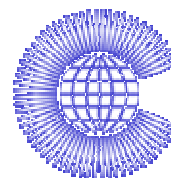


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**Strategic Marketing Plan for the  
Promotion of Professional Services  
Exports – Trinidad and Tobago**

**January 2007**

C A R I B B E A N  
**EXPORT**





## Acknowledgements

Emerging Market Economics would like to thank all the representatives of the public and private sectors who took the time to attend the presentations, respond to our questionnaire and speak with our consulting team. This input was invaluable to the preparation of the Strategic Marketing Plan.

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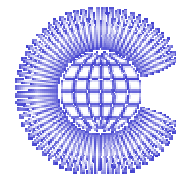
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and the Caribbean Export Development Agency

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January 2007





## Table of Contents

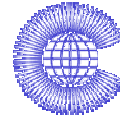
<b>ABBREVIATIONS</b>	<b>1</b>
<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>1 TRADE IN PROFESSIONAL SERVICES – THE VISION</b>	<b>8</b>
1.1 BACKGROUND TO THE PROJECT	8
1.2 STRUCTURE OF THE REPORT	8
1.3 ECONOMIC STRUCTURE AND PERFORMANCE	8
1.4 KEY ECONOMIC IMPERATIVES	9
1.5 THE VISION	14
1.6 THE POTENTIAL OF PROFESSIONAL SERVICES EXPORTS	15
<b>2 PROFESSIONAL SERVICES – TRADE REGIMES</b>	<b>19</b>
2.1 INTRODUCTION	19
2.2 ENABLING ENVIRONMENT	19
2.3 MULTILATERAL TRADE NEGOTIATIONS	20
2.3.1 WORLD TRADE ORGANISATION	20
2.3.2 CARICOM SINGLE MARKET AND ECONOMY (CSME)	22
2.3.3 ACP/EU ECONOMIC PARTNERSHIP AGREEMENT	25
<b>3 HEALTH AND WELLNESS</b>	<b>31</b>
3.1 INTRODUCTION	31
3.2 MEDICAL TOURISM	32
3.2.1 INTERNATIONAL TRENDS	32
3.2.2 LOCAL CAPABILITY AND COMPETITIVENESS	37
3.2.3 MARKET POSITIONING AND EXPORT TARGETS	38
3.3 WELLNESS	39
3.3.1 INTERNATIONAL TRENDS	40
3.3.2 LOCAL CAPABILITY AND COMPETITIVENESS	41
3.3.3 MARKET POSITIONING AND EXPORT TARGETS	42
3.4 NURSING AND ELDERLY CARE	42
3.4.1 INTERNATIONAL TRENDS	42
3.4.2 LOCAL CAPABILITY AND COMPETITIVENESS	44
3.5 RESEARCH AND DIAGNOSTIC SERVICES	44
3.5.1 INTERNATIONAL TRENDS	44
3.5.2 LOCAL CAPABILITY AND COMPETITIVENESS	45
3.5.3 MARKET POSITIONING AND EXPORT TARGETS	45
3.6 MARKETING STRATEGY	45
3.6.1 BRAND AWARENESS	46
3.6.2 DIRECT MARKETING	48
3.6.3 ENABLING ENVIRONMENT	50
<b>4 EDUCATION</b>	<b>53</b>
4.1 INTRODUCTION	53
4.2 MEDICAL TRAINING	53
4.2.1 INTERNATIONAL TRENDS	53
4.2.2 LOCAL CAPABILITY AND COMPETITIVENESS	55



<b>4.2.3 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>55</b>
<b>4.3 ENGLISH LANGUAGE TRAINING</b>	<b>57</b>
<b>4.3.1 INTERNATIONAL TRENDS</b>	<b>57</b>
<b>4.3.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>59</b>
<b>4.3.3 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>60</b>
<b>4.4 TECHNICAL AND VOCATIONAL EDUCATION</b>	<b>61</b>
<b>4.4.1 INTERNATIONAL TRENDS</b>	<b>61</b>
<b>4.4.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>61</b>
<b>4.4.3 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>62</b>
<b>4.5 MARKETING STRATEGY</b>	<b>63</b>
<b>4.5.1 BRAND AWARENESS</b>	<b>63</b>
<b>4.5.2 DIRECT MARKETING</b>	<b>67</b>
<b>4.5.3 ENABLING ENVIRONMENT</b>	<b>68</b>
<b><u>5 BUSINESS DEVELOPMENT SERVICES</u></b>	<b><u>70</u></b>
<b>5.1 INTRODUCTION</b>	<b>70</b>
<b>5.2 LEGAL SERVICES</b>	<b>70</b>
<b>5.2.1 INTERNATIONAL TRENDS</b>	<b>70</b>
<b>5.2.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>73</b>
<b>5.3 FINANCE AND ACCOUNTING SERVICES</b>	<b>74</b>
<b>5.3.1 INTERNATIONAL TRENDS</b>	<b>74</b>
<b>5.3.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>77</b>
<b>5.4 MANAGEMENT CONSULTING</b>	<b>78</b>
<b>5.4.1 INTERNATIONAL TRENDS</b>	<b>78</b>
<b>5.4.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>79</b>
<b>5.5 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>79</b>
<b>5.6 MARKETING STRATEGY</b>	<b>80</b>
<b>5.6.1 BRAND AWARENESS</b>	<b>80</b>
<b>5.6.2 DIRECT MARKETING</b>	<b>82</b>
<b>5.6.3 ENABLING ENVIRONMENT</b>	<b>83</b>
<b><u>6 ICT</u></b>	<b><u>85</u></b>
<b>6.1 INTRODUCTION</b>	<b>85</b>
<b>6.2 INTERNATIONAL TRENDS</b>	<b>85</b>
<b>6.3 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>88</b>
<b>6.4 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>90</b>
<b>6.5 MARKETING STRATEGY</b>	<b>90</b>
<b>6.5.1 BRAND AWARENESS</b>	<b>91</b>
<b>6.5.2 DIRECT MARKETING</b>	<b>94</b>
<b>6.5.3 ENABLING ENVIRONMENT</b>	<b>95</b>
<b><u>7 CONSTRUCTION-RELATED SERVICES</u></b>	<b><u>97</u></b>
<b>7.1 INTRODUCTION</b>	<b>97</b>
<b>7.2 ENGINEERING SERVICES</b>	<b>97</b>
<b>7.2.1 INTERNATIONAL TRENDS</b>	<b>97</b>
<b>7.2.2 QUALIFICATIONS AND ACCREDITATION</b>	<b>99</b>
<b>7.2.3 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>100</b>
<b>7.2.4 MARKET POSITIONING</b>	<b>101</b>
<b>7.3 ARCHITECTURAL SERVICES</b>	<b>102</b>
<b>7.3.1 INTERNATIONAL TRENDS</b>	<b>102</b>

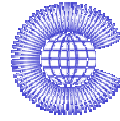


<b>7.3.2 QUALIFICATIONS AND ACCREDITATION</b>	<b>103</b>
<b>7.3.3 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>106</b>
<b>7.3.4 MARKET POSITIONING</b>	<b>106</b>
<b>7.4 CONSTRUCTION-MANAGEMENT SERVICES</b>	<b>107</b>
<b>7.4.1 INTERNATIONAL TRENDS</b>	<b>107</b>
<b>7.4.2 LOCAL CAPABILITY, COMPETITIVENESS AND MARKET POSITIONING</b>	<b>107</b>
<b>7.5 EXPORT TARGETS</b>	<b>108</b>
<b>7.6 MARKETING STRATEGY</b>	<b>108</b>
<b>7.6.1 BRAND AWARENESS</b>	<b>108</b>
<b>7.6.2 DIRECT MARKETING</b>	<b>109</b>
<b>7.6.3 ENABLING ENVIRONMENT</b>	<b>111</b>
<b><u>8 PRODUCTION SERVICES FOR THE ENTERTAINMENT INDUSTRY</u></b>	<b><u>114</u></b>
<b>8.1 INTRODUCTION</b>	<b>114</b>
<b>8.2 FILM</b>	<b>114</b>
<b>8.2.1 INTERNATIONAL TRENDS</b>	<b>114</b>
<b>8.2.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>115</b>
<b>8.3 MUSIC</b>	<b>116</b>
<b>8.3.1 INTERNATIONAL TRENDS</b>	<b>116</b>
<b>8.3.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>117</b>
<b>8.4 EVENTS STAGING</b>	<b>119</b>
<b>8.4.1 INTERNATIONAL TRENDS</b>	<b>119</b>
<b>8.4.2 LOCAL CAPABILITY AND COMPETITIVENESS</b>	<b>119</b>
<b>8.5 MARKET POSITIONING AND EXPORT TARGETS</b>	<b>120</b>
<b>8.6 MARKETING STRATEGY</b>	<b>120</b>
<b>8.6.1 BRAND AWARENESS</b>	<b>120</b>
<b>8.6.2 DIRECT MARKETING</b>	<b>122</b>
<b>8.6.3 ENABLING ENVIRONMENT</b>	<b>123</b>
<b><u>9 ACTION PLAN</u></b>	<b><u>124</u></b>
<b>9.1 OBTAINING BUY- IN</b>	<b>124</b>
<b>9.2 CO-ORDINATION &amp; OVERSIGHT</b>	<b>125</b>
<b>9.3 ENABLING ENVIRONMENT REFORMS</b>	<b>126</b>
<b>9.4 THE ROLE OF BDC</b>	<b>127</b>
<b>9.5 THE ROLE OF CARIBBEAN EXPORT</b>	<b>128</b>
<b>9.6 RESOURCE REQUIREMENTS</b>	<b>129</b>
<b><u>10 APPENDIX I – LIST OF PRESENTATION ATTENDEES</u></b>	<b><u>131</u></b>



