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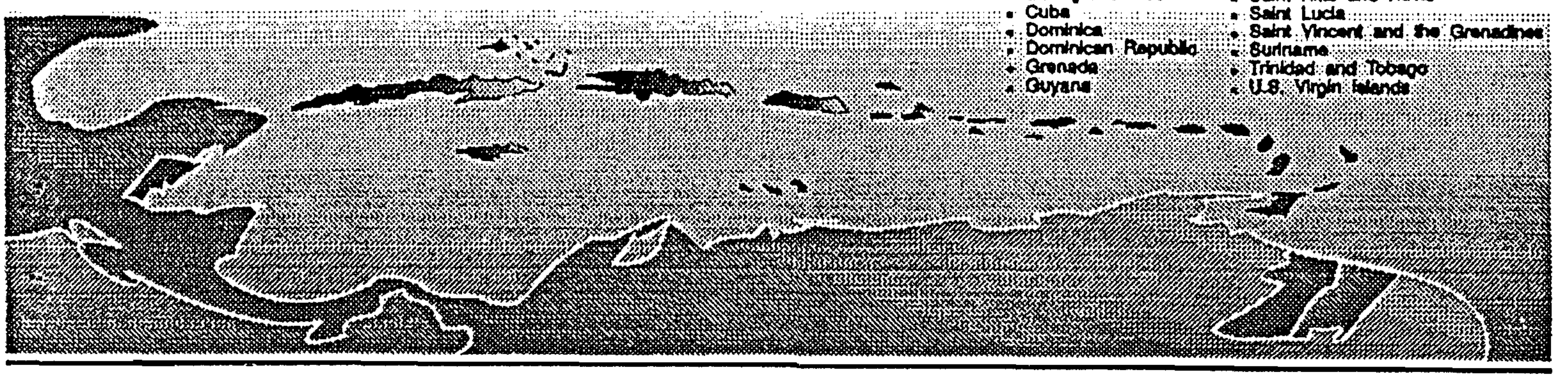
- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Br.Virgin Islands
- Cuba
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- Netherlands Antilles
- Puerto Rico
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- U.S. Virgin Islands



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8 September 1995
ORIGINAL: ENGLISH

FOREIGN DIRECT INVESTMENT IN THE CARIBBEAN

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean
CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

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Introduction

This study aims to clarify definitions of Foreign Direct Investment (FDI), to identify the sources of information on FDI in the Caribbean, and provide an overview of the quantum of FDI and the means used to measure it in Guyana, Jamaica, Trinidad and Tobago, and the eight member countries of the Organization of Eastern Caribbean States (OECS). The paper concludes with suggestions to improve data availability and collection, and provides a list of references, to facilitate further research on this topic and its impact on economic development in the Caribbean.

Definition

The International Monetary Fund (IMF), describes Foreign Direct Investment as an investment made by a resident entity in one economy, to acquire a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise. Direct investors may be individuals, incorporated or unincorporated private or public enterprises, governments or government agencies, estates, trusts, or other organizations that own direct investment enterprises in economies other than those in which the direct investors reside.

As a measure of lasting interest, the IMF suggests a foreign ownership of 10 per cent or more of the ordinary shares or voting power. Only capital that is provided by the direct investor should be classified as FDI. Investments can be made up of the following components: equity capital, reinvested earnings and/or intercompany loans, including debt securities and suppliers' credit. FDI flows with a negative sign (reverse flow) indicate that at least one of these components is negative and not offset by positive amounts of the remaining components.

As opposed to direct investors, portfolio investors do not have a significant influence over the operations of enterprises. The latter are primarily concerned about the safety of their capital, the likelihood of appreciation in value and the return generated.

FDI statistics and data comparability

Comparability of FDI data between countries is often difficult for three reasons. First, because countries differ in their definition of FDI. They also differ in their methods of data collection and corporate accounting practices and valuation methods differ between countries.

Alternative definitions

Depending on the country, the threshold percentage of ownership is between 10 and 50 per cent for purposes of determining foreign ownership. Some countries do not specify a threshold point, but rely on companies' own assessments as to whether the investing company has an effective voice in the foreign firm in which it has an equity stake.

Apart from equity ownership, the foreign investors may also acquire an effective voice in a company through subcontracting, management contracts, turnkey arrangements, franchising, leasing, licensing and production-sharing. Although data on these forms of ownership or control are not usually collected, some countries have begun to contemplate doing so. The OECD plans, in their revised definition of FDI, to treat financial leases between direct investors and their branches, subsidiaries or associates, as if they were conventional loans.

Data discrepancies and comparability

Data on FDI flows are often based on the foreign exchange records of the central bank which, in the context of liberalized financial markets, are often limited in details. Some countries, such as Australia, Canada and the United States, get more detailed data by basing their FDI calculations solely on company surveys. These surveys query such issues as the value and composition of investments, employment generation, industrial distribution of investments, geographic allocation of activities, the value of the total assets of enterprises, the balance sheets and income statements, the composition of sales and of external financing, export and import contribution, gross product or value added of subsidiaries in relation to total GDP of the economies involved, and country of ultimate beneficial owner.

In various other countries exchange records data are supplemented with company surveys data, or data collected by investment monitoring and promoting institutions. Data provided by these institutions often provide detailed information on origin and sector of investments. However, these data do not necessarily reflect all investments made in the country, since not all FDI may have to be registered with these authorities, and since not every investor may want to use the services of the promoting organizations. In countries where no company surveys are conducted, data on reinvested earnings are generally not collected and therefore excluded from FDI estimates.

Revision of the company's data and considerable annual fluctuation in equity capital, intercompany loans and reinvested earnings, is another cause of the inaccuracy of FDI statistics. Although attempts to revise the FDI flow data accordingly might be made, it can be difficult to attribute revisions to particular years.

FDI flow data often only reflect the immediate host country and the immediate investing country, rather than the ultimate host and ultimate investing country. This may cause a distorted picture of reality in the case where funds are channeled through holding companies located in international financial centers. Germany attempts to overcome this problem by distinguishing between primary and secondary FDI, reflecting the immediate and the ultimate owners. A similar complication arises in the case where a firm is taken over by an investor with another nationality.

Another inaccuracy might appear where takeovers proceed in incremental stages. Early acquisitions, which would be considered portfolio investments, would need to be reclassified as FDI as soon as the FDI threshold was reached.

Accounting practices

Although the international organizations such as the IMF, the Organization for Economic Cooperation and Development (OECD) and the United Nations recommend market values as the conceptual basis for valuation, it is recognized that, in practice, book values are easier to obtain from the balance sheet of investors. Book values are, therefore, often used to determine the value of the stock of direct investment. However, with valuation at book value or at the historical cost of assets, major fluctuations in the stock of FDI might occur, without any actual FDI flows occurring, if inflation or exchange rate movements become significant. Similarly, unrealized gains and losses of affiliates are better not included in FDI under the category of reinvested earnings, since substantial exchange rate fluctuations might cause dramatic changes in FDI flow data.

