THE SERVICES SECTOR IN TRINIDAD AND TOBAGO

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OBJECTIVE

- TO EXAMINE THE SERVICES SECTOR IN TRINDAD AND TOBAGO AND ITS ROLE IN THE COUNTRY'S GROWTH AND DEVELOPMENT.

OUTLINE

- REVIEW OF THE LITERATURE FOR AN APPROPRIATE DEFINITION OF SERVICES;
- TRADE IN SERVICES AND ITS RECENT PROMINENCE IN INTERNATIONAL TRADE;
- MEASUREMENT DIFFICULTIES;
- SERVICES SECTOR IN TRINIDAD AND TOBAGO AND ITS CONTRIBUTION TO TOTAL OUTPUT, EMPLOYMENT CREATION AND FOREIGN EXCHANGE GENERATION
- A CLOSER LOOK AT TWO GROWTH SERVICE SECTORS – ONE TRADITIONAL AND THE OTHER NON-TRADITIONAL ;
- CONCLUSION.

WHAT IS A SERVICE?

- T.P. HILL (1977) provides a landmark definition:

" *a change in the condition of a person or of a good belonging to some economic unit which is brought about as the result of the activity of some other economic unit with the prior agreement of the former person or economic unit.*"

WHAT IS A SERVICE?

- Hill further refined his definition by making a distinction between services that affect goods and services that affect persons.
- A service affecting a person is a change in the physical or mental condition of that person;
- A service affecting a good is a change in the state of that good;

WHAT IS A SERVICE?

- Bhagwati (1984) elaborated on Hill's definitions by including the effects of technical and structural change:

1. Splintering effect – This occurs when a firm contracts out various jobs e.g. accounting, auditing etc which are classified as services
2. Disembodiment effect – This occurs when the service activity becomes separated from the producer of the service and can be delivered to the consumer without the presence of the provider e,g, in music, film.

INTERNATIONAL TRADE IN SERVICES

- TECHNOLOGICAL CHANGES IN THE TELECOMMUNICATIONS AND INFORMATION INDUSTRIES FACILITATED AND PROVIDE OPPORTUNITIES FOR TRADE IN SERVICES AND HAVE LED TO THE FORMATION OF RULES FOR THIS TYPE OF TRADE.

MEASUREMENT ISSUES

- MAIN DIFFICULTIES:
  - LACK OF CLARITY WITH RESPECT TO WHAT IS BEING TRANSACTED, WHAT IS THE OUTPUT AND WHAT SERVICES RELATE TO THE PAYMENTS MADE TO THE PRODUCERS;
  - DEGREE OF INTEGRATION BETWEEN THE GOODS AND SERVICES SECTORS

- INPUT-OUTPUT ANALYSIS IS A USEFUL TECHNIQUE FOR ESTIMATING THE BACKWARD AND FORWARD LINKAGES OF THIS SECTOR IN AN ECONOMY.

SERVICES IN AN DEVELOPMENTAL CONTEXT

THE CONTRIBUTION THAT SERVICES MAKE TO GROWTH AND DEVELOPMENT OF AN ECONOMY LIES IN THE LINKAGES BETWEEN SERVICES AND THE REST OF THE ECONOMY. SERVICE ACTIVITIES SUCH AS BANKING, INSURANCE, TRANSPORTATION,TELECOMMUNICATION ARE ESSENTIAL TO THE PRODUCTION. IN FACT, PRODUCTION IS GREATLY FACILITATED BY THESE PRODUCER SERVICES AND NON-FUNCTIONING OR INEFFICIENCIES IN THESE SECTORS CAN RETARD ECONOMIC PROGRESS AND DEVELOPMENT.

THE SERVICES SECTOR IN TRINIDAD AND TOBAGO

- **CONTRIBUTION TO GROWTH AND DEVELOPMENT**
- **GDP:**
- OVER THE PERIOD 1966-2005, THE SERVICES SECTOR'S SHARE IN TOTAL GDP WAS 51 PER CENT (TABLE I).

- IN THE PERIOD OF THE OIL BOOM, THE SECTOR'S SHARE DIPPED TO 43 PER CENT;
- IN THIS CURRENT PERIOD OF HIGH OIL PRICES AND INCREASED OIL AND GAS OUTPUT, THE SHARE HAS ALSO FALLEN OFF TO 49.5 PER CENT.

STRUCTURE OF THE SECTOR

- THE DISTRIBUTIVE SECTOR COMMANDED THE LARGEST SHARE OVER THE PERIOD (28.4 PER CENT)
- SECOND WAS TRANSPORT, STORAGE AND COMMUNICATION (20.4 PER CENT)
- THIRD WAS FINANCE, INSURANCE AND REAL ESTATE (FIRE) (19.9 PER CENT) (TABLE II).

GROWTH IN THE SECTOR

- THE SERVICES SECTOR WAS ADVERSELY AFFECTED BY THE RECESSIONARY PERIOD OF THE 1980s AS WAS THE GOODS-PRODUCING SECTOR.
- THE SECTOR DID NOT APPEAR TO PROP UP THE ECONOMY DURING THESE LEAN YEARS AS IT WAS THE AGRICULTURAL SECTOR THAT PICKED UP THE SLACK.
- THE SERVICES DID NOT APPEAR TO LEAD THE MOMENTUM IN OUTPUT GROWTH BOTH IN THE 1970S AND IN THE CURRENT PERIOD.