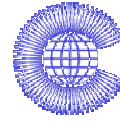
## Abbreviations

AAIEP	American Association of Intensive English Programmes
ACP	African, Caribbean and Pacific Group of States
ACETT	Association of Consulting Engineers of Trinidad and Tobago
ANA	American Nurses Association
ANCC	American Nurses Credentialing Centre
APETT	Association of Professional Engineers of Trinidad and Tobago
ARB	Architects Registration Board
ARE	Architect Registration Examination
BDC	Business Development Company Limited
BDS	Business Development Services
BPO	Business Process Outsourcing
CARIBCAN	CARICOM-Canada Trade and Economic Co-operation Agreement
CCEO	Caribbean Council of Engineering Organisations
CE	Caribbean Export Development Agency
CIEET	China International Education Exhibition Tour
COSTAATT	College of Science, Technology and Applied Arts of Trinidad and Tobago
CRNM	Caribbean Regional Negotiating Machinery
CSME	CARICOM Single Market and Economy
ECIAF	Eastern Caribbean Institute of Agriculture and Forestry
ECJ	European Court of Justice
ELT	English Language Training
ENT	Economic Needs Test
EPA	Economic Partnership Agreement
e TecK	Evolving TecKnologies and Enterprise Development Company Limited
EU	European Union
FA	Finance and Accounting
FIDIC	International Federation of Consulting Engineers
GATS	General Agreement on Trade in Services
GVG	Government Vocation Centre
ICATT	Institute of Chartered Accountants of Trinidad and Tobago
ICE	Institution of Civil Engineers
ICT	Information and Communication Technology
ICTSTT	Information and Communication Technology Society of Trinidad and Tobago
IDP	Intern Development Programme
ISE	Instituto Superior de la Energia
ISP	Internet Service Provider
IT	Information Technology
IVF	In-vitro Fertilisation
JCI	Joint Commission International
JSDTI	John S. Donaldson Technical Institute
JSSC	Joint Services Staff College
KPO	Knowledge Process Outsourcing
LAIA	Latin American Integration Association
LCME	Liaison Committee on Medical Education
MBBS	Bachelor of Medicine and Bachelor of Surgery
MIC	Metal Industries Company
NAAB	National Architectural Accreditation Board
NASSCOM	National Association of Software and Service Companies



Strategic Marketing Plan for the Promotion of Professional  
Services Exports

NCARB	National Council of Architectural Registration Boards
NIHERST	National Institute of Higher Education, Research, Science and Technology
NLNAC	National League for Nursing Accrediting Commission
RIBA	Royal Institute of British Architects
SFTI	San Fernando Technical Institute
SPS	Sanitary and Phytosanitary
TDC	Tourism Development Company Limited
TIDCO	Tourism and Industrial Development Company of Trinidad and Tobago Limited
TPO	Trade Promotion Organisation
TSTT	Telecommunications Services of Trinidad and Tobago
TTCSI	Trinidad and Tobago Coalition of Service Industries
TTIA	Trinidad and Tobago Institute of Architects
TVE	Technical and Vocational Education
TVET	Technical and Vocational Education and Training
UNB	University of New Brunswick
USP	Unique Selling Proposition
UTT	University of Trinidad and Tobago
UWI	University of the West Indies



## Executive Summary

### The Vision

Trinidad and Tobago faces three key economic challenges:

1. Diversifying its economy away from the oil and gas sector and a few service sectors to enable rapid economic growth to be sustained.
2. Increasing value-addition in its services sectors to create more productive and better-paid jobs that provide a better return to education. Most jobs in services are in low-value added activities that provide low-paid jobs.
3. Accelerating the process of moving from a process-oriented to a knowledge-based economy and from there, developing quaternary services on which its ability to compete in the 21<sup>st</sup> century will depend.

Promoting the export of professional services can make a major contribution to meeting these challenges. Success in implementing the proposed marketing plan should:

1. Result in an increase in exports of US\$185 million by 2012, adding between 0.9%-1.2% to growth annually as exports of professional services have high value-added.
2. Create more and better-paid jobs. The majority of the jobs created will be professional or skilled. This should address the jobs gap that currently causes some of the best educated and most skilled to migrate abroad.
3. Address the lack of entrepreneurship and innovation that is the root cause of a narrowly-based economy. The professional services are cradles of entrepreneurship.
4. Increase the range of choice and quality of healthcare and education available to locals and improve the competitiveness of the economy by increasing the supply and quality of ICT services.
5. Spur the transition to a knowledge-based economy with the aim, in due course, of enabling parts of the economy to become purely intellectual property-based, quaternary activities.

The economy that should result would be more entrepreneurial and innovative and the country and its people more confident, reliant on their enterprise and skills rather than natural endowments for their prosperity. Developing professional service exports will help create a virtuous circle of investment in human development leading to growth that creates demand for additional investment in human development

### Overview of the Strategy

Trinidad and Tobago has already established a foothold in the export of all the six professional service sectors examined. Moreover, it should be able to develop a market offering that will allow it to succeed in what are huge and rapidly growing international markets.

However, it is either a late entrant in these markets or, by international standards, a small niche player, or both. It has little profile in international markets and lacks the scale that is necessary for the cluster formation and specialisation that are important success factors in these markets. This lack of market presence makes it difficult for





domestic businesses to market their services abroad and to attract significant levels of foreign investment. Further, the country's export and investment promotion efforts are still oriented towards manufacturing.

The potential of promoting professional service exports to benefit locals and the economy is yet to be appreciated fully by policy makers. In health and education, policy makers continue to treat local industries solely as public services. They have yet to undergo the mindset change that has made countries such as India declare 2006 as the year of health tourism and which has made the UK's education industry a major exporter, earning over £10 billion annually. Hence, there are major enabling environment constraints that cause difficulties for foreign doctors to provide services and restrict the proportion of places that non-regional students may occupy. In addition, there is a need to address the generic constraints of lack of entrepreneurship, access to finance for SMEs and the use of export and training incentives by all professional service businesses.

Thus, the marketing strategies for all six sectors comprise a set of: i) brand awareness raising activities including, in some sectors, foreign direct investment promotion to increase scale and access to customers; ii) direct marketing support to SMEs and; iii) enabling environment reforms specific to the industry. These measures need to be accompanied by actions to reduce generic constraints. Market access issues are not a major constraint to the growth of professional service exports but, in all sectors, there are a set of issues that the Regional Negotiating Machinery should take up in appropriate negotiating forums.

In summary, the prospects of individual sectors are as follows:

### ***Health and Wellness***

Trinidad and Tobago is well-placed to benefit from the exponential growth of health care tourism particularly from the US market where rising health care costs are creating unstoppable drivers to seek lower cost services abroad. Whilst not the cheapest in the region by any means, Trinidad and Tobago's offer of high quality treatment provided by internationally trained professionals in an English-speaking setting coupled with the possibility of recuperation in a holiday destination nearby (Tobago) is competitive. Recent investment in the public and private sector provides the capacity for expansion of exports. A target of an additional US\$75 million worth of exports, encompassing medical treatment, spas and alternative medicine, diagnostic and research services and nursing and elderly care, is realistic over a 5-year time horizon.

### ***Education***

The worldwide market for education exports is estimated at US\$30 billion and is expected to triple in size over the next twenty years. The primary opportunities for Trinidad and Tobago are in medical training, technical and vocational education (TVE) and in English Language Training (ELT). Trinidad and Tobago is already training foreign doctors at the UWI and its large public and private medical infrastructure makes the country a suitable investment location for the types of private medical schools that are springing up around the Caribbean. The country also boasts a TVE offering better than any in the region that is already attracting foreign students. Many of its institutions have partnerships with foreign institutions, which enhance the quality and range of services they can offer. In the ELT segment public and private sector training facilities exist and are exporting to students in the region (Venezuela, Colombia). Large markets in the region (Brazil) and the large and



growing demand from Asia, especially China, Japan and South Korea, remain untapped. The offer of lower cost tuition than the market leaders (UK, US) in an English-speaking tourist destination has proved a winning formula for countries such as Malta and should do for Trinidad and Tobago. A target of increasing educational exports by US\$50 million over 5 years appears realistic.

### ***Business Development Services***

The global market for outsourcing of business development services (BDS) is large and growing with an increasing proportion of outsourcing going abroad (offshoring). Within the offshoring market, the trend towards a mix of offshoring basic functions to a low cost destination whilst nearshoring higher value functions provides an opportunity for Trinidad and Tobago. However, the country does not have the critical mass of even medium-sized firms necessary to compete in the international market for legal and finance and accounting outsourcing or providing management consulting services. The best opportunities for local firms are to build upon their already strong position in the regional market where the country's large numbers of professionals and a few large firms provide it with competitive advantage, particularly over the smaller islands. While Trinidad and Tobago cannot compete openly for outsourcing work, it may be able to attract opportunistic legal and accounting exporting by using contacts in the diaspora. It may also be possible to attract specialist outsourcing firms looking for nearshore presence in finance and accounting services and the diaspora could help in this process as well. A modest target of increasing BDS exports by US\$10 million over 5 years would appear realistic.

### ***ICT***

Outsourcing and offshoring in the ICT field is a well-established practice and growth is projected to be explosive. Trinidad and Tobago stands to gain from the trend towards combining near-shore with offshore outsourcing. The country has established a presence in call centre operations serving the regional and US markets and has a competitive advantage in software development and IT services within the region, which has underpinned exports to the CSME. A lack of cost competitiveness against regional competitors such as the Dominican Republic means that the best opportunities in call centres lie in knowledge process outsourcing (KPO) in the financial services industry where Trinidad and Tobago has specialist expertise. It should be possible to attract new foreign investment in this field, especially if financial sector firms based can be motivated to establish joint ventures with international call centre operators. For the immediate future, the software development and IT services industry's export prospects will lie in serving the regional market where its better trained work force and distributorships for international companies give it a strong export base. The possibility of FDI in this segment of the market may not be strong, but it is worth pursuing as a way of accessing extra-regional markets. A target of growing exports by US\$25 million over 5 years appears realistic.

### ***Construction-related Services***

Whilst sub-contracting has long been practiced, outsourcing and offshoring the functions carried out by architects, engineers and construction management firms to others in the industry is relatively new. Trinidad and Tobago is the regional leader in these services, and has international expertise in petroleum and energy engineering. Its sizeable architectural and engineering firms have developed commercial presence in the other islands and have successfully exported their services to them from Trinidad and Tobago as well. The best prospects will continue to lie within the CSME in the near future. The presence of many international oil and gas companies presents an opportunity to provide outsourced engineering services to markets such



as the US and Trinidad and Tobago should also attempt to attract FDI to serve the national and regional markets. The UK is short of engineers and while Trinidad and Tobago may not have as many chartered engineers as Barbados, it may be able to provide outsourced services due to its expertise and cost advantage. A target of increasing exports by US\$15 million over 5 years appears feasible.

### ***Production Services for the Entertainment Industry***

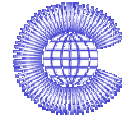
In terms of movie productions, Trinidad and Tobago cannot compete with the state of the art film cities that exist in places like India and Dubai, and faces competition from low-cost locations in the region as well. However, the Trinidad and Tobago Film Company has been established to promote film production services and it remains to be seen whether Trinidad and Tobago can establish a successful industry on the back of its efforts. The primary opportunity for Trinidad and Tobago is in exporting music and video production services within the region based on the reputation of its music industry and the quality of its facilities. It may also be possible to export these services to local genre artists outside the region, and through the creation and sale of Carnival DVDs. Events staging services should aim to capture an increased share of the Tobago tourist market and export shows and events production capability to regional markets. A target of increasing exports by US\$10 million over 5 years should be achievable.

