stock exchange is great for foreign investment, giving it extreme upside and potential to grow in the coming years. In just 2 years in the 90s, the country saw their electronic payment systems double, proving growth and industrialization. The country that used to rely on agriculture and farming now sees itself as a competitor in natural gas production. The progression of Trinidad and Tobago is an amazing sign for investors who are looking to invest in the Caribbean. Apart from gas being a finite resource, the future looks bright for foreign investment. There is a weakness regarding the lack of awareness or financial literacy amongst the citizens, as the initial investment in the country disregarded most of the population. As the country grows more and more financially literate and strengthens their local banks, the Caribbean hub will continue to blossom.

In-Depth Discussion on why Trinidad and Tobago was chosen: There are a variety of factors showcasing why Trinidad and Tobago would make for a worthwhile investment from a U.S. firm’s perspective. As previously discussed, the development of the nation’s export-centric economy has seen proven success over the past several decades. As a significant exporter of oil and natural gas, Trinidad and Tobago presents investment opportunities in energy-related industries, including renewables and downstream manufacturing. In terms of other economic “green-flags”, GDP for 2024 is expected to reach \$28.82 billion, with many models projecting an upward trend north of \$30 billion by 2026. As an annual percentage, this is 2.1% growth from 2023; a remarkable bounceback from the Covid-19 pandemic global recessions. Moreover, compared to many other countries in the Caribbean, this island has continued to lead the way in terms of economic valuations. Their \$28.8 billion GDP figure outperformed Haiti, Guyana, Jamaica, Bahamas, Barbados, Aruba who’s GDP sat at \$24, \$21.2, \$20.1, \$14.4, \$6.9, and \$4.1 billion respectively. Beyond this, the nation has shown stable exchange rates between their dollar and U.S. dollar - settling between TT\$6.73/\$ - TT\$6.77/\$ over the last several years. This stability creates a favorable environment for U.S. investors too. Lastly, arguably the biggest factor proving Trinidad and Tobago’s viability as a worthwhile investment is the nation’s ability to export oil, natural gas, and other manufactured goods. Many Caribbean countries are over reliant on tourism and internal factories to grow the nation's infrastructure and economy, however, Trinidad and Tobago benefits from their export-centric approach and as long as the Central Bank of Trinidad and Tobago can remain vigilant to energy market external factors, the island is a great place long-term.