EMPLOYMENT

- THIS SECTOR GENERATES THE MAJORITY OF THE JOBS IN THE ECONOMY (TABLE III).
- THE NUMBERS EMPLOYED MOVED FROM 47.9 PER CENT IN 1966 TO 64.3 PER CENT OF TOTAL PERSONS EMPLOYED IN 2005.
- OTHER SERVICES WHICH INCLUDE PERSONAL SERVICES, TOURISM AND EDUCATION EMPLOY THE LARGEST SHARE.

SERVICES AND THE BALANCE OF PAYMENTS

- SINCE 1991, THE SECTOR HAS BEEN A NET EARNER OF FOREIGN EXCHANGE (TABLE IV).
- THE SECTOR HAS EARNED ON AVERAGE 15 PER CENT OF TOTAL RECEIPTS FROM EXPORTS OF GOODS AND SERVICES.
- THE TRANSPORTATION(41 PER CENT) AND TOURISM INDUSTRIES (25.6 PER CENT) ARE THE LARGEST EARNERS OF FOREIGN EXCHANGE (TABLE V).

FINANCIAL SERVICES SECTOR

- GROWTH IN THIS INDUSTRY HAS BEEN FACILITATED PRIMARILY THROUGH ACQUISITIONS AND MERGERS BOTH LOCALLY AND REGIONALLY. THIS HAS RESULTED IN THE CREATION OF A NUMBER OF FINANCIAL CONGLOMERATES.

- THE STRUCTURE OF THESE CONGLOMERATES IS AS FOLLOWS:-

➢ PURE FINANCIAL CONGLOMERATES OPERATE IN DIFFERENT FINANACIAL SECTORS (BANKING, INSURANCE AND SECURITIES) AND PROVIDE SERVICES SUCH AS CREDIT, EQUITY, RAISING OF DEBT, INSURANCE AND FUND MANAGEMENT ETC.

- PRIMARILY BANKING ACTIVITY – ACTIVITIES ARE CONCENTRATED IN THE BANKING SECTOR AND OFFER SERVICES THAT ARE PRIMARILY OF A BANKING NATURE.

- MIXED ACTIVITY – THIS GROUP OPERATES IN ALL SECTORS OF THE ECONOMY (COMMERCIAL, INDUSTRIAL AND FINANCIAL)

- THESE CONGLOMERATES OPERATE IN OVER 20 COUNTRIES IN THE REGION AND INTERNATIONALLY.
- THE MAJOR CONGLOMERATES ACCOUNT FOR 41.5 PER CENT OF TOTAL BANK ASSETS IN THE REGION (BARBADOS, JAMAICA, GUYANA, TRINIDAD AND TOBAGO AND ECCU).

FINANCIAL SERVICES SECTOR: DIRECT INVESTMENT ABROAD, 1999 - 2004 (US$M)

1999	187.1
2000	8.9
2001	56.1
2002	105.5
2003	225.2
2004	25.4

FESTIVAL TOURISM AND ENTERTAINMENT

"IT CAN BE ARGUED THAT CARIBBEAN POPULAR CULTURE, MORE THAN ANY OTHER FEATURE OF CARIBBEAN SOCIETY, HAS HAD THE GREATEST INFLUENCE IN ADVANCING THE REGION'S POSITION AND STATURE IN THE GLOBAL CULTUREAL POLITICAL ECONOMY AND CONSEQUENTLY THE REGION'S POPULAR CULTURE SHOULD BE CENTRAL TO THE CULTURAL AND FESTIVAL TOURISM INITIATIVE." Nurse, 2004

CARNIVAL

- TRINIDAD CARNIVAL CAN BE DIVIDED INTO 3 DISTINCT ART FORMS: CALYPSO, STEELPAN AND MASQUERADE.
- THE FESTIVAL CREATES THOUSANDS OF JOBS IN A NUMBER OF ENTERTAINMENT-RELATED AND DOWNSTREAM ACTIVITIES.

CALYPSO AND STEELPAN:

- PERFORMANCES BOTH LOCALLY AND INTERNATIONALLY ARE THE MAIN REVENUE EARNER.

MASQUERADE

- DESIGN AND PRODUCTION OF MAS BANDS ARE EXPORTED OVERSEAS TO THE MANY TRINIDAD-TYPE CARNIVALS THAT OCCUR ELSEWHERE IN THE CARIBBEAN, CANADA, NEW YORK, MIAMI AND LONDON.
- IN 2001, ABOUT 11 PER CENT OF VISITOR ARRIVALS CAME FOR CARNIVAL
- CARNIVAL ARRIVALS HAVE GROWN BY ABOUT 40 PER CENT COMPARED WITH AN INCREASE OF 15 PER CENT FOR ANNUAL VISITOR ARRIVALS.

CARNIVAL BALANCE OF PAYMENTS

ITEMS	2001 (US$'000)
OUTFLOWS	**3,376.8**
COSTUMES: IMPORT CONTENT	**1,913.7**
PRODUCTION OF CDs	937.5
COST OF STEEL PANS	507.6
INFLOWS	**53,761.8**
EXPENDITURE BY VISITORS	52,573.4
CALYPSO PERFORMANCES	900.0
EXPORT OF COSTUMES	288.4
NET GAIN	**47,385.7**

CONCLUSION

- THE SERVICES SECTOR MAKES A CRITICAL CONTRIBUTION TO ECONOMIC ACTIVITY IN TRINIDAD AND TOBAGO.
- BECAUSE OF MEASUREMENT PROBLEMS, THE SECTOR MAY BE CONTRIBUTING MORE THAN IS PRESENTLY BEING KNOWN.
- THERE IS TREMENDOUS UNTAPPED POTENTIAL IN THIS SECTOR.

THE END.