### **Key Actions Required**

Taking forward the marketing strategies proposed requires partnerships to be formed within the public sector, between the public and private sectors and within the private sector itself. We recommend the formation of industry working groups for each sector that comprise leading representatives of the public and private sectors. They should be mandated by cabinet to implement and exercise oversight over the marketing strategies for each sector. The Business Development Company Limited (BDC) should serve as the secretariat for each working group.

To co-ordinate and support the implementation of individual working groups, we recommend the formation of a small task force reporting to Cabinet under the stewardship of the Ministry of Trade and Industry. The role of the task force would comprise:

1. Obtaining wider buy-in for the promotion of professional service exports within the public and private sectors and the general public. Key actions include issuing a policy statement endorsing the proposed Marketing Plan when it has been agreed.
2. Ensuring that there are sufficient public resources forthcoming to enable each industry working group to implement its marketing strategy. The public resources required are not large, amounting to US\$321,000 initially as well as the time of BDC staff. The Tourism Development Company Limited (TDC) is also required to commit staff time and about US\$96,000.
3. Bring to bear the authority of Cabinet in overcoming difficulties experienced by the industry working groups in bringing about enabling environment reforms.
4. Appoint agents to oversee the process of bringing about generic enabling environment reforms.
5. Monitor the development of professional service exports, informing the industry groups of progress and helping them to respond to new export opportunities as they emerge.



Strategic Marketing Plan for the Promotion of Professional  
Services Exports

The BDC has a central role to play in servicing the industry working groups and in supporting the task force. In the wake of the Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) it is the government agency best placed to take forward the strategic actions of providing market support and undertaking investment promotion activities. Although the Ministry of Trade and Industry has responsibility for many trade promotion activities, its role as a regulator of trade makes it undesirable that it should carry out both functions in the long-term. The Ministry will likely need to develop the BDC's capacity to promote exports and investment in an integrated manner. We recommend the BDC appoint a central resource person to service the industry working groups who is able to draw upon the export and investment promotion resources. The BDC will need to work with and support the TDC, especially in the health and wellness and education sectors that are linked strongly with tourism. The TDC's destination promotion capability will need to be harnessed for these sectors.

The BDC will need help and guidance from Caribbean Export (CE) in promoting professional service exports, attracting foreign investment in these sectors and undertaking enabling environment reforms. There are cost savings to be had from CE pooling data collection and research functions for all CARIFORUM member countries. However, for it to fulfil these roles, it will need to be adequately resourced with the support of its member countries.



# **1 Trade in Professional Services – The Vision**

## **1.1 Background to the Project**

The Caribbean Export Development Agency (Caribbean Export or CE) is a regional trade promotion and development agency and its membership consists of the fifteen CARIFORUM member states. As part of its mandate to strengthen local economies through increased trade, it has committed to promoting trade in new sectors, including services. Recognising that global trade in services is large and growing rapidly, particularly in knowledge-based activities such as professional services, CE approached the Special Advisory Services Division of the Commonwealth Secretariat for technical assistance in developing Strategic Marketing Plans to promote professional service exports. This project has developed Strategic Marketing Plans for Barbados, St Lucia, Dominica and Trinidad and Tobago and is intended to serve as an example for other countries to follow in developing their own strategies.

The Strategic Marketing Plans will enable a shared understanding of market opportunities and key success factors, and bind stakeholders (public and private) together in a common plan with defined targets, milestones and activities. They will also allow CE to determine how it can best align itself with the strategy for each country and fulfil its mandate as the regional trade promotion organisation (TPO). In order to provide focus to the assignment, six services sectors were selected as priority areas: health and wellness, education, ICT, business development services, construction-related services and production services for the entertainment industry. The financial services sector was excluded from the list of professional services because it was felt that Caribbean member states of the Commonwealth had already explored the potential of that industry and many had strategies in place for its development.

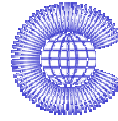
## **1.2 Structure of the Report**

This chapter provides a vision of how the export of professional services can help Trinidad and Tobago transform itself to compete successfully in the knowledge-based, global economy of the 21<sup>st</sup> Century. It assesses the economic challenges that the country faces, sets out a vision of what successful implementation of the strategy would deliver Trinidad and Tobago and provides an overview of the strategy for promoting professional services, outlining which sectors and markets to focus on and how to position the country.

The following chapters set out in detail market trends, the country's capability and competitiveness and the marketing strategy for each of the six sectors. A concluding chapter sets out the action plan and institutional arrangements for implementing the marketing strategy as a whole.

## **1.3 Economic Structure and Performance**

Trinidad and Tobago's economy has been among the best performing in the Latin America and Caribbean region for over a decade. GDP growth averaged 6.5% from 1995-2005, boosting per capita income to US\$11,385 at the end of that period, one of the highest in the region. The strong 7% growth in the economy in 2005 was primarily due to high oil prices which have buoyed up the petroleum industry. The oil and gas sector dominates the economy and, in 2005, it accounted for 40% of GDP and 80% of exports, but only 5% of employment. In the same year, services



accounted for just over 57% of GDP. It is important to note that much activity in the tertiary sector, such as financial services, is focused on the oil and gas industry, so the economic importance of the energy sector is higher than its percentage contribution to GDP would suggest. As such, overall economic performance remains strongly tied to the fortunes of the oil and gas sector and vulnerable to the cyclical nature of that commodity-based industry.

The oil and gas sector has undergone significant changes in the past 5 years, with production on its mature oilfields falling whilst utilisation of the large reserves of natural gas has increased, spurred by massive investments in downstream petrochemicals. With a great deal of investment focused on extraction and refining, little progress has been made on reducing dependence on the energy sector. Manufacturing and agriculture account for 7% and 3% of GDP respectively. Although tourism is not as intensive as in other Caribbean countries, it is extremely important to Tobago and still accounted for 13.8% of GDP in 2005. With predictions of 5.4% annualised real growth over the next 10 years, it seems that tourism will become an increasingly significant part of the economy. Although unemployment has levelled off at 7.8% in recent years due to the oil-related economic boom, the “capital intensity” of the energy sector has raised concerns about future employment.

In terms of contribution to GDP (in 2002), the main service sectors were financial & business services (16.7%), distribution & restaurants (15.6%), transport & communication (8.9%), government services (8.3%) and construction & quarrying (7.6%). Despite the sophistication of the economy, transportation and travel are by far the largest sources of foreign exchange, respectively bringing in 37.4% and 38.4% of all services receipts in 2000. Communication, insurance services, other business services and other government accounted for 6.5%, 8.3%, 7.5% and 1.9% of receipts, respectively. The Government continues to be a major employer, with 31.1% of the population in 2005 working in community, social and personal services.

The economic problems arising from over reliance on the energy sector are discussed in more detail in the next section, but outside of those difficulties, Trinidad and Tobago is stable in macroeconomic terms. The oil boom has yielded large fiscal and balance of payments surpluses that are being used to fund diversification attempts, as well as improvements to governance and public service delivery. The economy is open to investment and benefits from a strong financial sector that provides better access to finance than in most other Caribbean countries. The country has an investment-grade credit rating. There are a few difficulties with the general business environment, mainly with registering property, enforcing contracts and closing businesses, but otherwise Trinidad and Tobago performs well in cost of doing business indicators. The level of crime is an ongoing concern does have a negative impact on the business environment.

#### **1.4 Key Economic Imperatives**

##### ***Oil and Gas and the Need for Economic Diversification***

Trinidad and Tobago suffers from many of the problems and risks that commonly afflict resource-rich countries. When the oil and gas sector grows quickly, it has a negative impact on the trading sectors of the economy. Growth in the petroleum industry leads to exchange rate appreciation which reduces the competitiveness of exports in other areas. As a result, activity in the trading sectors diminishes and there is a movement of firms, people and investment into non-trading sectors, as well as a shift in employment to the public sector. This reduces the level of diversity in





the economy, particularly in the trading sector, which increases reliance on oil and gas as a source of foreign exchange earnings.

The dominance of the oil and gas sector also has implications in the labour market. Wages offered in the industry and in ancillary industries are higher than in other areas, which attracts many skilled workers. Often, they end up working for foreign companies either in the sector or serving it. When this commodity-based industry goes through a downturn, many workers leave with their foreign employers, and those who are domestically employed go abroad in search of jobs. Trinidad and Tobago does suffer from brain drain in general and this situation compounds that problem. The high wages resulting from high oil and gas revenues also force firms in other sectors to pay more to retain employees. Since the earning potential of other firms has not increased in proportion to the higher wages, and may have even decreased in absolute terms due to exchange rate appreciation, productivity and value-added decline.

While the economic reasons alone for diversifying away from the oil and gas sector are compelling, the fact that oil and gas reserves are in decline makes the need even more pressing. Estimates from the South Trinidad and Tobago Chamber of Industry and Commerce are that the natural gas reserves to production ratio is approaching 15 years, and the ratio for oil is less than that. Exploration is ongoing and the country could maintain its downstream processing industry by bringing in gas from countries such as Venezuela, subject to successfully negotiating agreements. However, based on the current situation, the oil and gas industry cannot provide the basis for long-term growth, even if that was a desired economic objective.

Strong growth and profitable returns in the energy sector have created a disincentive to investment in other economic areas. Even in the non-oil economy, the high returns to serving the petroleum industry mean that much activity in sectors such as services are related to oil and gas. The dominance of the energy sector is the primary factor that has held back economic diversification. Leaving that factor aside, the small size of the domestic market has also limited the range of activities and businesses that could develop in the non-oil sector. The local market has a limit to how much economic activity it can sustain and eventually the potential returns to investment diminish, discouraging expansion into new areas. In addition to these two barriers, a number of other factors have acted as constraints to economic diversification:

- **Lack of entrepreneurship and a resulting lack of large firms**

While levels of entrepreneurship in Trinidad and Tobago are not as low as in other Caribbean countries, the economic development of the country has contributed to a culture of employment rather than proprietorship. This is not due to any lack of skills in the workforce, but to a tradition of working for others in agriculture and, more recently, government. While there are a few large firms in the economy, many enterprises are small operations that are focused on serving the domestic market. This lack of entrepreneurship reduces the probability of successful businesses emerging that will help to diversify the economy. There is a need to promote entrepreneurship through the education system, in the media and through the various business associations.