FDI worldwide and in the Caribbean

Worldwide direct investment flows, increased by 350 per cent, from US$48.9 billion in 1983 to US$173.3 billion in 1993. As compared to this, the inflows into the industrial countries increased by 310 per cent in the same period. While inflows to the industrial countries peaked in 1990 at US$174.6 billion, inflows to the developing countries continued to rise to US$70.1 billion or 40 per cent of worldwide direct investment flows in 1993. For the period 1983-1993, this meant an increase of 450 per cent over the US$15.6 billion in 1983. Asian countries received the largest share of the US$44.9 billion investment made in developing countries in 1993, with the second largest share, US$16.1 billion, going to Latin America and the Caribbean (see Figure 2). Of the latter share, approximately 5 per cent, or an estimated US$817, was invested in the Caribbean. Over the 10-year period, foreign investment in the Caribbean increased by 580 per cent, from US$142 million recorded in 1983. In 1993, the main recipients of investments over US$100 million, were Trinidad and Tobago, the Dominican Republic and Jamaica (Table 2). Smaller inflows, in order of magnitude, were recorded in Saint Lucia, Saint Vincent and the Grenadines, Guyana, Grenada, Belize, Netherlands Antilles, Antigua and Barbuda, Dominica, and Saint Kitts and Nevis. Aruba and the

Figure I

FDI worldwide
in US$ billions

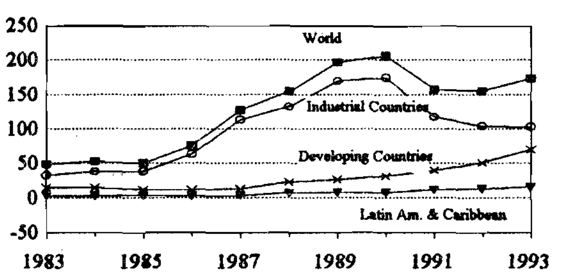

Figure II

FDI in Latin America & the Caribbean
US$ billions

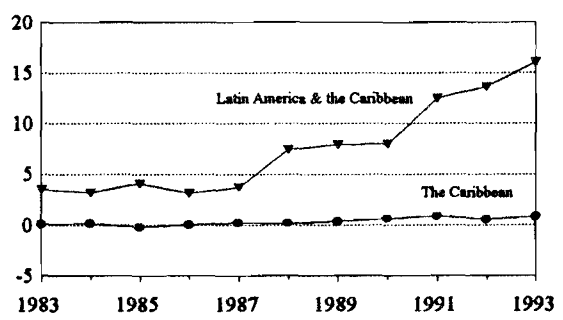

Table 1
Foreign direct investment in the reporting economy
(US$ millions)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Industrial countries	33,331	38,077	38,500	63,684	113,225	131,948	169,348	174,562	117,451	104,160	103,211
Developing countries											
Africa	1,189	1,104	1,027	790	1,519	1,361	2,824	1,154	2,257	2,574	1,834
Asia	5,132	4,594	4,863	5,720	8,258	12,450	13,908	18,380	20,938	29,395	44,935
Europe	155	220	191	209	198	472	1,053	1,160	3,418	4,701	6,189
Middle East	5,592	6,148	2,327	2,471	(61)	1,532	1,138	3,010	873	1,009	1,009
Latin America & Caribbean	3,510	3,232	4,068	3,177	3,744	7,415	7,937	7,987	12,474	13,628	16,091
Sub-total	15,578	15,298	12,476	12,367	13,658	23,230	26,860	31,691	39,960	51,307	70,058
World grand-total	48,909	53,375	50,976	76,051	126,883	155,178	196,208	206,253	157,411	155,467	173,269

Table 2
Foreign direct investment in Latin America and the Caribbean per region and country (US$ millions)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Antigua & Barbuda	5	4	16	18	39	31	41	59	52	20	10
Aruba								131	185	(37)	(18)
Bahamas	(6)	(5)	(30)	(13)	11	37	25	(17)	0	7	(24)
Barbados	4	0	5	8	7	11	8	11	7	14	
Belize		(4)	4	5	7	14	19	17	15	18	11
Dominica		2	3	3	10	7	8	8	11	14	10
Domican Republic	48	69	36	50	89	106	110	133	145	180	183
Grenada	3	3	4	5	15	15	10	13	15	23	22
Guyana	5	4	2								25
Haiti	8	4	5	5	5	10	9	8	14		
Jamaica	(19)	12	(9)	(5)	53	(12)	57	138	127	87	139
Netherlands Antilles	(96)	3	(275)	1	3	7	17	8	33	40	11
St Kitts & Nevis	14	6	8	6	17	13	41	49	21	14	10
St Lucia	10	12	17	19	15	16	27	45	58	46	36
St Vincent & The Grenadines	2	1	2	4	6	10	11	8	9	19	31
Suriname	46	(40)	12	(34)	(73)	(96)	(168)	(43)	10	(30)	
Trinidad & Tobago	118	113	1	(15)	33	63	149	109	169	178	373
Caribbean	142	184	(199)	57	237	232	364	677	871	593	817
Central America	688	526	722	1,282	1,528	2,476	3,063	2,788	5,051	4,799	5,344
South America	2,684	2,519	3,546	1,840	1,980	4,706	4,510	4,524	6,551	8,237	9,030
Latin America & Caribbean	3,514	3,229	4,069	3,179	3,745	7,414	7,937	7,989	12,473	13,629	15,191

Source: IMF, Balance of Payments Statistics Yearbooks 1990/1992/1994, and International Financial Statistics Yearbook 1993.
Note 1: As far as available, 1993 data lacking for the Caribbean have been supplemented by data from national sources.

Bahamas experienced a reversed flow of direct investment. For 1993, data were not yet available from Barbados, Haiti and Suriname.

These data illustrate that investment is increasingly a cross border phenomenon, likely to be reinforced by the ongoing globalization of the world economy and the liberalization of trade. Developing countries need to study the impact of foreign investment on their economies and formulate policies to derive the greatest sustainable benefit from it. These policies should take into account diverse issues such as equity, employment, the environmental impacts as well as economic growth, and foreign exchange reserves. Foreign capital should not be pursued merely for the sake of a temporary positive capital account balance.

FDI data availability in the Caribbean

The most comprehensive data-series on FDI can be found in the IMF Balance-of-Payments Statistics Yearbook and the United Nations Investment Directory. The IMF does not, however, cover Cuba nor the non-independent territories, members of the CDCC, while recent data on Guyana are also difficult to obtain.

The United Nations Conference on Trade and Development (UNCTAD)[1] provides, on a best-effort basis, country tables on FDI. It provides information on the stock and flows of investment, industrial, geographical, sectoral and regional distribution, indicators of significance of the foreign investment, a list of the largest foreign affiliates and the legal framework for transnational corporations. It also includes a summary of national laws, regulations, official policy declarations and guidelines that are relevant to FDI and related fields. With respect to the international framework, it outlines which countries signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States; the Paris Convention for Protection of Industrial Property; the New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards; and the Convention establishing the Multilateral Investment Guarantee Agency (MIGA). In addition, it summarizes for each country the bilateral treaties that have been signed for the promotion and protection of foreign investment, and for the avoidance of double taxation. From the Caribbean, however, it covers only the Bahamas, Barbados, Belize, the Cayman Islands, the Dominican Republic, Jamaica and Trinidad and Tobago. Owing to lack of detailed data, many of the above-mentioned items are not tabulated in the Investment Directory.

