

2012 Investment Climate Statement - Trinidad and Tobago

BUREAU OF ECONOMIC AND BUSINESS AFFAIRS

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Openness to and Restrictions Upon Foreign Investment

Overview:

The Government of Trinidad & Tobago (GOTT) actively encourages foreign direct investment in almost all sectors. Generally speaking, there are no restrictions or disincentives to investment. The Heritage Foundation Index of Economic Freedom for 2011 ranked Trinidad & Tobago (T&T) 13TH in the Western Hemisphere and 63RD out of 179 countries worldwide, citing overdependence on the petrochemical industry and an opaque regulatory system as the key negative factors. T&T ranks 81ST out of 139 countries evaluated by the World Economic Forum's Global Competitiveness Index. The Global Competitiveness Report identified crime, government bureaucracy, a poor work ethic, and corruption as the four key issues that factored into the score. The Transparency International 2011 Corruption Perceptions Index ranked Trinidad & Tobago 91 out of 178 countries, a decline from the rank of 71 in 2010. The perception of corrupt government officials was the primary reason for the ratings drop.

Foreign ownership of companies is permitted and welcomed under the Foreign Investment Act (1990). Among the myriad U.S. companies operating in T&T are a commercial bank, several air-courier services and two airlines. U.S. companies have interests in electric power generation, a number of oil and gas operations, petrochemical plants, and a desalination plant. American oil services companies are well represented in Trinidad, as are U.S.-based retail food franchises.

The availability and reliability of natural gas supply has attracted much of the investment in heavy industry to date. However, the latest Ryder Scott natural gas audit provoked questions about the sustainability of gas-based industrial expansion. Released in August, 2011, the audit showed a decline in the country's proven gas reserves from 16.99 trillion cubic feet (tcf) in December 2007 to 13,460 tcf in August, 2010. The audit found a further decrease in the nation's probable gas reserves from 7,837 in 2009 to 7,642 in 2010. In response to the audit, the GOTT offered several deep water bids that received very little interest. In response, the new Minister of Energy and Energy Affairs indicated tax regimes for oil and gas exploration will be reviewed and revised.

A change in government after May 2010 parliamentary elections resulted in a slow-down in the execution of pending and new government contracts, several involving U.S.-based and foreign firms, as oversight boards and commissions were reconstituted slowly over several months. Progress on some complicated tenders and contract renewals or negotiations remain stalled, to the frustration of a number of foreign investors and joint-venture partners.

Judicial System:

The T&T judicial system upholds the sanctity of contracts and generally provides a level playing field for foreign investors involved in court matters. However, due to the backlog of cases, there can be major delays in the process. As a result, it is imperative that those investing here sign enforceable contracts and use local attorneys.

Bilateral Investment Treaty:

The Bilateral Investment Treaty (BIT) between the United States and T&T came into force in 1996. The BIT covers the following areas, with all provisions applying reciprocally to the United States and T&T:

--Treatment of Investment: Requires that the treatment of foreign investments is no less favorable than that accorded to domestic investments ("national treatment").

--Expropriation: Prohibits expropriation or nationalization of an investment without just compensation.

--Compensation for Damages: Requires national treatment for investments suffering losses from war and similar events.

--Transfers: Permits financial transfers relating to investments to be made freely and without delay into and out of each country's territory.

--Performance Requirements: Prohibits performance requirements as a condition for investment.

--Alien Entry: Liberalizes certain visa regimes relating to entry, sojourn and employment of aliens for establishment and operation of investments of substantial capital amounts.

--Dispute Settlement: Provides for dispute resolution alternatives, including binding arbitration.