- **Perceived lack of attractive opportunities for small scale service providers.** The majority of entrepreneurs in Trinidad and Tobago are, in fact, self-employed service providers. These individuals are constrained in their



vision of the types of business that may be developed by their experiences in the small, local economy. There are few institutions in either the public or private sector that can help them understand and take advantage of opportunities in wider export markets. In the public sector, the Evolving TecNologies and Enterprise Development Company Limited (e TecK) is focused on large investment and export projects in light manufacturing. In the private sector, the Trinidad and Tobago Coalition of Service Industries (TTCSI) was launched in August 2006 and is still establishing itself as an organisation, so its capacity to assist will be limited for some time.

- **Loss of skilled labour through brain drain**

The workforce is well-educated and skilled and many people leave the country in pursuit of higher wages and more professionally rewarding employment abroad. This constrains the ability of domestic enterprises to expand and develop new areas of expertise.

- **Investment focused on the energy sector**

Gross fixed capital formation has generally been at or around the 20% of GDP mark (20.1% in 2004). While this is near the 20%-30% that MDCs need to sustain rapid growth, the picture is distorted by the fact that much investment has been concentrated in the downstream petroleum industry. The payoff to this investment is evidenced by the fact that value-added in the energy sector grew 10.9% in 2005 while growth in the non-energy sector was 4%. Manufacturing and construction were the primary drivers of that 4% growth and much of the construction activity was based on government spending on infrastructure and housing, so was due to oil-based revenue, rather than mobilisation of private credit. So while levels of gross fixed capital formation may be sufficient to sustain growth (so long as the energy sector remains healthy), they are not sufficient to drive diversification.

### ***The Response to the Need for Diversification***

Both the public and private sectors are aware of the need to diversify the economy to reduce its reliance on the oil and gas industry. Efforts are being made to expand into new areas and the Ministry of Trade and Industry has chosen seven industries for development: yachting, merchant marine, fish and fish processing, music and entertainment, film, food and beverage and printing and packaging. While it is important to explore possibilities in a range of areas to allow the most competitive sectors to emerge naturally, the industries listed above mainly involve process-oriented rather than knowledge-based activities. Knowledge-based services provide better opportunities for value-addition than process-oriented work, which gives them greater potential to contribute to growth. The Government-run e TecK is focused on knowledge-based activity, both from an investment and export promotion angle, but its mandate is to develop light industrial parks in these areas.

By focusing on promoting professional service exports, this project centres on developing areas of the economy that are knowledge-based, and therefore high value-added, that have not been targeted for systematic development yet. Therefore this Strategic Plan complements the work being done by the Ministry and e TecK.

***Increasing value added in the service economy.*** With the exception of financial services, the service industries on which Trinidad and Tobago relies are low value-added – transport and travel. Despite the image created by its many articulate proponents, tourism is in fact a comparatively low value added industry. Across the





Caribbean, the proportion of value-added to revenue that the industry generates is close to 50%, no higher than many manufacturing industries: a high proportion of expenditure leaks out through the need to import much of its inputs. Over half of travel expenditure in 2000 was from visitors to private homes and others, which carries similar level of value-addition. The low level of value-added by these industries has two important implications:

- **Lack of export potential.** Because value-added is low, these industries have to rely on keeping costs low to maintain international competitiveness. As the cost base increases, they will be hard pressed to compete internationally. The only high value-added service industry of significant size is financial services, and this is the only sector that has the potential for export growth. Given the need to diversify the economy, other high value-added service industries need to develop to broaden the export base.
- **Low-paid jobs that reduce the return to education.** Because value-added is low, these industries tend to provide few high paid, professional jobs. Thus, the majority of employment in travel and transportation is low-paid, unskilled work. This prevents the benefits of growth being translated into better livelihoods for the populace. It is particularly damaging to countries like Trinidad and Tobago that have invested heavily in education. The lack of sufficient, well-paid jobs reduces the returns to education, which drives skilled locals to go abroad, not only in search of higher pay, but to pursue better quality employment. Whilst unemployment is being reduced, a new type of jobs gap is emerging whereby those with good education and vocational skills are unable to find suitable employment.

**Transition to a knowledge-based economy.** Successful economies, with high long-term growth rates, demonstrate an ongoing process of change. As older industries peter out, new industries arise to take their place and drive incomes higher. In economic terms, this process is known as *creative destruction*. Economies must maintain a certain degree of momentum. Those that do not will slowly become uncompetitive and suffocate under the pressures of global competition. This is the situation Trinidad and Tobago faces in oil and gas extraction, agriculture and in its traditionally dominant service industries. It must begin the process by diversifying into new economic areas to determine which industries will form the basis of future prosperity.

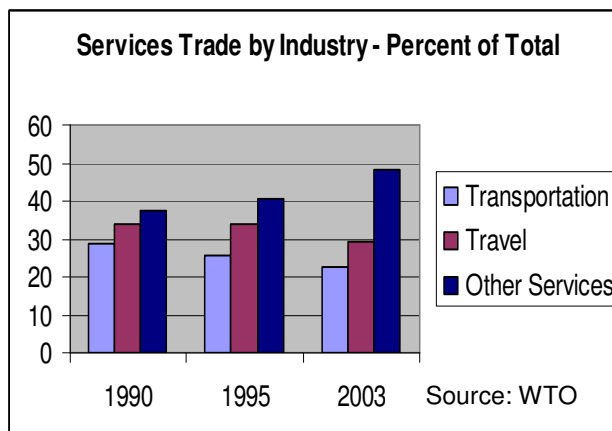
Whilst the new century is still young, some trends are already evident. A notable trend is that the world economy will increasingly be knowledge-based. In terms of economic activity, the world's major economies have already moved from being dominated by primary (natural resources) and secondary sectors (industry) to tertiary services with these now accounting for between 60-70% of the GDP of these nations. Trinidad and Tobago's services sector is close to this range, but because of the size of the oil and gas industry, its share of the economy is smaller than it otherwise would be. The dawn of the 21<sup>st</sup> century has coincided with a move from process-oriented services such as transport and travel or wholesale and retail trade to knowledge-based services such as the six sectors addressed by this project and financial services. It is in the proportion of GDP accounted for by these knowledge based-services that Trinidad and Tobago really lags behind.

In terms of international trade, whilst trade in goods is still dominant, trade in services is growing faster. In 2005, the WTO valued exports of services to be worth US\$2.4



trillion, representing nearly 30% of total world trade. In the period 2000-2005, merchandise exports averaged growth of 4.5% p.a. but exports of services grew twice as fast at 10% p.a. The fastest growth of all has been in knowledge-based professional services. This is illustrated by changes in the composition of international trade in services away from process-oriented travel and trade services towards knowledge based commercial services (Figure 1). Trinidad and Tobago is yet to benefit significantly from the growth of professional service exports.

**Figure 1: Services Trade by Industry**



Looking further ahead, a new form of economic activity has emerged in the developed economies. To primary, secondary and tertiary activities, *quaternary activities* have been added. The key distinguishing feature of this form of activity is that it is based, even more than the production of high-value products or knowledge-based services, on the exploitation of intellectual property. The *processes* of producing products or delivering services add almost no value because of advances in technology. Thus, the value of software depends almost entirely upon the intellectual property embodied in its development, not the processes of downloading and installation. Success in quaternary activities depends on managing processes, but the vital processes for value addition are the creation and management of knowledge itself, not the operational processes through which the service is performed.

It is these new quaternary industries that will form the basis of successful economies in the 21<sup>st</sup> century, as has been recognised by many governments worldwide. The Government of Trinidad and Tobago has also realised the potential of these industries and has created the e TeCK to foster the development of knowledge-based light manufacturing. What has not been addressed in Trinidad and Tobago, though, is that these are full-fledged industries in their own right that require not only human capabilities and the adoption of technology, but the progressive build-up and commercial exploitation of intellectual property so that processes give way to knowledge-based services and they, in turn, to quaternary services. Hence, the ICT industry may start with selling the time of programmers or call centre agents, move to higher value-added, knowledge-based, bespoke solutions and end up at the quaternary activity of selling proprietary software.

To enable this to occur, the structure of these industries must also evolve, gradually increasing specialisation and, with it, strengthening business linkages. Though comparative advantages in terms of education help in this regard, turning them into competitive advantage requires policies in place to establish an enabling environment where the necessary skills are developed, where the substantial risk-taking that is inherent in investing in something as intangible as commercially-exploitable knowledge is facilitated and where there is greater confidence in inter-business cooperation. Creating such an enabling environment will require a significant amount of concerted effort on the part of government, supporting institutions and the private sector itself.



Thus, what is required is for Trinidad and Tobago to recognise that its future prosperity depends upon moving from traditional process-oriented services to knowledge-based services whilst establishing an enabling environment for knowledge-based services to be transformed into quaternary activities. It is on the success of these transformations that the critical outcomes of whether Trinidad and Tobago can bridge the gap in incomes with the developed countries, develop an economy able to compete in the 21<sup>st</sup> century and provide the productive, high-paid jobs that its people need, ultimately depend.

To summarise, the key economic imperatives for Trinidad and Tobago are to:

1. Diversify its economy away from the oil and gas sector and a few service sectors to enable rapid economic growth to be sustained.
2. Increase value-addition in its services sectors to create more productive and better-paid jobs that provide a better return to education. Most jobs in services are in low-value added activities that provide low-paid jobs.
3. Accelerate the process of moving from a process-oriented to a knowledge-based economy and from there to develop quaternary services on which its ability to compete in the 21<sup>st</sup> Century will depend.

## 1.5 The Vision

For any government, deciding to adopt and implement a marketing strategy to promote exports has important implications in terms of policy change and commitment of resources. Encouraging growth in a new sector of economic activity, especially one as extensive and far-reaching in terms of impacts on the economy and employment as professional services, cannot be undertaken half-heartedly if it is to be successful. Therefore, governments must be convinced that the potential payoff of the strategy is worth the commitment required.

In this section, we have therefore summarised what the Strategic Marketing Plan, if implemented successfully, would help to deliver:

- ***Higher levels of economic growth, broader export base***  
The promotion of professional services exports could, over a 5-year period, contribute an additional US\$185 million in service exports, representing 2.4% of current export receipts. This would represent a significant broadening of the export base as most of the activity would be industries that have not had significant export volumes in the past. As these would be high-value exports, they would add 0.9%-1.2% to Trinidad and Tobago's GDP annually.
- ***Greater Entrepreneurship & Innovation***  
The professional services are a natural breeding ground for entrepreneurs. Self-employment is widely practiced in healthcare and BDS, though much of it is currently related to lifestyle choices. With the right support and incentives, self-employment may become the springboard of substantial, growing businesses. Moreover, industries such as ICT and entertainment are natural incubators of entrepreneurs and innovation, including what is termed intra-preneurship, whereby businesses serve to spin off new businesses.
- ***From jobs to productivity and incomes***  
Developing professional services will help to create skill-intensive jobs which are both more productive and higher-paid and will provide a better return to



the investment people make in educating themselves. Critically, it will provide opportunities for both professionals and skilled personnel who are often tempted to migrate because of the lack of job opportunities in the country. Thus, the health and wellness sector will provide opportunities for doctors, dentists, nurses, masseurs and practitioners of alternative medicine and lab technicians; the education sector for teachers and administrators; the BDS industry for lawyers, accountants and book keeping staff; the ICT industry for a range of personnel trained in banking and insurance as well as software programming and so on.