The following chapters elaborate the outcome of study regarding data availability on FDI in Guyana, Jamaica, Trinidad and Tobago and the OECS countries. The collected data series on FDI are summarized in the statistical annex, Table 1.

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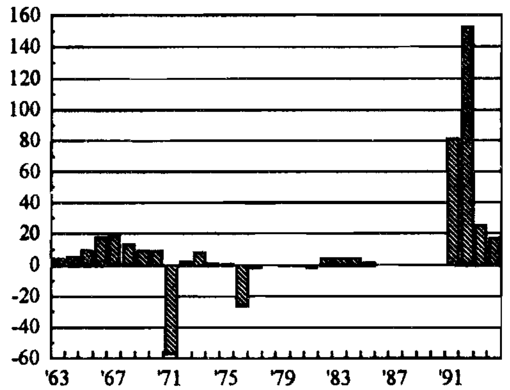
[1] See the "United Nations Investment Directory (Volume IV) Latin America and the Caribbean, 1994".

Guyana

Table 3
FDI flows in Guyana in 1994
(US$ million)

Origin and Sector	Investment
Malaysia / South Korea (Timber)	20.0
USA (Telecommunication)	7.5
Brazil (Bus transport)	5.0
Jamaica (Banking)	3.5
United Kingdom (Retail)	3.8
total inflow	39.8
India (Government)	-20.8
Canada (Mining)	-2.0
total outflow	-22.8
Net FDI inflow	17.0

Figure III
Guyana
FDI net inflows (US$ millions)



Data on FDI flows are collected by the Statistical Office in Guyana. The two sources of information are customs documentation and concessions issued to the foreign investor by the Ministry of Finance. Data from the IMF reveal that FDI between 1963 and 1985 was low and never exceeded US$20 million. For the period 1986 to 1990, there are no data available. The data for the period 1990 to 1994 were obtained from the Bank of Guyana (see Figure 3 and statistical annex Table 1). A breakdown of FDI only available for the last year of this period (see Table 3).

Compared to the last two decades, the period 1991 to 1994, shows a substantial increase in investments. The bulk is accounted for by the Canadian gold mining company, Omai, with an investment worth US$150 million, and the timber company, Barama, a joint venture between a South Korean and a Malaysian company, with investments worth US$63 million. Smaller investments were made in telecommunications, transport, banking, retail business, and eco-tourism. They originated in the United States, Brazil, Jamaica, United Kingdom, Trinidad and Tobago and Russia.

In the 1980s, Guyana initiated an investment incentive regime and established a one-stop-agency, GUYMIDA (Guyana Manufacturing and Industrial Development Agency), to facilitate the speedy resolution of enquiries and requests from prospective investors. Under the incentives regime, investors can be granted tax concessions on imported capital, machinery and equipment. In 1994, GUYMIDA was replaced by the agency GO-INVEST, which received in the year of inauguration, proposals for close to 50 projects. About a dozen of them were expected to be implemented in the first quarter of 1995. These include projects on garment manufacture, furniture production, fish processing, resort development, poly sack bag production, low and middle income housing and mining.

In the 1995 budget, investment incentives became a focal point of policy. It was proposed to reduce the Consumption Tax to a zero rate for machinery, equipment and materials used in manufacturing, forestry and mining; tax incentives would apply depending on the project. In addition, new investment codes and environmental guidelines were being put in place so that investment proposals, especially in forestry and mining, could be dealt with expeditiously.

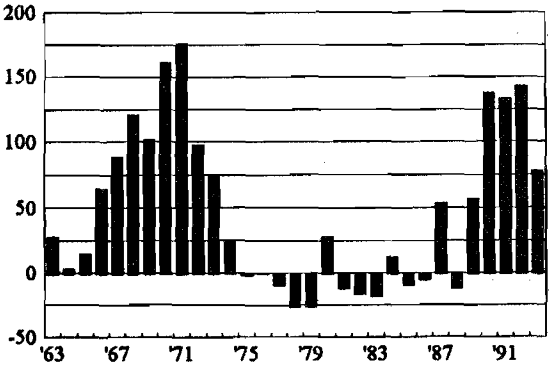
Jamaica

Prior to 1992, the exchange control records of the Bank of Jamaica were the main source of information on FDI in Jamaica. In 1992, Jamaica liberalized the financial system and abolished exchange controls, without establishing a new mechanism to collect data on FDI. From 1992 to date, the FDI estimates by the Bank of Jamaica, have been based on data collected by the Jamaica Promotions Corporation (JAMPRO) and the Jamaica Bauxite Institute. The latter collects the data on foreign investments in the bauxite industry, traditionally the main destination of investments. The data for the period 1984 to 1993, were derived from the Bank of Jamaica's Balance-of-Payments Report and for 1963 to1983, from the IMF.

Figure IV

Jamaica

FDI net flows (US$ millions)



JAMPRO assists foreign investors, on request, with their investments in Jamaica. It is estimated that about 30 per cent of the foreign investors use the services of JAMPRO. The corporation keeps records on the amounts invested, the country of origin, the destination of investments and generated employment. For the period 1981 to March 1995, JAMPRO assisted 870

Table 4

Net foreign direct investment in Jamaica by type, 1986-1993

(US$ millions)

	1986	1987	1988	1989	1990	1991	1992	1993
Equity capital	0.0	61.2	0.0	52.1	62.6	15.1	9.8	77.9
Reinvestment of earnings	10.4	3.3	9.0	10.9	10.9	11.8	10.0	0.0
Other long-term capital	-15.0	-11.1	-21.0	-5.9	64.4	100.1	66.7	0.0
Short-term capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total net FDI	-4.6	53.4	-12	57.1	137.9	127	86.5	77.9

Source: IMF, Balance of Payments Statistics Yearbook 1994.

Note: According to Bank of Jamaica data, FDI in 1991 and 1992 was US$133.2 and US$142.4 respectively.

Table 5
SECTORAL ALLOCATION OF FOREIGN DIRECT INVESTMENT (JAMPRO ASSISTED PROJECTS)
Bi-annual, in US$ millions

Sector	1981-1982	1983-1984	1985-1986	1987-1988	1989-1990	1991-1992	1993-1994	Totals	
Agriculture	12.4	5.4	5.7	2.3	2.7	3.5	0.2	32.3	12%
Tourism	3.3	9.9	10.1	27.8	0.6	2.2	1.3	55.3	21%
Info Processing	1.6	0.2	0.7	0.0	0.5	0.8	4.4	8.3	3%
Manufacturing	0.8	2.4	5.0	5.6	0.0	1.9	2.0	17.8	7%
Minerals & Chemicals	0.2	12.4	0.0	0.0	0.0	2.5	0.2	15.3	6%
Textiles	4.8	24.0	12.2	15.1	15.2	3.2	9.7	84.2	31%
General Services	4.4	11.2	0.0	0.0	0.1	0.1	0.0	15.7	6%
Film	1.1	0.2	6.5	4.4	3.4	13.1	6.2	34.9	13%
Small Business	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.5	0%
Contracts	0.0	1.1	0.0	0.5	0.0	1.2	1.4	4.2	2%
Totals	28.5	67.2	40.3	55.9	22.5	28.5	25.4	268.4	100%

Source: Jampro

Table 6

Foreign direct investment in the bauxite industry
(US$ millions)

(Fiscal) year	87/88	88/89	89/90	90/91	1992	1993	1994
	21.7	21.6	63.4	103.1	101.6	81.9	55.2

Source: Jamaica Bauxite Institute

projects, of which 53 were joint ventures. The investments totaled J$3 billion, and created employment for 30,040 persons. Five hundred projects originated in the United States. Other substantial investments were made by investors from Canada, Korea, Hong Kong, Germany, the United Kingdom and China. From within the Caribbean, investments were made from Barbados, the Cayman Islands, Suriname, Guyana, Haiti and Trinidad and Tobago. For the period 1981-March 1985, the average amount invested per project was J$3.5 million; and for each J$1 million that was invested, on average, 10 persons were employed.