Investment Limitations :

Currently, the applicable "CARICOM and Foreign Investment Act of 1990" extends national treatment to CARICOM citizens but does not guarantee the same rights to other foreigners. In the absence of a government granted waiver, the law limits foreign equity participation in local companies to the extent that a foreign investor is permitted to own 100 percent of the share capital in a private company, but a license is required to own more than 30 percent of the share capital of a public company. The Foreign Investment Act also limits foreign ownership of land to one acre for residential purposes and five acres for trade purposes without a license. In the past, waivers on corporate equity and land ownership restrictions have been freely granted. License applications are subject to review and approval/denial by the Ministry of Finance (in Trinidad) or Tobago House of Assembly (in Tobago) according to the following guidelines:

--Residential purchases (Trinidad or Tobago): Where the area of land to be acquired is more than one acre. Residential property licenses will be granted for only one parcel of land per application. Foreign investors are required to submit separate applications for each subsequent residential purchase.

--Commercial purchases (Trinidad or Tobago): Where the area of land to be acquired is more than five acres.

--Tobago only: All foreign investors seeking to acquire property in Tobago (regardless of size).

The approving offices are officially mandated to approve/deny property license applications within twenty (20) working days; however, bureaucratic delays are not uncommon.

Foreign investors wishing to purchase property in Trinidad or Tobago should ensure that any related contracts remain conditional until s/he receives official notice that the property license has been granted.

Government Involvement in Foreign Investment:

In general, the GOTT will only involve itself in foreign investments in which:

- the investor is seeking government incentives or concessions such as tax holidays, duty-free imports of equipment and materials, or exemption from VAT on inputs;
- the investor wishes to lease land in one of the government-owned industrial parks, or
- when a planned activity requires a license, such as mining or drilling.

Nationals and non-nationals are generally treated equally with respect to obtaining licenses. Bureaucratic delays in approval of investment packages can be frustrating for investors. These generally are the result of negotiations for a memorandum of understanding or framework agreement and incentives or, in the case of petrochemical investors, negotiations for favorable natural gas prices. Environmental approval for large industrial projects is governed by the Environmental Management Authority through the issuance of a Certificate of Environmental Clearance. This process can be extremely time-consuming, and many projects begin with only outline approval.

Telecommunications:

The Telecommunications Act 2001, as amended, came into force in 2004, setting the stage for full liberalization of the sector. The Act places full responsibility for the regulation of the sector with the Telecommunications Authority of T&T (TATT), which was officially launched on July 1, 2004. Currently, mobile telephone services are offered by three T&T companies: bMobile, Digicel, and Flow.

Privatization:

The government has encouraged foreign investment in several state enterprises. In nearly every case, foreign investors have purchased large minority holdings in privatized firms through various arrangements. T&T has seen a trend towards privatization of key sectors since the 1990s, including electrical power generation and postal services. National sugar producer Caroni (1975) Ltd. was replaced by Sugar Manufacturing Company Ltd. in 2003, and then sold in 2006. The majority of the former sugar producing land remains moribund and mostly lies fallow.

Conversion and Transfer Policies

There are no exchange controls on foreign currency and securities. The repatriation of capital, dividends, interest and other distributions and gains on investment may be freely transacted without limits. The average period for remitting all kinds of investment returns is twenty-four hours.

Since mid-2009, Trinidad & Tobago businesses have reported delays in access to foreign exchange through the banking system. The business community's initially acute concerns have subsided, following large currency infusions by the Central Bank and reassurances from government officials, but access remains tight.

According to officials at the Central Bank of Trinidad and Tobago (CBTT) part of the issue is that banks are not legally allowed to sell reserves to one another in the over the counter market. Banks routinely invest their excess foreign reserves abroad. The CBTT enters the market twice a month to inject foreign reserves into the system. According to CBTT officials, there are no foreign reserve issues in the T&T banking system.

Tax on Interest earned by an Individual in T&T:

There is no requirement for withholding on interest paid to resident individuals with respect to loans secured by bonds or other similar investment instruments. When the individual is a non-resident, withholding tax is 20 percent, except in cases where treaty relief is available. (The double taxation treaty between the U.S. and T&T does not provide for such relief.)