- ***Overcoming scale disadvantages***

Although large for the region, in international terms, Trinidad and Tobago is a small economy. Therefore it suffers from disadvantages of scale, and is always challenged to develop the scale required for a viable professional industry and/or enable the specialisation that is now a critical factor for their success. In service industries such as ICT, healthcare and education there is a need for a minimum scale to exist if the clusters on which successful industries depend are to be formed. Exporting these services should provide the scale required for viable cluster formation.

- ***Increasing consumer choice, improving competitiveness of other sectors***

Greater scale and specialisation should increase the choice that local people, businesses and the Government have in obtaining value for money for these services. This should contribute to increasing consumer expenditure and the competitiveness and growth of other sectors of the economy. In healthcare and education, exporting professional services can help a wider range of specialised services to emerge, increasing the options for patients and students, and limiting the need to go abroad for services.

- ***Transformation to a knowledge-based economy***

Professional services are the ideal vehicle to spearhead this transformation to a knowledge-based economy and later, to quaternary services. Value creation in these services depends upon the knowledge of the provider, not operational efficiency in processes. Gradually, they should enable the development of quaternary activities such as telemedicine and proprietary software.

The country that would emerge from these outcomes would be quantitatively and qualitatively different from the one that exists today. Greater prosperity would be based on the knowledge of its people rather than just the natural endowments of the island (oil and gas) and concentrated activity in a few main areas (energy, transport and travel). Such prosperity would bring with it the incentive to continually upgrade the knowledge and skills of its people, establishing a virtuous circle of economic and human development. The result should be a more confident country and people, assured that their destinies lie in their own hands.

## **1.6 The Potential of Professional Services Exports**

Moreover, the promotion of exports of professional services has strong prospects for success. Already, without the strategy and action plan in place, Trinidad and Tobago has succeeded in developing exporting businesses in all six sectors. The prospects for building a stronger position are favourable because success in each of these



professional service industries builds on the country's comparative advantages, namely: i) the demonstrated quality and skill of the local workforce; ii) the base of tourists from the US and Europe that are familiar with the country; iii) its location near key markets such as the US and Brazil ; iv) the climate and beauty of the country (particularly Tobago) that are excellent assets in developing many of these industries; and v) the flexibility of the workforce which is a critical factor in the success of all these industries. With the strategic plan in place, Trinidad and Tobago should be able to secure a strong and sustainable position in each of these service sectors.

These service industries are experiencing rapid growth globally and are, increasingly, the subject of international trade. Factors such as improved technology, reduction in trade barriers, cheaper travel and telecommunications and the availability of skilled, low-cost labour have given rise to large export industries in the developing countries. Countries such as India have been able to turn their comparative advantages into competitive advantages and develop large-scale service industries that have made a strong contribution to economic growth and provided their population with attractive jobs. These trends make for a favourable global environment that Trinidad and Tobago can benefit from.

However, the level of competition is also high and Trinidad and Tobago has been slow to take advantage of these trends. In order to develop a workable export strategy, it is first necessary to have an understanding of what the emerging trends are in each service sector, the key market niches for various services, what drives potential clients' decision-making in sourcing services and the kind of services that are on offer in different countries and their competitive advantage. A sound analysis of the international competition for professional services trade assessed against a country's service offering allows for a matching up of trends and capabilities. This makes it possible to identify key market segments that need to be developed as part of a successful marketing strategy, and what actions need to be taken to turn comparative advantages into competitive advantages.

In the chapters below, this is what we have attempted for all six sectors under review. Overall, the conclusion that emerges is that Trinidad and Tobago has established a firm base in each of these sectors and is poised for greater penetration of export markets. As a late entrant with limited capacity, it is likely to have to focus on niche markets rather than become a major global player. But as a small country, even a niche position in what are large and rapidly growing markets should be sufficient to have a major economic impact. Certain services can be exported immediately and in other areas, foreign investment or further development of local capability will be required before the sub-sectors are able to realise their potential. Sectors such as health and wellness, education and entertainment would build on the existing tourism market and, in turn, help to add value to the tourism product. Others, such as BDS and construction-related services, would exploit regional comparative advantages of a high skill base whilst the ICT sector stands to benefit from the country's capability in financial services and what is a large industry by regional standards.

In summary, the prospects for the six sectors are as follows:

### ***Health and Wellness***

Trinidad and Tobago is well-placed to benefit from the exponential growth of health care tourism particularly from the US market where rising health care costs are creating unstoppable drivers to seek lower cost services abroad. Whilst not the





cheapest in the region by any means, Trinidad and Tobago's offer of high quality treatment provided by internationally trained professionals in an English-speaking setting coupled with the possibility of recuperation in a holiday destination nearby (Tobago) is competitive. Recent investment in the public and private sector provides the capacity for expansion of exports. A target of an additional US\$75 million worth of exports, encompassing medical treatment, spas and alternative medicine, diagnostic and research services and nursing and elderly care, is realistic over a 5-year time horizon.

### ***Education***

The worldwide market for education exports is estimated at US\$30 billion and is expected to triple in size over the next twenty years. The primary opportunities for Trinidad and Tobago are in medical training, technical and vocational education (TVE) and in English Language Training (ELT). Trinidad and Tobago is already training foreign doctors at the UWI and its large public and private medical infrastructure makes the country a suitable investment location for the types of private medical schools that are springing up around the Caribbean. The country also boasts a TVE offering better than any in the region that is already attracting foreign students. Many of its institutions have partnerships with foreign institutions, which enhance the quality and range of services they can offer. In the ELT segment public and private sector training facilities exist and are exporting to students in the region (Venezuela, Colombia). Large markets in the region (Brazil) and the large and growing demand from Asia, especially China, Japan and South Korea, remain untapped. The offer of lower cost tuition than the market leaders (UK, US) in an English-speaking tourist destination has proved a winning formula for countries such as Malta and should do for Trinidad and Tobago. A target of increasing educational exports by US\$50 million over 5 years appears realistic.

### ***Business Development Services***

The global market for outsourcing of business development services (BDS) is large and growing with an increasing proportion of outsourcing going abroad (offshoring). Within the offshoring market, the trend towards a mix of offshoring basic functions to a low cost destination whilst nearshoring higher value functions provides an opportunity for Trinidad and Tobago. However, Trinidad and Tobago does not have the critical mass of even medium-sized firms necessary to compete in the international market for legal and finance and accounting outsourcing or providing management consulting services. The best opportunities for local firms are to build upon their already strong position in the regional market where the country's large numbers of professionals and a few large firms provide it with competitive advantage, particularly over the smaller islands. While Trinidad and Tobago cannot compete openly for outsourcing work, it may be able to attract opportunistic legal and accounting exporting by using contacts in the diaspora. It may also be possible to attract specialist outsourcing firms looking for nearshore presence in finance and accounting services and the diaspora could help in this process as well. A modest target of increasing BDS exports by US\$10 million over 5 years would appear realistic.

### ***ICT***

Outsourcing and offshoring in the ICT field is a well-established practice and growth is projected to be explosive. Trinidad and Tobago stands to gain from the trend towards combining near-shore with offshore outsourcing. The country has established a presence in call centre operations serving the regional and US markets and has a competitive advantage in software development and IT services within the



region, which has underpinned exports to the CSME. A lack of cost competitiveness against regional competitors such as the Dominican Republic means that the best opportunities in call centres lie in knowledge process outsourcing (KPO) in the financial services industry where Trinidad and Tobago has specialist expertise. It should be possible to attract new foreign investment in this field, especially if financial sector firms based can be motivated to establish joint ventures with international call centre operators. For the immediate future, the software development and IT services industry's export prospects will lie in serving the regional market where its better trained work force and distributorships for international companies give it a strong export base. The possibility of FDI in this segment of the market may not be strong, but it is worth pursuing as a way of accessing extra-regional markets. A target of growing exports by US\$25 million over 5 years appears realistic.

### ***Construction-related Services***

Whilst sub-contracting has long been practiced, outsourcing and offshoring the functions carried out by architects, engineers and construction management firms to others in the industry is relatively new. Trinidad and Tobago is the regional leader in these services, and has international expertise in petroleum and energy engineering. Its sizeable architectural and engineering firms have developed commercial presence in the other islands and have successfully exported their services to them from Trinidad and Tobago as well. The best prospects will continue to lie within the CSME in the near future. The presence of many international oil and gas companies presents an opportunity to provide outsourced engineering services to markets such as the US and Trinidad and Tobago should also attempt to attract FDI to serve the national and regional markets. The UK is short of engineers and while Trinidad and Tobago may not have as many chartered engineers as Barbados, it may be able to provide outsourced services due to its expertise and cost advantage. A target of increasing exports by US\$15 million over 5 years appears feasible.

### ***Production Services for the Entertainment Industry***

In terms of movie productions, Trinidad and Tobago cannot compete with the state of the art film cities that exist in places like India and Dubai, and faces competition from low-cost locations in the region as well. However, the Trinidad and Tobago Film Company has been established to promote film production services and it remains to be seen whether Trinidad and Tobago can establish a successful industry on the back of its efforts. The primary opportunity for Trinidad and Tobago is in exporting music and video production services within the region based on the reputation of its music industry and the quality of its facilities. It may also be possible to export these services to local genre artists outside the region, and through the creation and sale of Carnival DVDs. Events staging services should aim to capture an increased share of the Tobago tourist market and export shows and events production capability to regional markets. A target of increasing exports by US\$10 million over 5 years should be achievable.

How this potential can be realised is set out in the following chapters and the action plan that follows them.



## 2 Professional Services – Trade Regimes

### 2.1 Introduction

Professional services trade is subject to local and international trade regimes that can both facilitate or constrain trade. This chapter of the report focuses on the local enabling environment and the broader multilateral trade negotiations that impact the export of professional services.

### 2.2 Enabling Environment

Trinidad and Tobago is in the process of extending existing investment regimes originally provided for industry to facilitate services trade. The key legislative instruments and what they provide for are outlined below.

#### **Fiscal Incentives Act, 1979**

The Fiscal Incentives Act allows for the granting of a tax holiday (or partial holiday) for periods up to ten (10) years for the manufacture of approved products by approved enterprises. As with all incentives examined thus far, these concessions are discretionary.