In US dollar terms the JAMPRO-assisted investments over the period 1981-1994, amounted to US$268.4 million. Almost one third of this amount (US$84m.), was directed to the textile industry. In the tourism sector US$55m. was invested, in the film industry US$35m., and US$32m in agriculture. To a lesser extent, the JAMPRO assisted investors in manufacturing (US$18m.), minerals and chemicals (US$15m.), information processing (US$8m.), contracts (US$4m.) and small businesses (US$0.5m.) (see Table 5).

Investments in the bauxite industry (see Table 6), over the period 1987 to 1993, reportedly amounted to US$393.3 million, as compared to US$590 million total FDI in Jamaica in that period. Hence it is clear, that in spite of the efforts to diversify the interest of foreign investors to other sectors, the traditionally most attractive natural resource of Jamaica, bauxite, still attracts about two thirds of the total foreign investments.

Organization of Eastern Caribbean States (OECS)

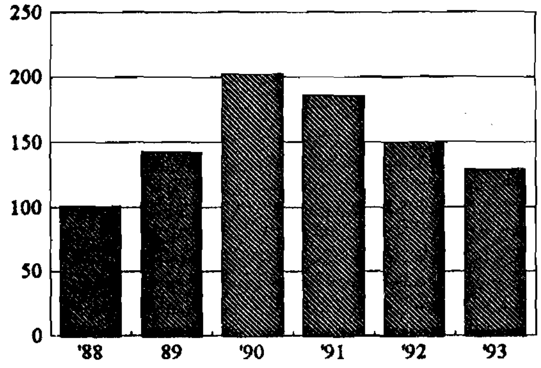
The Eastern Caribbean Central Bank (ECCB) publishes a balance-of-payments report annually comprising the OECS countries. Balance-of-payments surveys have been conducted in each ECCB member country since 1986, with the exception of Anguilla where the survey commenced in 1992. Data for the report's statistics are derived from four sources:

(a) Surveys of private and public sector establishments conducted by the national statistical offices and the ECCB;
(b) Interviews held by national statistical officers and ECCB staff;
(c) Financial statements and other statistical data issued by private and public sector enterprises; and
(d) Financial statements and foreign exchange records reported by the commercial banks to the ECCB.

The balance-of-payments report provides a breakdown per OECS country of FDI, in equity, reinvested earnings, land sales and other. The latter represents loans provided by foreign owners to the direct investment enterprise located in the respective countries.

The ECCB describes the foreign investor as the direct investor who "provides a substantial part of the equity capital, and effectively controls the management of an enterprise located in another country". A direct investment relationship is deemed to exist between the company, as an investment enterprise, and those foreign investors holding 10 per cent or more of the ordinary shares or voting stock of the former.

Figure V
OECS
FDI net inflows (US$ millions)



In the 1993 capital account of the ECCB area, net inflows of direct investment decreased by 15.4 per cent to US$125.3 million (statistical annex Table 2), to represent 7.7 per cent of GDP, compared to 9.5 per cent in the previous year. This decline reflected an abatement in inflows of loan finance for hotel construction in some member countries and a contraction in reinvested earnings. However, direct investment in the form of equity participation and for land purchases continued to increase steadily.

Figure VI

Anguilla

Net FDI inflow (US$ millions)

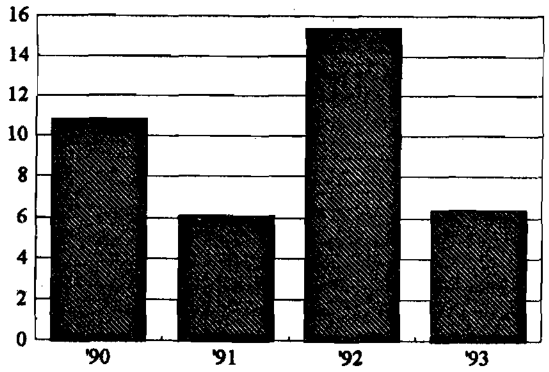
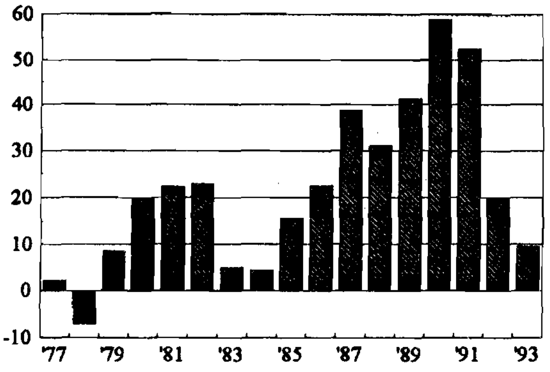


Figure VII

Antigua & Barbuda

Net FDI inflow (US$ millions)



A short description of the trend in FDI flows in each OECS country is set out below. The information from 1988 and onwards, is entirely based on the Balance-of-Payments reports (1992 and 1994), and the Report and Statements of Accounts (1986 through 1994) from the ECCB. FDI data from before 1988 were taken from International Financial Statistics 1994, a publication of the IMF.

Anguilla

FDI surveys have been conducted in Anguilla since 1992. The data provided for 1990 were based on interviews, and represent mainly investments in the hotel and telecommunications sector. The growth in FDI inflows to US$15.6 million in 1992 was associated with the construction of a major hotel, which commenced operation at the end of that year.

Antigua and Barbuda

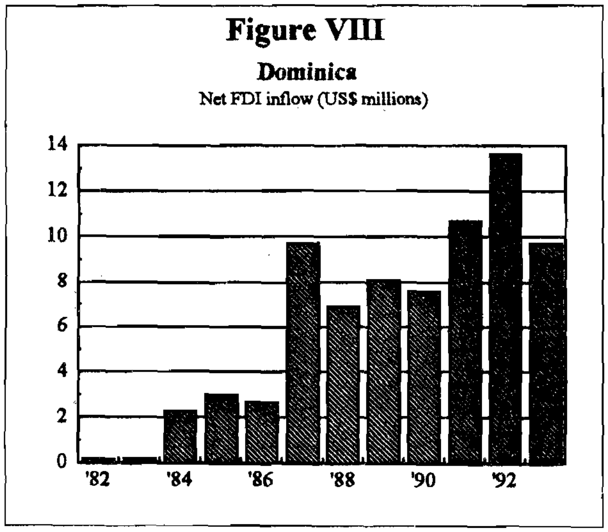
The increased FDI in 1989 and 1990 largely reflected new investments in the hotel industry, with major projects at Jolly Harbour, Hodges Bay and Emerald Cove. In 1992 and 1993, FDI declined significantly as several projects neared their completion dates. Meanwhile no major start-ups were recorded during these years. The main ongoing projects in 1992 were the Jolly Harbour project, the expansion of the Halcyon Cove and Hawksbill hotels and the property development at Jumby Bay.