Remittance of Dividends to a Non-resident:

Where the remittance is in the form of dividends paid to a U.S. individual, the rate of tax is 15 percent of the gross dividend. In the case of a U.S. company owning more than 10 percent of the voting control of a T&T company, the rate is 10 percent of the gross dividend. For dividends paid to a U.S. company with less than 10 percent ownership, the rate of tax is 15 percent. In the case of a U.S. resident company having a branch or permanent establishment in T&T, branch profit tax would be applicable on a deemed remittance made by the branch. The rate of branch profit tax is 10 percent, levied on the after-tax profits of the branch, minus any reinvestment of such profits (other than in the replacement of fixed assets).

Expropriation and Compensation

No expropriation actions have been taken since the 1980s. All prior expropriations were compensated to the satisfaction of the parties involved. There is no indication of policy shifts that might lead to expropriation in the future. In 2010, the US District Court for the Southern District of New York granted an order to stay a lawsuit brought by a U.S.-based company that produces gas-to-liquid diesel fuels for the transportation fuel industry, against the Petroleum Company of Trinidad and Tobago (Petrotrin). The U.S. firm filed a lawsuit in NY Federal Court against Petrotrin, claiming that Petrotrin, as a government organ, expropriated its property and fraudulently and negligently deprived it of its investments and future earnings in a joint-venture gas-to-liquids plant when it assumed outstanding loans on the joint-venture, ordered a default on the loans and put the joint-venture into receivership. The judge in the matter stayed the suit and ordered the parties to pursue arbitration under terms of the contract.

Dispute Settlement

The Trinidad and Tobago High Court of Justice has jurisdiction over all matters involving sums in excess of TT\$15,000 (approx USD 2,400), and can grant equitable relief such as injunctions and public law remedies. At present there is no reciprocal enforcement of judgments obtained in the United States. These judgments do, however, form the basis of a debt on which the court can rule summarily. The only grounds on which a foreign judgment can be impeached are when: (a) it was obtained by fraud, (b) its recognition or enforcement would be contrary to public policy, or (c) it was obtained in proceedings contrary to natural justice.

T&T is a member of the International Center for the Settlement of Investment Disputes (ICSID), which facilitates conciliation and arbitration of investment disputes between contracting states and nationals of contracting states. T&T has also ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which facilitates the registration and enforcement of foreign arbitral awards between contracting states. T&T courts can refer parties to mediation. A Mediation Board was created with responsibility for certifying mediators and accrediting training programs.

The Bilateral Investment Treaty between the United States and T&T allows for alternative dispute resolution measures, including binding arbitration. In 1996, the T&T Chamber of Industry and Commerce (TTCIC) launched a Dispute Resolution Center to foster mediation training and hear commercial disputes.

The Environmental Commission, a Superior Court of record, was established by and under the Environmental Management Act 2000. The Act mandates the Commission to encourage and promote alternative dispute resolution, defined as any mechanism for resolving disputes other than by way of litigation. New legislation increasingly provides for mediation as an alternative to litigation in other areas as well.

According to the Bankruptcy Act of 1916 and Bankruptcy and Insolvency Act of 2007, creditors may at any time file a bankruptcy petition in court against an individual or for the closure of a business on the grounds of the debtor's inability to pay its debts. Favorable court judgments can take the form of charges to the debtor's real estate, personal goods, or wages, prevent the debtor from fleeing the jurisdiction or dissipating his/her assets. If it is proved to the satisfaction of the court that the debtor cannot pay its debts, the Companies Act provides for the appointment of a receiver/manager who takes over from the company's board of directors with the objective of managing the business to a state of solvency.

Performance Requirements and Incentives

There are no performance requirements for investors written into law, but the GOTT strongly encourages, through negotiable incentives, projects that generate employment and foreign exchange; provide training and/or technology transfer; boost exports or reduce imports; have local content; and generally contribute to the welfare of the country. Foreign investment is, however, screened for potential environmental impact.

Foreign investors are eligible for tax holidays and concessions in the manufacturing and hotel industries. Under the Fiscal Incentives Act of 1979 and the Hotel Development Act, both tax and non-tax incentives may be negotiated with the government for investments in the manufacturing, tourism and energy sectors. The government encourages joint ventures between foreign and local corporations. Corporate partners in a joint venture are governed by a joint-venture partnership agreement.