Approved enterprises are classified separately:

- Highly capital-intensive enterprises investing in excess of TT\$50 million (US\$8.3million).
- Export enclaves, where products are manufactured exclusively for export.
- Enterprises using a significant portion of local inputs.

An approved enterprise will also be granted exemption from customs duties and VAT on the construction of the approved project. These projects have usually been large-scale manufacturing within one of the three classifications, and are available only to locally incorporated companies. The tax exemption can be extended to dividends, which may be tax exempt and free of non-resident withholding tax on any taxes in excess of the investor's tax rate on the dividend in his country of residence.

#### **Tourism Development Act, 2000**

The Tourism Development Act provides for tax holidays of up to ten (10) years and duty free concessions for hotel developments. In addition to the tax holiday the approved hotel may be granted accelerated depreciation and capital allowances on the construction cost of the hotel after the holiday period. No depreciation is charged during the holiday period and an allowance at 20% per annum is allowed for any five of the following eight years after the holiday period. Tax-exempt profits may be distributed tax free by way of dividend.

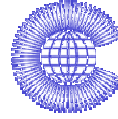
This tax concession is granted on a discretionary basis by the Ministry of Tourism based on the size of the hotel (minimum 10 rooms) and the capital expenditures involved.

#### **Special Tax Allowances for Exporters**

Performance based incentives exist to encourage exports include:

- **Promotional Expenses.** Promotional expenses wholly and exclusively incurred in order to create or promote the expansion of foreign markets





(outside CARICOM) for the export of goods or construction industry services are allowed to be grossed up to 150% of the expenses incurred.

- **Export Allowances.** Manufactured products exported outside CARICOM (excluding petrochemicals, and certain products) may also be granted a tax credit. It was reported that these provisions are being tailored to promote and facilitate services exports and that a services policy is in draft.

## 2.3 Multilateral Trade Negotiations

### 2.3.1 World Trade Organisation

Trinidad and Tobago is a founding member of the World Trade Organisation and has undertaken specific commitments under the General Agreement on Trade in Services (GATS). Under the GATS, members committed to liberalise trade in services based on general obligations and specific commitments. General obligations relate to most favoured nation treatment, national treatment and non-discrimination principles. Specific commitments denoting intention to be bound only by specifically scheduled undertakings were based on market access, national treatment and additional commitments.

With respect to market access, members are obligated to accord services and service providers of other Parties treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its schedule. The intention of the market access provision is to progressively eliminate limitations on the numbers of service providers; the total value of service transactions or assets; the total number of service operations or on the total quantity of service output; the total number of natural persons that may be employed in a particular service sector; measures which restrict or require specific types of legal entity; and the participation of foreign capital in terms of maximum percentage limit on foreign shareholding.

With respect to national treatment, members are obligated to accord foreign services and service suppliers treatment that is no less favourable than that accorded its own 'like services' and 'like service suppliers'.

The commitments for the liberalisation of trade in services were made within the context of four modes of supplying a service into the markets of participating countries. These were the supply of a service:

1. From the territory of one member into the territory of any other member (Mode 1);
2. In the territory of one member to the consumer of any other member (Mode 2);
3. By a service supplier of one member, through commercial presence in the territory of any other member (Mode 3); and
4. By a service supplier of one member, through presence of natural persons of a member in the territory of any other member (Mode 4).

Members scheduled horizontal commitments – applicable to all sectors included in the schedule of the country and referenced by any of the four modes of supplying the service. Members also scheduled sector specific commitments – applicable to the sector, sub-sector or activity; the limitations on market access; the limitations on national treatment; and any additional commitments.



## Horizontal Commitments

Trinidad and Tobago scheduled two horizontal commitments, which relate to commercial presence (Mode 3) and the presence of natural persons (Mode 4).

With respect to commercial presence (Mode 3), a licence is required for the acquisition of land, the area of which exceeds 5 acres for trade or business or one acre for residential purposes. A licence is also required for the acquisition of shares in a local public company where the holding of such shares either directly or indirectly results in 30% or more of the total cumulative shareholding of the company being held by foreign investors. A foreign visitor wishing to invest in Trinidad and Tobago must register with the registrar of companies.

With respect to presence of natural persons (Mode 4), The entry and residence of foreign natural persons is subject to Immigration Laws. The employment of foreign natural persons is subject to the obtention of a work permit, which is granted on a case-by-case basis.

## Sector Specific Commitments

Trinidad and Tobago made commitments in the following sectors:

### Professional Services

- Legal Services in Consultancy in International Law (CPC 86119)
- Patent Agents (CPC 8921)

### Research and Development Services

- Research and Development in Natural Sciences (CPC 851)
- Research and Development in Social Sciences (CPC 852)

### Other Business Services

- International Marketing (CPC 86503)

### Educational Services

- Specialist teachers (CPC 9290)
- Lecturers (Tertiary level CPC 9239)

Trinidad and Tobago did not make binding specific commitments in respect of Commercial presence (Mode 3) for either Specialist teachers or Lecturers and indicated that provision of these services via Mode 4 was subject to registration and certification requirements.

### Health-related Services

- Hospital Services (CPC 9311)
- Dental Services (CPC 9312)
- Veterinarian Services (CPC 932)

No binding specific commitments were made with respect to Commercial presence (Mode 3) in Health-related services and as with Educational Services provision of these services via Mode 4 was subject to registration and certification requirements.

### Tourism and Travel-related Services

- Hotel and Resort Development (Construction) (CPC 51206)
- Hotel management (CPC 6411)



- Tour Operators (Commercial presence for in-bound passengers only) (CPC 7471)

### **Recreational, Cultural and Sporting Services**

- Entertainment Services (CPC 9619). Mode 3 Entertainment services were unbound.

### **2.3.2 CARICOM Single Market and Economy (CSME)**

The CARICOM Single Market came into effect in January 2006 with six Member States – Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago signing a Declaration of the Caribbean Community marking the coming into being of the CARICOM Single Market. Six other Member States signed the Declaration of participation of their countries in the CARICOM Single Market - Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines. The establishment of the CARICOM Single Economy is anticipated in 2008.

One of the major objectives of the CSME is the creation of a single economic space which will provide for *inter alia*, the free movement of goods and services, labour and capital. The movement towards the implementation of the CSME will be the focus of member states' efforts at re-orienting their policies that will not only allow them to survive in an increasingly competitive environment, but also achieve economic growth and development.

As the Caribbean Community intensifies its efforts to create a single economic space myriad challenges confront the region including effectively synchronising internal with external trade arrangements where reciprocity in free trade arrangements is now the order of the day. A related challenge relates to ensuring external partnerships reinforce and strengthen the internal arrangements.

#### **Provision of Services**

Chapter 3 of the Revised Treaty of Chaguaramas establishing the Caribbean Community including the CARICOM Single Market and Economy provides the legal basis for the free movement of services within the CSME. Services can be provided in four ways:

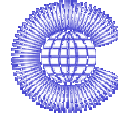
1. Cross border;
2. Consumption abroad;
3. Commercial presence; and,
4. Temporary movement of persons.

Trinidad and Tobago has ratified and enacted the Revised CARICOM Treaty into domestic law. The country has also enacted the Trinidad and Tobago Immigration (Caribbean Community Skilled Nationals) Act, 1996, which covers the provision of services by skilled CARICOM nationals.

#### **Bilateral Trade Agreements**

Members of CARICOM committed in the Revised Treaty to agree coordinate external trade policies with third states and groups of states.<sup>1</sup> As such Trinidad and Tobago is

<sup>1</sup> Chapter 5, Article 80, Revised Treaty



party to the following bilateral arrangements in their respective capacities.

### **CARICOM and Costa Rica**

CARICOM signed a trade agreement with Costa Rica on March 9, 2004, which has been ratified by Barbados and Trinidad and Tobago. Trinidad and Tobago and Costa Rica began to apply the Agreement provisionally on November 15, 2005. The Agreement provides for duty free or preferential access for a number of products – sensitive products excepted. Services trade is addressed in a GATS-compliant Chapter IX.

Parties to the Agreement specifically anticipate challenges relating to mutual recognition of qualifications and undertake to encourage bodies responsible for the regulation of professional services in their respective territories to:

1. Ensure that measures relating to the licensing or certification of nationals of the other Party are based on objective and transparent criteria, such as competence and the ability to provide a service.
2. Co-operate with the view to developing mutually acceptable standards and criteria for licensing and certification of professional service providers.<sup>2</sup>

Standards and criteria should take into account education, examinations, experience, conduct and ethics, professional development and re-certification, scope of practice, local knowledge and consumer protection.

Professional services are defined as services that require specialised post-secondary education, or equivalent training or experience to be provided, and for which the right to practise is granted or restricted by a Party. The definition does not include services provided by trades-persons or vessel and aircraft crew members.

Chapter X contains a commitment to engage in WTO and plurilateral fora, to develop the most favourable conditions for achieving further liberalisation and additional mutual opening of markets for investment; contains a commitment to examine the need for further negotiations of disciplines in the area and provides for reciprocal protection and promotion of investments.

### **CARICOM and the Dominican Republic**

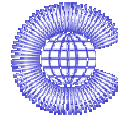
The CARICOM-Dominican Republic agreement<sup>3</sup> was signed August 22, 1998. The Agreement is based on reciprocity with the five CARICOM MDCs and non-reciprocity with the LDCs until the year 2005. It provides for the asymmetrical application of the reciprocity principle, as CARICOM LDCs are not required to reciprocate treatment.

The Parties agree to progressively liberalise trade in services between themselves by the establishment of a framework of principles and rules contained in the GATS consistent Agreement on Trade in Services in Annex II. Article VII of the Annex on Licensing and Certification provides that in order to ensure domestic regulation of services sectors or the licensing or certification of nationals of the other Party does not constitute an unnecessary barrier to trade, each Party should endeavour to ensure that any such measure:

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<sup>2</sup> Article IX.02: 3

<sup>3</sup> Agreement Establishing the Free Trade Area between the Caribbean Community and the Dominican Republic



1. Is based on objective and transparent criteria, such as competence and the ability to supply a service.
2. Is not more burdensome than necessary to ensure the quality of a service.
3. Does not constitute a disguised restriction on the supply of a service.

CARICOM is currently involved in negotiations with the Dominican Republic to deepen the degree of liberalisation reached for trade in services.<sup>4</sup> Annex III provides a regime for reciprocal promotion and protection of investments.

### **CARICOM and Venezuela**

CARICOM has completed a bilateral trade agreement with Venezuela, which was signed in October 1992 and entered into force in January 1993. The Agreement is a one-way preferential agreement concluded under the facility for non-reciprocal partial scope agreements available to members of the Latin American Integration Association (LAIA).