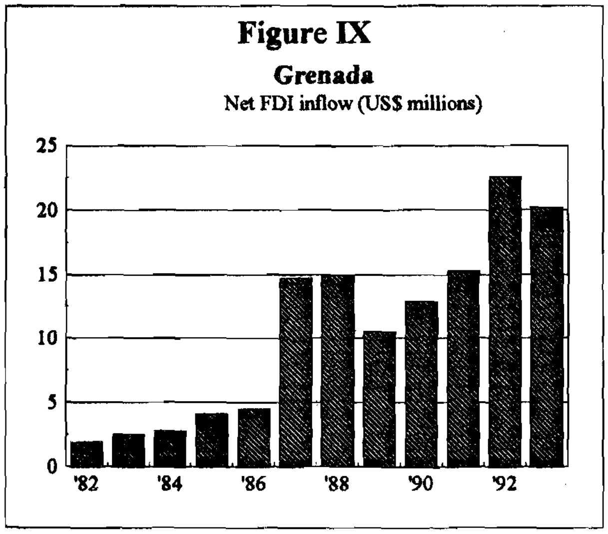
Dominica

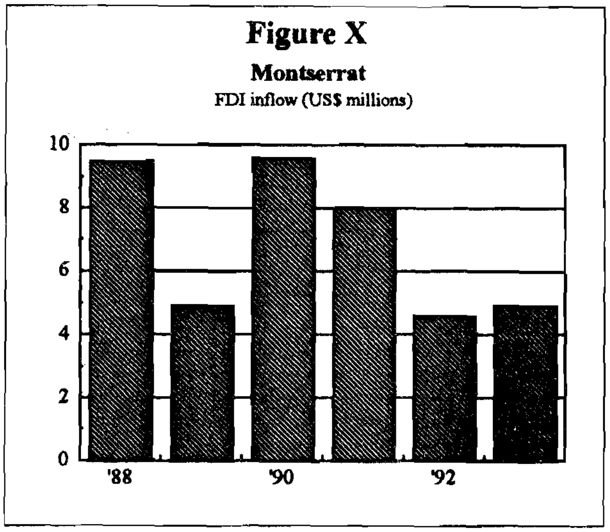
Of the FDI carried out in 1987, the major portion was associated with the expansion of the telecommunication system in Dominica. With respect to the destination of FDI in the other years, there was no information available in the Report and Statement of Accounts.

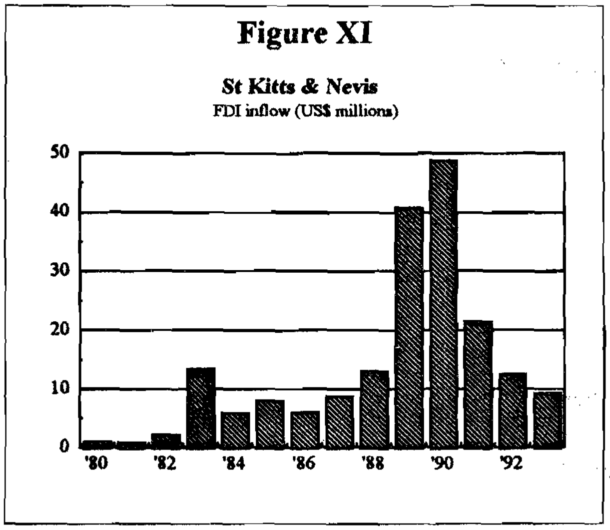
Grenada

The construction of the La Source and Rex Grenadian hotels in 1992, and their subsequent completion in 1993, accounted for the rise in FDI in those two years.









Montserrat

The higher than average FDI inflow in 1990, was due to investments associated with the repair work following the damage done by the hurricane. As can be seen from the data in the annex, land purchases comprised the dominant form of investment during the years 1988 through 1993.

Saint Kitts and Nevis

In 1987 and 1988, the upgrading of the telecommunications system and the construction of tourist-related activities were the main contributors to FDI inflows. The 1989 and 1990 increase in FDI mainly reflected new investments in the hotel sector. Net capital inflow fell sharply in 1991, because of a slowdown in construction activity. The FDI inflows in 1992, were largely associated with the construction of tourist-related facilities and the new ECCB Headquarters project.

Figure XII
St Lucia
FDI inflow (US$ millions)

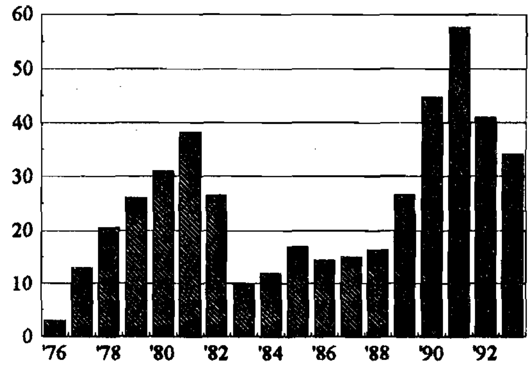
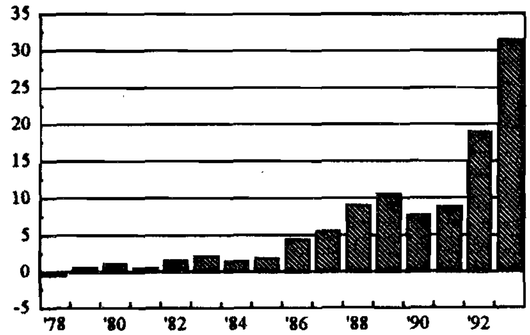


Figure XIII
St Vincent & the Grenadines
Net FDI inflow (US$ millions)



Saint Lucia

The FDI inflows in Saint Lucia in 1991 and 1992, were mostly related to construction activities and hotel development, respectively. The 1993 dip reflects the completion of the main projects.

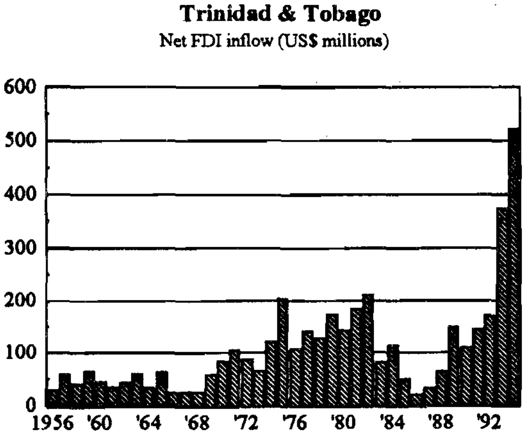
Saint Vincent and the Grenadines

FDI had been mainly into manufacturing and tourism up to 1990. With the slowdown in demand in the international economy, investments declined in 1990, as activity in the manufacturing sector weakened. Major private sector projects currently in process include the Union Island Leisure complex and the first phase of the Canouan project.