The GOTT has sought to streamline the investment registration system and now permits investors to submit a single application for all the licenses, approvals, concessions and tax benefits necessary to implement a proposed investment project. In practice, however, business representatives have reported delays in establishing businesses in T&T.

Foreigners entering Trinidad & Tobago to engage in legitimate trade or occupation may do so without a work permit for a single period not to exceed thirty days within a twelve consecutive month period. To engage in legitimate work for any period in excess of thirty days, a work permit must be obtained from the Ministry of National Security through the proposed employer. This system has created logistical challenges for companies involved in large industrial and energy projects, which frequently need technicians for periods longer than thirty days.

There are no formal restrictions on the numbers and/or duration of employment of foreign managers brought in to supervise foreign investment projects, an issue that is specifically addressed in the Bilateral Investment Treaty between the United States and T&T. However, several foreign firms have alleged that there are inconsistencies in the issuance of long-term work permits. These generally fall into two categories: (1) a permit is not granted to an official of a company that is competing with a local firm, or (2) the authorities threaten not to renew a permit because a foreign firm has not done enough to train and promote a T&T national into the position. Some executives of smaller companies have found that their work permits are only approved if they form joint ventures with local firms or set up formal training programs.

Right to Private Ownership and Establishment

Private foreign and domestic entities have the right to establish and own business enterprises and engage in remunerative activity. Under the Companies Ordinance and the Foreign Investment Act, a foreign investor may purchase shares in a local corporation, incorporate or set up a branch office in Trinidad & Tobago, or form a joint venture or partnership with a local entity. Businesses may be freely purchased or disposed of. Private enterprises and public enterprises are treated equally with respect to access to markets, credit, and other business operations. The Companies Act, based on the Canadian Corporations Act, came into force in 1997, and was updated in the Companies (Amendment) Act, 1999.

Protection of Property Rights

Property rights are protected under the constitution and common-law practice. Secured interests in property are recognized and enforced. Trinidad & Tobago concluded negotiations with the United States on an Intellectual Property Rights (IPR) agreement in 1994. T&T's IPR legislation is WTO consistent and considered to be TRIPS-plus, generally providing for intellectual property protection comparable to that in the U.S. T&T passed the Copyright Amendment Act in April 2008, which provides the legal basis for T&T to ratify the World Intellectual Property Organization's (WIPO) Performances Treaty, Phonograms Treaty and Copyright Treaty. The Copyright Act amendment was designed to enhance enforcement by simplifying the process of filing charges, but we have no information regarding the effectiveness of the amendment. Trinidad & Tobago's intellectual property laws may be viewed online at the WIPO website.

Enforcement of intellectual property rights has improved somewhat with periodic arrests of individuals and seizure and destruction of pirated copies of CDs, copying equipment, etc. Nonetheless, music and video piracy continue to be the most visible and widespread examples of copyright infringement. To address this infringement, GOTT formed a Cabinet level sub-committee to make recommendations for regulating the home video club industry in 2008. Since the election in May 2010, however, a new committee has not been appointed. In 2007, most cable TV signal piracy in T&T ended when Trinidad's main cable TV company, Flow, signed a licensing agreement with HBO-LA to legally distribute HBO-LA programming in Trinidad. In late 2008, CBS signed a licensing agreement with Flow to allow the cable company to show all of its news, sports, and dramatic productions on local stations. The holders of music rights, however, continued to complain in 2011 that FLOW was not properly paying royalties for music rights on both television and audio channels.

Transparency of Regulatory System

The Companies Ordinance and the Foreign Investment Act, in general, govern foreign investments. Except as noted elsewhere in this report, these Acts carry few restrictive clauses. The U.S. Embassy in Port of Spain is not aware of any investment proposal being denied outright. Under the Act, a proposal can only be denied if it is illegal, contrary to public morals, or environmentally unsound. However, Government inaction on a proposal may have the same effect as outright denial.

Foreign investors have complained about a lack of transparency and delays in the investment approval process. Complaints focus on a perceived lack of delineation of authority for final investment approvals among the various ministries and agencies that may be involved in a project. Some projects have been delayed for several years and some prospective investors have abandoned Trinidad & Tobago as a result.