In addition to making special arrangements for trade in goods and agricultural products, the agreement recognises the need for arrangements for trade in services<sup>5</sup> as well as for reciprocal promotion and protection of investments.<sup>6</sup> It is interesting to note that Venezuela has requested preferential access to the MDC markets.

### **CARICOM and Colombia**

CARICOM has negotiated the Agreement on Trade and Technical Cooperation with the Government of the Republic of Colombia, through a Protocol amending the original Agreement, ratified in May 1998. The first bilateral agreement between CARICOM and Colombia was secured in July 1994. The CARICOM/Colombia Agreement began as a non-reciprocal agreement but the Protocol amending the Agreement signed on May 21, 1998 addressed the issue of reciprocity for Colombian products.

As with the CARICOM/Venezuela Agreement, parties recognised the importance of trade in services for the development of their economies and undertook to negotiate amendments or further expansion of the agreement to develop cooperation in services.<sup>7</sup> Provision is also made for reciprocal promotion and protection of investments.<sup>8</sup>

Because signature of both the Venezuela and the Colombia agreements pre-dated the completion of the GATS, parties agreed to take account and advantage of the outcome of these negotiations rather than establish services trade disciplines.

### **CARICOM and Cuba**

An Agreement on Trade and Economic Cooperation between CARICOM and the Government of the Republic of Cuba was signed on 5 July 2000. In Article 15 of the Agreement parties recognise the importance of services to their development, commit to exchange information about their services sectors and upon completion of

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<sup>4</sup> A meeting was scheduled for December 2006.

<sup>5</sup> Article 13, Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Venezuela

<sup>6</sup> Ibid, Article 9

<sup>7</sup> Article 14, Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Colombia

<sup>8</sup> Ibid, Article 18



CARICOM's services regime, to commence negotiations for a GATS compliant services regime between them. Priority sectors include tourism and travel related services, entertainment, professional, construction and computer services.

## **Prospective Bilateral Trade Agreements**

### **CARICOM and Canada**

The CARICOM-Canada Trade and Economic Co-operation Agreement (CARIBCAN) currently governs trade relations between CARICOM and Canada. Canada has indicated that it will not seek to renew the WTO waiver for CARIBCAN on its expiration in December 2006. As such, CARICOM has requested negotiation of a trade agreement for which negotiations will commence once Canada receives the necessary mandate.

### **CARICOM and MERCOSUR**

MERCOSUR<sup>9</sup> have indicated interest in negotiating a trade agreement with CARICOM.

### **2.3.3 ACP/EU Economic Partnership Agreement**

The Economic Partnership Agreement (EPA) is currently the major active negotiating theatre in which Trinidad and Tobago is involved. It is essentially the most important trade negotiation process and involves relinquishing of a protective unilateral arrangement based on historical relations and assertion of potential competitiveness in new economic activity. It is imperative that all professional service suppliers seek to articulate their interests to negotiations and influence the process. The four countries undertook cautious liberalisation commitments at the GATS. It is anticipated that because of the manner in which Caribbean economies have depended on the Lomé arrangements to the extent that mono-crops economies were created, involvement in the EPA negotiation process means that the region can simultaneously examine means by which to diversify its economy most notably to expand services trade.

The genesis of the EPAs relates to recognition that:

- Trade was restricted under the Lomé Convention.
- Unilateral preferences under the Lomé and Cotonou Conventions required a WTO waiver which would not be extended beyond 2007.
- Unilateral preferences had not adequately addressed the main problems confronted by the ACP countries.

The EPA presents an opportunity for a more dynamic, comprehensive and reciprocal approach to trade between the ACP and the EU, and aims to address barriers to trade by strengthening regional integration whilst being WTO-compatible. Reciprocity under these arrangements is expected to result in a stable trading regime, secure market access to the EU and increased opportunities for investment and productivity. It should be noted that these agreements are being negotiated not on a country-by-country basis but in regional groupings. Trinidad and Tobago is negotiating within

<sup>9</sup> Mercado Común Del Sur – comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela





the Caribbean Forum of ACP states – CARIFORUM<sup>10</sup> – the Caribbean grouping in the ACP.

The stated objectives of the EPAs include:

1. Sustainable development of ACP countries, their gradual integration into the global economy and the eradication of poverty.
2. Promotion of sustained growth and increased production and supply capacity of the ACP countries.
3. Promotion of the structural transformation and diversification of the ACP economies.

The objectives expressly proposed by the ACP countries are:

1. Acceleration of export-led growth.
2. Preparation of the ACP's adaptation to changes in global markets.
3. Promotion of ACP trade.

The ACP grouping<sup>11</sup> comprises 77 countries from the African Caribbean and Pacific Regions and was created by the first Lomé Convention in 1975 in Georgetown, Guyana. The Lomé conventions were established to govern the preferential economies and aid relationship between European countries and their former colonies. The ACP group benefited from non-reciprocal trade preferences for exports to the EU market. The majority of ACP products<sup>12</sup> were afforded duty free access to the EU, banana, sugar, rum and beef excepted. This regime has been challenged within the context of the WTO, which prescribes MFN treatment as one of its fundamental principles.

The Cotonou Partnership Agreement was signed in June 2000, to usher in a new era of ACP/EU economic cooperation. Designed to succeed the Lomé Conventions, new economic and trade cooperation under the CPA had as objectives:

1. Fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their development priorities and political choices, promoting sustainable development and contributing to poverty eradication.

<sup>10</sup> CARIFORUM comprises Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, The Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago

<sup>11</sup> The ACP group of countries: Angola, Antigua and Barbuda, The Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Cook Islands, Cote d'Ivoire, Cuba, Djibouti, Dominica, The Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Federated States of Micronesia, Mozambique, Namibia, Nauru, Niger, Nigeria, Niue, Palau, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, Sudan, Suriname, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Zambia, Zimbabwe.

<sup>12</sup> Some 80% according to ECDPM, ICTSD, ODI: "Trade Negotiations Insights-From Doha to Cotonou", vol. 1/issue No. 4, December 2002.



2. Enabling the ACP States to play a full part in international trade, participate in multilateral trade negotiations, manage the challenges of globalisation, adapt progressively to new conditions of international trade facilitating transition to the liberalised global economy.
3. Enhancing the production, supply, and trading and investment attraction capacity of the ACP countries.
4. Conforming with WTO provisions including special and differential treatment.<sup>13</sup>

Negotiation of WTO compatible Economic Partnership Agreements (EPAs) was mandated to progressively remove trade barriers in all areas relevant to trade. EPAs would enter into force no later than January 2008, the period of negotiations representing a transition period during which the non-reciprocal trade preferences applied under Lomé IV would be maintained<sup>14</sup>. The EPAs will cover trade in agricultural and industrial goods, services and other trade-related areas, such as competition, investment, protection of intellectual property rights, standardisation and certification, sanitary and phytosanitary (SPS) measures, trade and the environment, trade and labour standards, consumer policy regulation and consumer health protection, food security, public procurement.<sup>15</sup>

As such, EPA negotiations between the EU and the ACP as a whole were launched in September 2002. Phase I (September 2002 – October 2003) sought to define the general objectives and principles of the EPAs and issues of interest to all ACP States. Phase II (October 2003-December 2007), negotiations are being conducted bilaterally between the EU and the respective ACP groupings. CARIFORUM's EPA negotiations were in turn launched in September 2005.

### **Contents and General Implications of EPA**

The CRNM reports that the CARIFORUM-EU EPA is guided by a number of principles:

1. Supporting and building upon the regional integration process;
2. Promoting the development objectives of countries of the Region, while being consistent with their development strategies;
3. Encompassing Special and Differential Treatment, including provisions that go beyond existing WTO measures in addressing the constraints of small size and vulnerability;
4. Flexibility such that countries can individually calibrate the pattern and schedules of implementation, consistent with their national circumstances, while pursuing the objective of regional integration;
5. Incorporating and improving on the Lomé and Cotonou *acquis* regarding market access, for traditional and non-traditional Caribbean exports; and,
6. A binding commitment to engage in consultations on any matter deemed necessary in order to safeguard the benefits of the Agreement.

### **Status of Current EPA Negotiations between CARIFORUM and the EU**

The scope of the CARIFORUM-EU EPA will follow the pattern of previously completed EU Agreements with third countries encompassing Trade and Trade-related Provisions, Trade and Economic Development Co-operation, Institutional

<sup>13</sup> Article 34

<sup>14</sup> Article 36

<sup>15</sup> Articles 45-54





Arrangements and Dispute Settlement viz. WTO compatibility.

With respect to services, CARIFORUM and the EU agree three principal issues – the treatment of development, the nature of regional commitments and cooperation. On development, both sides reaffirm the importance of the EPA being crafted as a tool for development and that all provisions should reflect this common objective.

CARIFORUM is keenly interested in completing an agreement to facilitate improved access to the EU services market and improve inflows of EU investment. The EU has also confirmed its intention to offer CARIFORUM improved access to its markets in the trade of services.

### **GATS Sectors of Interest to the EU**

The Caribbean Regional Negotiating Machinery (CRNM) reported that the European Union has indicated interest in the following areas of interest to this study:

<b>Sector</b>	<b>Barbados</b>	<b>Dominica</b>	<b>Saint Lucia</b>	<b>Trinidad and Tobago</b>
1A. Professional services: a. Legal services b-c. Accounting and taxation d. Architectural services e. Engineering services f. Integrated engineering g. Urban planning	*	*	*	
1. Business services: B. Computer services Fa. Advertising Fb. Market research Fc. Management consult. Fd. Services related to management consult Fe. Technical testing Fm. Scientific and technical Fn. Maintenance and repair	*	*	*	*
2C. Telecommunications	*	*	*	*
3. Construction services	*		*	*
9. Tourism and travel-related: A. Hotels B. Travel agencies C. Tourist guides	*	*	*	*

With respect to the professional services under review, CARICOM also has export interests in nurses, midwives, research and development, convention services, audio-visual services, educational services, health-related services, and entertainment services. The EU has demonstrated interest in some services that are not of a strong competitive interest to CARICOM such as environmental services and hotel development.

Since submitting requests to CARICOM member states, the EU has made public its initial offer under the GATS.

### **EU WTO Offer**

**Mobility of natural persons (Mode 4)**

Mode 4 commitments are of paramount interest to professional service providers in the Caribbean as these allow provision of services without significant financial outlay or commitments. The revised EU offer provides additional opportunities as regards the movement of *highly qualified* natural persons. The revised offer will extend access conditions offered in the EU to the new Member States that have to match the degree of liberalisation already offered in the rest of the EU. This concerns the permitted length of stay, the number of sectors that are covered and the length of the underlying contract. In general no economic needs test can be applied within a numerical ceiling whose level will be determined in the course of the negotiations.