Although the data on FDI are not very detailed, it may be concluded that the foreign investments in the OECS countries are predominantly geared towards the tourism sector; and that land sales constitute a rather large part of FDI, on average 18 per cent over the period 1988 to 1993.

Trinidad and Tobago

Figure XIV



Foreign direct investment flows in Trinidad and Tobago are calculated by the Central Bank, based on data from company-surveys carried out by the Central Statistical Office (CSO). The net-investment data are published in the annual Balance-of-Payments Report, with a breakdown of foreign direct investment and investment income by sector of activity. Investments in commercial banks, insurance companies and other financial institutions are not included in the report. An investment in a company, branch or agency, resident in Trinidad and Tobago, is considered to be FDI, if 25 per cent or more of the ordinary shares of the business are held by foreigners. Currently, around 90 companies satisfy this threshold. The Central Bank classified these companies into the following 11 sectors, with the number of qualifying companies given in parenthesis: petroleum-mining exploration and production (5); petroleum-service contractors (21); food, drink and tobacco (11); printing and publishing (2); chemicals and non-metallic minerals (13); assembly type and related materials (4); miscellaneous manufacturing (4); distribution (10); construction (3); financial and other services (4); personal services (2); hotels (3); and transport, storage and communication (7).

Trends in FDI between 1956-1994

Foreign investors in Trinidad and Tobago are predominantly found in the petroleum related industry, which comprises also the ammonia, natural gas and methanol industry. The US$521 million FDI-figure for 1994 (see statistical annex Table 1), included US$243.2 million related to major divestments in the Power Generation Company of Trinidad and Tobago, the Iron and Steel Company of Trinidad and Tobago, Trinidad and Tobago Methanol Co. Ltd., Trinidad Cement Ltd., Arawak Cement Company Ltd., National Fisheries and to the partial divestment of non-core assets of Petrotrin. The remainder constituted US$138.5 million of equity investment mainly in the petroleum-related industry, US$190.7 million of reinvested earnings and a decrease of US$51.4 million in short-term capital.

In 1993, foreign companies invested US$348.9 million in the petroleum-related sector, 93.6 per cent of the total investments (US$372.6 million) made in the country in that year (see Table 7). Proceeds from the sale of FERTRIN/UREA amounted to US$169 million while US$63.3 million was injected in energy sector projects. Approximately US$0.2 million was directed to the service contractors, marketing and distribution companies of the petroleum industry. The balance went into mining, exploration and production of petroleum, as well as into refineries and petrochemicals.

Table 7
Foreign direct investment in Trinidad & Tobago by sector of activity
US$ millions

	1987	1988	1989	1990	1991	1992	1993
Mining, exploration, refineries, petrochemicals	25.2	49.9	82.8	57.2	118.2	144.6	348.7
Service contractors, marketing, distribution	-1.1	5.5	3.9	6.8	6.9	8.6	0.2
Sub-total: petroleum industries	24.1	55.4	86.7	64.0	125.1	153.2	348.9
Food, drink, tobacco	2.7	4.6	2.4	4.9	2.7	-0.5	1.9
Chemicals, non-metallic minerals	0.8	0.3	-0.5	-2.9	-0.5	0.3	0.1
Assembly type & related industries	1.4	-1.2	0.1	0.0	0.4	0.3	-0.4
Distribution	-0.6	-0.4	0.6	0.5	-0.3	1.6	4.2
All other sectors	4.6	4.3	59.7	42.9	16.7	16.1	17.9
Total	33.0	63.0	149.0	109.4	144.1	171.0	372.6

Source: Central Bank of Trinidad and Tobago

The remaining 6.4 per cent of total investments in 1993 comprised the distribution industry (1.13 per cent), the food, drink and tobacco industry (0.51 per cent), the chemical and non-metallic minerals industry (0.03 per cent), and in the above-classified other sectors (4.8 per cent). Assembly-type and related industries experienced a net outflow of US$0.4 million in that year.

Investments in the petroleum-related industries increased steadily from US$24.1 million in 1987, to US$348.9 million in 1993. During this period, net inflows averaged US$23.2 million a year in the category 'all other sectors'; US$2.7 million in the food, drink and tobacco sector; US$0.8 million in distribution reaching a high of US$4 million in 1993, and an average US$0.1 million in the assembly-type and related industries. The chemicals and non-metallic minerals sector experienced a net average outflow of US$0.3 million. Percentage-wise the petroleum-related industries attracted 72 per cent of the net foreign inflows in 1987, 58 per cent in 1989, 86 per cent in 1991, and 94 per cent in 1993.

Table 8
Foreign direct investment in Trinidad & Tobago by type
US$ millions

	1987	1988	1989	1990	1991	1992	1993
Equity capital	0.3	0.9	50.0	58.4	30.6	20.9	258.7
Reinvestment of earnings	35.2	75.0	91.3	74.6	117.1	136.1	91.5
Other long-term capital (Debt conversions)	0.0	0.0	0.0	0.0	25.0	6.9	7.4
Short-term capital	-2.4	-12.9	7.6	-23.6	-3.6	14.0	22.4
Total	33.1	63.0	148.9	109.4	169.1	177.9	380.0

Source: Central Bank of Trinidad & Tobago.

Note: Other long-term capital for 1991-1993 refers to debt conversions.

Table 9
Foreign direct investment in Trinidad & Tobago by origin
(US$ millions)

	1988	1989	1990	1991	1992	1993
United States	58.3	95.9	65.8	98.5	123.1	339.3
United Kingdom	5.1	58.1	49.2	38.5	40.4	31.0
Canada	0.8	0.4	0.2	0.1	0.1	0.2
Others	-1.3	-5.4	-5.8	7.0	7.4	2.2
Total	62.9	149.0	109.4	144.1	171.0	372.7

Source: Central Bank of Trinidad & Tobago

The form in which capital was invested in Trinidad and Tobago in the last seven years, gradually shifted in composition from mainly reinvestment of earnings, to new equity capital (see Table 8). The investments classified as long-term capital in 1991, 1992 and 1993 were actually debt conversions of sovereign foreign currency (US$ and YEN) debt into TT dollar denominated debt. In 1991, Conoco used US$25 million of sovereign debt paper to invest in the Phoenix Park natural gas plant. In 1992, Pepsico bought out the locally held shares in the Kentucky Fried Chicken chain, with debt paper worth US$6.9 million. Finally, a conversion valued at US$7.4 million, was made in 1993 by BWIA, to purchase new airplanes.

The short-term capital fluctuations reflect the balances of financial flows between the headquarters of foreign companies and its subsidiaries in Trinidad and Tobago. In 1992 and 1993 there was a net inflow of short-term capital.