Certificate of Environmental Clearance Rules that came into effect in 2001 have helped to clear up uncertainty over environmental impact assessments by placing the environmental approval authority for most projects under the jurisdiction of the Environmental Management Authority (EMA). The following categories of projects require environmental clearance:

- Agriculture/horticulture;
- Electricity generation, transmission and distribution;
- Engineering operations;
- Food and beverage industry;
- Heavy manufacturing industries;
- Light manufacturing industries;
- Metal smelting and reforming;
- Mineral mining and processing;

- Oil and gas exploitation;
- Telecommunications;
- Tourism and recreational development;
- Transport systems infrastructure;
- Waste management;
- Water and sewage systems;
- Storage and warehousing;
- Other service-oriented activities;
- Hillside development.

New water pollution rules came into effect in 2007. A 2007 amendment to the water rules exempts quarry operations smaller than 150 hectares from obtaining a Certificate of Environmental Clearance, but still requires oversight during the land clearing process. With the latest amendment, no oversight is required for land clearing or quarry operations on less than 150 hectares of land. Quarry operations have recently come under increased scrutiny for environmental degradation.

Efficient Capital Markets and Portfolio Investment

Trinidad & Tobago has well-developed capital markets. A full range of credit instruments is available to the private sector, including a small but well-developed stock market. There are no restrictions on borrowing by foreign investors. However, local credit is expensive by U.S. standards due to high commercial bank reserve requirements. Loans in foreign currency are much cheaper, and businesses can sometimes negotiate even lower rates.

The legal, regulatory and accounting systems governing credit markets are, on the whole, effective and transparent, although there has been some public discussion of the need to tighten regulations in the insurance industry. The Insurance Act of 1980 (amended in 1996) and Securities Industry Act of 1995 are geared towards improving the market's transparency. International accounting firms are represented in T&T, including Pannell, Kerr Forster, KPMG, PWC and Ernst & Young.

Both chambers of T&T's Parliament passed the Financial Institutions Act in 2008, meant to replace the Financial Institutions Act of 1993. The new Act modernizes regulation of banks, insurance companies, and other financial institutions, and provides penalties up to US\$800,000 and five years in jail for operating without a license from the Central Bank. Directors and officers of a company violating the Act are subject to joint and several liabilities.

With the Fair Trading Act of 2006, T&T adopted antitrust legislation that regulates mergers, anti-competitive agreements, and monopolies and provides for the establishment of a Fair Trade Commission. Under the Act, merging

enterprises are required to apply to the Commission for permission to merge if their assets exceed TT\$50 million. The Act requires the Commission to make a determination within one month. However, as of early 2012 the Commission had not yet been launched and implementing regulations were not yet promulgated.

The T&T stock exchange operates a takeover and merger code for companies listed on the local stock exchange. The government has established a Securities and Exchange Commission for the purpose of supervising and regulating the securities market and market actors. Foreign investors must obtain a license from the Ministry of Finance before they can legally acquire more than thirty percent of a publicly held company.

Cross-shareholding arrangements that would inhibit foreign investment through mergers and acquisitions are uncommon outside the financial services sector. The banking system is considered sound. There are no laws authorizing firms to adopt articles of incorporation that limit or prohibit foreign investment, participation or control. The government and private sector do not seek to restrict foreign participation in industry standards-setting organizations.

Competition from State-Owned Enterprises (SOEs)

The government has established several SOEs intended to fill gaps in key sectors. Local SOEs are governed by independent Boards of Directors. The most prominent of which, the Urban Development Company of Trinidad and Tobago (UDECOTT), National Infrastructure Development Company (NIDCO), National Gas Company (NGC), and Petrotrin, are responsible for large-scale construction or oil/natural gas production.

The GOTT remains heavily involved in the energy sector through several SOEs that operate Trinidad's oil and natural gas refineries, natural gas distribution network, and the marketing of refined products. The largest of these companies, Petrotrin, has interests in both oil and gas exploration and production, and manages a leasehold program for small-scale, on-shore production. In 2008, international credit-ranking agency Moody's downgraded Petrotrin from 'stable' to 'negative' citing the state-owned company's elevated debt levels.