Foreign investment mainly originated in the United States, the United Kingdom, and to a lesser extent in Canada (see Table 9). In the period 1988 to 1993, the annual investments fluctuated between US$58 million and US$339 million from the United States, US$5 million and US$58 million from the United Kingdom and between US$100,000 and US$800,000 from Canada. The 1989 increase in investments from the United Kingdom was partly due to the sale of shares in the national telephone company, TSTT.

Concluding remarks and suggestions

Most countries in the region actively seek to attract foreign investment. The data reveal that the main investments are still made in those industries that are closely related to the natural resources of the respective countries. This, despite efforts to diversify investments across the economy. To study the impact of the foreign investments on economic growth, employment, poverty, environment and foreign exchange reserves, more detailed information than currently available, is indispensable.

Given the liberalization of financial markets, foreign exchange records provide insufficiently detailed information. Data collection should also be based on company surveys, which should provide an insight into the financial structure and operations of subsidiaries, associates, branches and direct investors. The survey should query such issues as the value and composition of investments, employment generation, industrial distribution of investments, geographic allocation of activities, the value of the total assets of enterprises, balance sheets and income statements, the composition of sales and of external financing, export and import contribution, gross product or value added of subsidiaries in relation to total GDP of the economies involved, and country of ultimate beneficial owner.

Additional information, needed for in-depth analysis on the desirabililty of investments for the host economy, should be compiled on tax collected from foreign investment enterprises, income privation due to investment incentives and national savings and investments capacity.

In order to avoid double counting or data gaps, the responsibility for collection should be assigned to a single institution. This could be either the statistical office or the research unit of the Central Bank, or a well defined body composed of both parties acting in concert.

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STATISTICAL ANNEX

Table 1
Net Foreign Direct Investment in the Caribbean (Selected Countries)
in US$ millions

Year	Trinidad & Tobago	Jamaica	Guyana	Anguilla	Antigua & Barbuda	Dominica	Grenada	Montserrat	St Kitts & Nevis	St Lucia	St Vincent & the Grenadines
1994	521.0		17.0								
1993	372.6	77.9	25.0	6.4	9.4	9.7	20.2	4.9	9.3	34.1	31.4
1992	171.0	142.4	152.3	15.4	19.6	13.6	22.6	4.6	12.5	40.9	18.9
1991	144.1	133.2	81.2	6.1	52.4	10.7	15.3	8.0	21.4	57.7	8.8
1990	109.4	137.9	...	10.8	58.8	7.6	12.9	9.6	48.8	44.8	7.7
1989	148.9	57.1	...	...	41.3	8.1	10.5	4.9	40.8	26.6	10.6
1988	63.0	-12.0	...	...	31.1	6.9	15.0	9.5	13.1	16.4	9.1
1987	33.1	53.5	...	...	38.6	9.7	14.7	...	8.7	15.0	5.5
1986	19.9	-4.6	...	...	22.6	2.7	4.5	...	6.0	14.5	4.4
1985	49.7	-9.0	1.8	...	15.6	3.0	4.1	...	8.0	17.0	1.8
1984	113.2	12.2	4.5	...	4.4	2.3	2.8	...	6.0	12.0	1.4
1983	81.5	-18.7	4.7	...	5.0	0.2	2.5	...	13.5	10.0	2.1
1982	211.0	-15.8	4.4	...	23.0	0.2	1.9	...	2.2	26.5	1.5
1981	183.3	-11.5	-1.8	...	22.4	...	...	...	0.9	38.2	0.5
1980	143.4	27.7	0.6	...	19.6	...	...	...	1.0	30.9	1.1
1979	173.5	-26.4	0.6	...	8.5	...	...	...	...	26.0	0.6
1978	127.0	-26.6		...	-6.9	...	1.4	...	...	20.6	-0.5
1977	140.1	-9.7	-1.8	...	2.2	...	-0.1	...	...	13.0	...
1976	107.2	-0.6	-26.1	...	...	...	...	...	...	3.0	...
1975	202.8	-1.8	0.9	...	...	...	...	...	...	...	...
1974	120.2	23.3	1.3	...	...	...	...	...	...	...	...
1973	65.5	75.1	8.2	...	...	...	...	...	...	...	...
1972	86.7	97.8	2.5	...	...	...	...	...	...	...	...
1971	104.3	176.0	-55.8	...	...	...	...	...	...	...	...
1970	83.3	161.4	9	...	...	...	...	...	...	...	...
1969	57.2	101.7	9.8	...	...	...	...	...	...	...	...
1968	25.5	120.7	13.5	...	...	...	...	...	...	...	...
1967	24.6	88.8	18.9	...	...	...	...	...	...	...	...
1966	24.8	64.4	17.9	...	...	...	...	...	...	...	...
1965	62.6	14.3	9.4	...	...	...	...	...	...	...	...
1964	33.7	3.4	5.5	...	...	...	...	...	...	...	...
1963	58.7	27.7	4.3	...	...	...	...	...	...	...	...
1962	42.8	...	...	...	...	...	...	...	...	...	...
1961	35.3	...	...	...	...	...	...	...	...	...	...
1960	44.3	...	...	...	...	...	...	...	...	...	...
1959	63.7	...	...	...	...	...	...	...	...	...	...
1958	40.6	...	...	...	...	...	...	...	...	...	...
1957	58.7	...	...	...	...	...	...	...	...	...	...
1956	28.2	...	...	...	...	...	...	...	...	...	...

Source: National data, except:
Data for Jamaica 1963-1983, for Guyana 1963-1985 and data for the OECS countries before 1988 are from the IMF, (International Financial Statistics 1994)

Table 2
Foreign Direct Investment in the OECS countries by type of investment

		EC$ millions						US$ millions					
		1988	1989	1990	1991	1992	1993	1988	1989	1990	1991	1992	1993
Anguilla	Equity capital	n.a.	n.a.	0.0	0.5	0.0	2.3	n.a.	n.a.	0.0	0.2	0.0	0.8
	Reinvested earnings	n.a.	n.a.	14.0	5.2	5.7	4.3	n.a.	n.a.	5.2	1.9	2.1	1.6
	Land sales	n.a.	n.a.	4.2	3.0	24.2	9.2	n.a.	n.a.	1.6	1.1	9.0	3.4
	Other	n.a.	n.a.	11.0	7.9	12.2	2.3	n.a.	n.a.	4.1	2.9	4.5	0.9
	inflow	n.a.	n.a.	29.2	16.6	42.0	18.1	n.a.	n.a.	10.8	6.1	15.6	6.7
	outflow	n.a.	n.a.	0.0	0.1	0.4	0.71	n.a.	n.a.	0.0	0.0	0.1	0.3
	Net FDI inflow	n.a.	n.a.	29.2	16.5	41.6	17.4	n.a.	n.a.	10.8	6.1	15.4	6.4
Antigua & Barbuda	Equity capital	75.3	101.4	140.2	106.2	32.9	10.4	27.9	37.6	51.9	39.3	12.2	3.9
	Reinvested earnings	1.2	3.6	7.6	4.1	8.9	3.3	0.4	1.3	2.8	1.5	3.3	1.2
	Land sales	7.5	6.4	8.0	29.2	0.9	8.8	2.8	2.4	3.0	10.8	0.3	3.2
	Other	0.0	0.0	2.8	3.2	11.3	3.1	0.0	0.0	1.0	1.2	4.2	1.2
	inflow	84.0	111.4	158.6	142.7	54.0	25.6	31.1	41.3	58.8	52.9	20.0	9.5
	outflow	0.0	0.0	0.0	1.2	1.1	0.32	0.0	0.0	0.0	0.4	0.4	0.1
	Net FDI inflow	84.0	111.4	158.6	141.6	52.9	25.3	31.1	41.3	58.8	52.4	19.6	9.4
Dominica	Equity capital	11.8	18.1	11.5	14.0	12.2	13.0	4.4	6.7	4.3	5.2	4.5	4.8
	Reinvested earnings	5.5	3.2	8.4	9.9	8.5	5.1	2.0	1.2	3.1	3.7	3.1	1.9
	Land sales	1.3	0.5	0.5	1.0	1.0	1.0	0.5	0.2	0.2	0.4	0.4	0.4
	Other	0.0	0.0	0.0	3.8	15.0	7.2	0.0	0.0	0.0	1.4	5.6	2.7
	inflow	18.6	21.8	20.4	28.8	36.7	26.2	6.9	8.1	7.6	10.7	13.6	9.7
	outflow	0.0	0.0	0.0	0.0	0.0	0.03	0.0	0.0	0.0	0.0	0.0	0.0
	Net FDI inflow	18.6	21.8	20.4	28.8	36.7	26.2	6.9	8.1	7.6	10.7	13.6	9.7
Grenada	Equity capital	31.6	26.1	24.0	32.2	16.9	31.3	11.7	9.7	8.9	11.9	6.3	11.6
	Reinvested earnings	2.0	2.2	5.4	3.9	5.1	3.0	0.7	0.8	2.0	1.4	1.9	1.1
	Land sales	6.9	0.0	2.0	4.0	11.4	10.7	2.6	0.0	0.7	1.5	4.2	4.0
	Other	0.0	0.0	4.1	4.6	31.1	13.1	0.0	0.0	1.5	1.7	11.5	4.8
	inflow	40.5	28.3	35.5	44.7	64.4	58.1	15.0	10.5	13.2	16.5	23.9	21.5
	outflow	0.0	0.0	0.8	3.4	3.5	3.6	0.0	0.0	0.3	1.3	1.3	1.3
	Net FDI inflow	40.5	28.3	34.8	41.2	61.0	54.5	15.0	10.5	12.9	15.3	22.6	20.2
Montserrat	Equity capital	0.0	0.0	0.0	8.1	0.0	1.6	0.0	0.0	0.0	3.0	0.0	0.6
	Reinvested earnings	1.3	2.3	1.1	0.5	0.4	5.0	0.5	0.9	0.4	0.2	0.1	1.8
	Land sales	10.4	8.9	15.2	13.0	12.0	6.5	3.9	3.3	5.6	4.8	4.4	2.4
	Other	14.0	2.0	9.6	0.1	0.1	0.1	5.2	0.7	3.5	0.0	0.0	0.0
	inflow	25.7	13.3	25.9	21.7	12.5	13.1	9.5	4.9	9.6	8.0	4.6	4.9
	outflow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Net FDI inflow	25.7	13.3	25.9	21.7	12.5	13.1	9.5	4.9	9.6	8.0	4.6	4.9
St Kitts & Nevis	Equity capital	6.0	14.9	3.4	0.2	1.7	2.9	2.2	5.5	1.3	0.1	0.6	1.1
	Reinvested earnings	10.2	9.4	2.2	0.8	6.8	7.8	3.8	3.5	0.8	0.3	2.5	2.9
	Land sales	5.5	26.1	10.7	12.7	13.6	14.8	2.0	9.7	4.0	4.7	5.1	5.5
	Other	13.8	59.8	115.4	48.4	11.7	0.0	5.1	22.1	42.7	17.9	4.3	0.0
	inflow	35.5	110.2	131.7	62.2	33.8	25.5	13.1	40.8	48.8	23.0	12.5	9.5
	outflow	0.0	0.0	0.0	4.3	0.0	0.5	0.0	0.0	0.0	1.6	0.0	0.2
	Net FDI inflow	35.5	110.2	131.7	57.9	33.8	25.0	13.1	40.8	48.8	21.4	12.5	9.3
St Lucia	Equity capital	15.4	28.6	0.0	7.5	3.1	14.8	5.7	10.6	0.0	2.8	1.1	5.5
	Reinvested earnings	9.0	10.2	20.8	39.8	41.1	34.8	3.3	3.8	7.7	14.8	15.2	12.9
	Land sales	7.5	17.3	19.2	27.2	7.9	15.4	2.8	6.4	7.1	10.1	2.9	5.7
	Other	12.5	15.8	84.0	85.9	59.8	31.7	4.6	5.9	31.1	31.8	22.1	11.8
	inflow	44.4	71.9	123.9	160.4	111.9	96.7	16.4	26.6	45.9	59.4	41.4	35.8
	outflow	0.0	0.0	3.0	4.5	1.5	4.7	0.0	0.0	1.1	1.7	0.6	1.7
	Net FDI inflow	44.4	71.9	120.9	155.9	110.4	92.0	16.4	26.6	44.8	57.7	40.9	34.1
St Vincent & Grenadines	Equity capital	3.0	2.0	2.0	0.0	0.0	0.0	1.1	0.7	0.7	0.0	0.0	0.0
	Reinvested earnings	11.3	9.9	8.5	21.1	11.1	12.6	4.2	3.7	3.1	7.8	4.1	4.7
	Land sales	8.3	16.7	8.9	2.7	2.5	14.0	3.1	6.2	3.3	1.0	0.9	5.2
	Other	2.0	0.0	1.3	0.2	37.4	58.1	0.7	0.0	0.5	0.1	13.9	21.5
	inflow	24.6	28.6	20.7	24.0	51.0	84.8	9.1	10.6	7.7	8.9	18.9	31.4
	outflow	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0
	Net FDI inflow	24.6	28.6	20.7	23.9	50.9	84.7	9.1	10.6	7.7	8.8	18.9	31.4
OECS	Equity capital	143.0	191.1	181.2	168.8	66.8	76.2	53.0	70.8	67.1	62.5	24.7	28.2
	Reinvested earnings	40.5	40.8	68.0	85.3	87.4	75.9	15.0	15.1	25.2	31.6	32.4	28.1
	Land sales	47.4	76.0	68.7	92.8	73.5	80.4	17.5	28.1	25.4	34.4	27.2	29.8
	Other	42.3	77.6	228.1	154.1	178.5	115.7	15.7	28.7	84.5	57.1	66.1	42.9
	inflow	273.2	385.4	546.0	501.0	406.2	348.2	101.2	142.7	202.2	185.6	150.5	129.0
	outflow	0.0	0.0	3.8	13.6	6.5	10.0	0.0	0.0	1.4	5.0	2.4	3.7
	Total net FDI inflow	273.2	385.4	542.2	487.4	399.7	338.2	101.2	142.7	200.8	180.5	148.0	125.3

Source: Eastern Caribbean Central Bank, Balance of Payments 1994