T&T established the Heritage and Stabilization Fund in 2007 as the country's sole sovereign wealth fund. Its stated purpose is to save and invest surplus petroleum revenues (in excess of 10% of estimated revenues) to sustain public expenditure capacity during periods of revenue downturn.

The Fund's day-to-day operations are managed by the Central Bank and governed by a five member Board, including one representative of the Central Bank and one Finance Ministry representative. The 2007 legislation mandates that the Fund be maintained in US dollars and prohibits domestic investment or petroleum-related investments.

Corporate Social Responsibility (CSR)

There is broad awareness of corporate social responsibility principles among large and mid-size businesses in T&T, with a growing level of awareness among consumers as companies develop CSR efforts in various local communities. Foreign and mid- to large-sized local enterprises tend to follow generally accepted CSR principles. CSR is increasingly emphasized by influential local business organizations including the American Chamber of Commerce, Trinidad and Tobago Chamber of Industry and Commerce, and the Energy Chamber.

Political Violence

There has been no serious incident of political violence since an unsuccessful coup attempt in 1990.

Corruption

Corruption has traditionally appeared to be moderate and has not seriously undermined government or business operations. Trinidad & Tobago has a number of laws, regulations and penalties designed to combat corruption and fraud and the local press actively reports on allegations of waste, fraud or abuse of public resources. International drug trafficking, with its concomitant corruption, could pose a threat to the investment climate, but the government is making some efforts to combat both illegal narcotics and the influence of money laundering.

With economic activity and growth on the rise, T&T's active press, trade associations, and business community have increasingly reported allegations of corruption involving government contracts. As elsewhere, competing businesspersons may seek to influence decisions in their favor through personal connections. In recent years the government has established a number of commissions of inquiry into inappropriate conduct in public contracting that initiated investigations resulting in the indictment of several private individuals and both former and current public officials, including two cabinet ministers.

Public perceptions of corruption have increased each of the last four years. The Transparency International 2011 Corruption Perceptions Index ranked Trinidad & Tobago 91 out of 178 countries, a decline over the rank of 71 in 2010. The report cited unmet promises to implement construction sector reforms and new public sector procurement legislation made after the 2010 elections as reasons for the ratings decline.

Bilateral Investment Agreements

The Bilateral Investment Treaty between the United States and Trinidad & Tobago came into force in 1996. A double-taxation agreement between the United States and Trinidad & Tobago has existed since the early 1970's.

Trinidad & Tobago also has bilateral investment agreements with the United Kingdom, Canada, France, Germany, Korea, Spain, Mexico, and China and is negotiating a BIT with India.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the U.S. and the Multilateral Investment Guarantee Agency (MIGA) extend services to projects in Trinidad and Tobago. T&T is one of three target markets for the AIC Caribbean Fund (ACF), established in 2006 with OPIC financing US\$80 million and a target capitalization of US\$250 million. T&T is also among 22 countries in the Caribbean and Central America eligible for a US\$200 million OPIC loan facility administered through Citigroup. Since 2008 both OPIC and the EXIM have considered and/or provided financing or guaranteeing projects in T&T, including a chemical plant and the acquisition of military helicopters.

Labor

Labor relations are governed by the Industrial Relations Act (IRA), which provides for dispute resolution through an industrial court in instances where the issue cannot be resolved at the collective bargaining table or through conciliation efforts by the Ministry of Labor.

Approximately 22-24 percent of Trinidad & Tobago's workforce is unionized. The IRA provides for the mandatory recognition of trade unions when a union satisfies the Registration Recognition and Certification Board that it represents more than fifty percent of the workers in a specified bargaining unit.

Wages and salaries vary considerably between industries.

The national minimum wage is presently TT\$12.00 per hour (approximately USD 1.90) with associated overtime rates. The Maternity Protection Act of 1998 provides for maternity benefits. The Occupational Safety and Health Act is now in force.

The Unemployment rate has hovered, according to most estimates, around 6 percent in 2011, although some believe the actual rate is higher. The labor market offers a high proportion of skilled and experienced workers, and the educational level of the population is among the highest in the developing world, though there is a gap between official literacy statistics and functional literacy.

Foreign workers, most notably from China, are utilized primarily in the construction of large-scale, public infrastructure projects. General contractors complain of a lack of skilled labor in construction-related fields and an inability to meet construction deadlines utilizing only domestic subcontractors and labor.

Foreign-Trade Zones/Free Ports

The Free Zones Act of 1988 (last amended in 1997) established the Trinidad & Tobago Free Zones Company to promote export development and foreign investment projects in a relatively bureaucracy-free, duty-free and tax free environment. The Program is administered by the Trinidad and Tobago Free Zones Company Ltd (TTFZ).

There are currently 28 approved enterprises located in six Free Zones. The majority are located within a multiple-user site in D'Abadie. Other companies had their current locations designated as Free Zones.

Free Zone enterprises may be established in any part of the country. They are 100 percent exempt from:

- customs duties on capital goods, parts and raw materials for use in the construction and equipping of premises and in connection with the approved activity;
- import and export licensing requirements;
- land and building taxes;
- work permit fees;
- foreign currency and property ownership restrictions;

- capital gains and taxes;
- withholding taxes on distribution of profits and corporation taxes or levies on sales or profits;
- VAT on goods supplied to a Free Zone; and
- duty on vehicles for use only within the Free Zone.

A corporation tax exemption for entities that qualify for free zone status is also in force. Currently, companies locating in a Free Zone may accept or decline the tax holiday with the understanding that, if enacted, a proposal to abolish the corporation tax holiday may be retroactive back to 2007. Indirect tax privileges, such as the import duty exemptions and VAT exemptions listed above will be retained.

Application to carry out an approved activity in an existing free zone area is made on specified forms to the Trinidad & Tobago Free Zones Company. Approval is granted by order of the Free Zones Company.

If the project requires designation of a new free zone area, a separate application form for designation is made to the Free Zones Company, which recommends designation to the Minister of Trade & Industry. Designation is effected by order of the Minister.

Applications for work permit waivers are recommended by the Free Zones Company through the work permit secretariat of the Ministry of National Security.

Free Zone activities that qualify for approval include manufacturing for export, international trading in products, services for export, and development and management of free zones. Production activity involving petroleum, natural gas or petrochemicals and activities involving investment in excess of US\$50 million do not qualify for the program.

Foreign Direct Investment Statistics

Economic reform and trade and investment liberalization have led to substantial foreign investment inflows. The U.S. continues to be the single largest source of foreign investment in Trinidad & Tobago. Other large foreign investors include the United Kingdom (petroleum and financial services), Canada (petroleum, petrochemicals and financial services), Germany (petrochemicals), India (iron/steel), Norway (petrochemicals), Australia (petroleum) and Spain (petroleum).

The bulk of foreign investment is in the country's lucrative energy-based sectors. However, there is evidence of growing interest among investors in the non-oil sectors of the economy, in areas such as information technology, steel, desalination plants, wood and wood products, and the entertainment industry. U.S.-based restaurant franchises are also well represented.

2010 FDI inflows totaled US\$549 million (~TT\$3.623 billion), equivalent to 2.7% of GDP. 2009 FDI outflows totaled US\$2 billion (~TT\$12.6 billion), equivalent to .008% of GDP. 2010 inward FDI stock totaled US\$17.424 billion (~TT\$115.00 billion), equivalent to 85% of GDP. 2010 outward FDI stock totaled US\$2.119 billion (~TT\$13.99 billion), equivalent to 11% of GDP. (Source: UNCTAD World Investment Report 2011).

U.S. energy companies Chevron and EOG Resources have significant investments in oil and gas exploration and production. Other U.S. companies in the upstream energy sector include Anadarko/Kerr-McGee and Fluor. Other international energy companies include BP, BG, Repsol YPF, Talisman, Petro-Canada, Sinopec and BHP Billiton.