Services companies should for example be able to transfer management trainees to their affiliated companies in the enlarged EU, to allow them to get up to one year of European work experience. Overseas companies with a contract to provide services in 21 sectors will be able to send skilled employees to the EU to provide these services for up to six months at a time. Legal services have also been added to those sectors where self-employed services suppliers based overseas will be able to enter the EU for up to six months at a time to provide services to clients based in the 25 EU Member States. In all such cases, EU and national working conditions, minimum wage requirements and collective wage agreements still apply.

**Professional Services**

The revised offer extends access in accounting and bookkeeping services, architectural services, engineering and integrated engineering services and urban planning and landscape architectural services. Subject to the fulfilment of the necessary qualifications required by EU law, foreign accountants will be allowed to compile financial statements and other accounting information for EU clients and foreign architects and engineers will be able to provide plans, designs, projects, specifications or cost estimates to their clients in the EU, without being discriminated against on the basis of their nationality.

With respect to legal services, the offer has extended market opportunities not only to foreign lawyers practicing in law firms and to self-employed lawyers. Foreign lawyers and law firms will be able to establish a commercial presence in any Member State and provide legal services, whether from abroad, through that commercial presence or through temporary entry into the EU, in respect of the law of any country in which the lawyers are *qualified* to practice. The practice of EC law and of the national law of Member States remains subject to admission to a Bar in the EC and the commitments do not cover notary services.

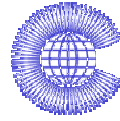
**Business Services**

The revised offer confirms access in advertising, management consulting and related services, technical testing and analysis services, surveyors and geologists services, maintenance and repair of equipment services and translation and interpretation services.

**Construction Sector**

The revised offer seeks to reduce market access and national treatment limitations applying to the commercial presence and temporary movement of foreign services suppliers.

**Education Sector**



Market access in this sector remains unchanged.

### **Health-related and Social Services sector**

Market access in this sector remains unchanged.

### **Possible Horizontal Requests to the European Union**

The CRNM proposes that the ability of CARIFORUM service providers to participate in the EU market will depend on whether the EU is able to:

- Establish a single EU registration process for professionals from Caribbean.
- Under Mode 3, remove citizenship requirements, discriminatory capital requirements; land purchase restrictions, equity caps, and economic needs tests (ENTs) where still in place.
- Extend eligibility for subsidies to Caribbean juridical and natural persons, including eligibility for education and training scholarships.
- Temporary entry (Mode 4) for small service suppliers should not be associated with the requirement for commercial presence. Small service suppliers from the Caribbean should be granted entry as individuals.
- Under Mode 4, remove citizenship and residency requirements, as well as economic needs tests ENTs and prior years of experience, where they still exist.
- Waive visa requirements by European Member States of the Schengen Agreement for nationals of all CARIFORUM countries.
- Remove requirements for an economic needs test (ENT) for intra-corporate transferees, business visitors, contract service suppliers, and professionals.
- Expand the list of contract service suppliers and independent professionals covered under the EU's Mode 4 horizontal commitments.
- Remove restrictions on legal form, allowing all legally registered juridical persons in CARIFORUM access to the EU market.

### **Specific Market Access in the European Union**

CARIFORUM should seek greater access in the following professional services and related areas.

- Legal services
- Accounting/bookkeeping
- Architectural services
- Engineering services
- Nurses and midwives
- Computer services
- Research and development
- Advertising (tourism)
- Management consulting
- Telecommunications
- Audio-visual services
- Educational services
- Health-related services (spas, etc.)
- Entertainment



### 3 Health and Wellness

#### 3.1 Introduction

Health and wellness tourism worldwide is estimated to be worth US\$40 billion a year and is growing at a rate of 30% per annum, much faster than tourism as a whole (4-5% p.a.). The total number of health and wellness tourists is estimated as 20-30 million per annum.

The health and wellness tourism market can be divided into four segments: i) medical tourism; ii) wellness and spas; iii) nursing and elderly care; and iv) research and diagnostic services.

Medical tourism covers a comprehensive range of therapeutic services including general surgery, orthopaedics, urology, gynaecology, ophthalmology, dialysis, cardiology and cardiac surgery. The most frequent procedures are major joint replacement, cataract surgery and cosmetic surgery, but the market has now expanded to less traditional areas such as in-vitro fertilisation (IVF). Cosmetic surgery has experienced very rapid growth recently, fuelled by growing demand to look attractive, falling costs (in real terms) of procedures and rising incomes that have made surgery affordable to a substantial proportion of the populations of OECD countries. Dentistry is another fast growing area, offering both curative and cosmetic surgery. The growth of the medical tourism market has been fuelled by rising costs in richer countries and shortcomings in the public health care systems of some countries that have resulted in long waiting times.

A growing focus on health and well-being led to wellness and spa tourism beginning to emerge as a thriving segment in the 1990s across Europe, Asia and North America. The decade was marked by substantial investment in new resort and hotel spas and the refurbishment and upgrade of existing spa facilities. Destination spas and medical spas are the two categories most widely associated with health and wellness programmes. These types of facilities offer visitors the opportunity to 'take the waters' of spas known for their health and wellness properties and to access medical services, fitness programmes and resort amenities.

With aging populations in many developed countries, the nursing and elderly care market is growing steadily. In the US alone, there are currently 10 million seniors who need elderly care. Many people expect to pay for the care out of their own income and assets. The limited role of the state in care provision and the prohibitive cost of nursing homes in richer countries have forced ordinary people to find alternative solutions, including private long term care insurance and lower cost alternatives abroad as means of addressing this issue.

For each market segment, we analyse market trends, decision-making factors, local capability and competitiveness to evaluate prospects, identify target markets and establish realistic export targets. The Chapter concludes with the marketing strategy for the health and wellness industry as a whole.



## 3.2 Medical Tourism

### 3.2.1 International Trends

#### A) Industry Development

The growth of the medical tourism industry has been primarily driven by rapidly rising healthcare costs in developed countries. Factors such as aging populations, better range and quality of treatments, a shortage of healthcare personnel and the high cost of healthcare personnel (due to the high cost of education) have pushed costs up and will continue to do so. These rising costs have led to massive increases in healthcare expenditure. The US is already spending over 10% of its GDP on healthcare and premiums for employer-sponsored health coverage have risen 87% over the past six years. McKinsey predicts that top US companies will spend as much on healthcare on average as they make in profits by 2008. This strong upward movement in costs has led to developed and developing countries with a healthcare cost advantage developing medical tourism industries and has created a market of governments, corporations, insurance companies and private individuals looking for cheaper healthcare alternatives.

#### B) Source Markets

##### The US

Fortunately for Trinidad and Tobago, the world's largest market for medical tourism, the US, is very nearby. Within the US, there are three key segments of the market:

- The insured. Insurance companies are looking to contain rising premiums.
- Employers managing their own healthcare plans looking to cut health-related expenditure.
- The 46 million uninsured Americans (36.6% of whom have household incomes over US\$50,000) who will seek cost benefits on an individual basis.

Most Americans pay for healthcare through health insurance. Insurance coverage is obtained from various sources, including government sponsorship, employment-based insurance and individual insurance. 84% of the total population have health insurance coverage. Health insurance generally covers hospitalisation, emergency care and a range of clinical services. Coverage for pharmaceuticals is more variable, but still fairly common. Some health policies include coverage for dental services.

Over 159 million Americans are covered through employer-sponsored health plans. Employers set up a financial arrangement that helps cover employees' healthcare expenses. The employer chooses the type and level of coverage and subsidises that coverage, often paying at least half of the premium. Employers either self-administer their health plans or hire insurance companies to do it. As insurance costs become increasingly higher, companies are either scaling back, dropping health benefits or exploring the opportunity to send employees overseas for medical treatment to cut costs. Surging cost of premiums have forced US employers to look for cheaper programmes offered by insurance companies and to shop abroad for cheaper sources of treatment. For example, United Group Programs, a Florida-based company targeting small businesses, is offering a plan that sends patients to Bumrungrad International hospital in Bangkok. The insurance company Blue Shield of California also offers lower-cost policies allowing members to seek medical care in Mexico.



Individual health insurance provides coverage to those who do not have access to employer-sponsored group coverage or government-sponsored health insurance. Roughly 17 million non-elderly Americans buy health insurance coverage on their own.

Medicare and Medicaid are both government-sponsored programs. There are 38 million Americans enrolled in Medicaid, which is designed for low-income families, and 40 million in Medicare, which is for elderly (65+) and disabled Americans.

Outside of the above three categories, there are 46 million Americans who are currently uninsured. Importantly, more than a third (36.6%) of these uninsured have household incomes greater than US\$50,000, and 18.8% of them have household incomes greater than US\$75,000. Furthermore, in 2002, of households with incomes greater than US\$75,000, 8.2% were uninsured, and this figure rose to 20% for those with household incomes greater than US\$50,000. Many under-insured and uninsured Americans have already gone overseas for medical treatments.

Main destinations for US patients are Mexico, Costa Rica, Argentina, India and Thailand. In the main, there is a preference for middle haul destinations but ethnic ties to India and low cost of treatments in Thailand attract patients further a field.

### **Canada**

Canada offers universal public healthcare to its citizens in a system that is closely related to the UK's NHS. While the quality of care is very good, the waiting times for many procedures can be quite long. This has led to some people paying for private services. With high domestic costs, many of these consumers travel to a lower cost location to combine a vacation with a procedure for less than they would have paid to have the service performed at home. Although Canada has lower incomes than the US, there are enough middle to high income families to make this a viable, if smaller, source market. In 2004, over 24% of total couple families had a total income of CDN\$100,000 (roughly US\$85,500) and over, and 8.2% had a total income of CDN\$150,000 (roughly US\$128,400) and above.<sup>16</sup>

### **The EU**

Most EU countries provide free health care to their citizens through a state-run health care system. Private insurance represents a much smaller part of the total market than the US. EU countries are increasingly extending public healthcare to cover treatment in other member states. In 2001, the European Court of Justice (ECJ) ruled that patients were entitled to receive hospital care in other European Economic Area countries, at the expense of their home government, if the necessary treatment could not be provided within a reasonable period of time. The ECJ has since upheld this ruling in a more recent case in which a British woman who went abroad for treatment successfully sued for the cost of her treatment from the NHS. This will lead to cheaper healthcare suppliers in the EU such as France, Germany, Hungary and Poland attracting an increasing share of patients from the high-cost, capacity-constrained public systems of Western Europe. The European Health Insurance Card allows EU citizens to access a range of state-provided medical services in other member countries. Lower cost providers were already benefiting from cost-benefit

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<sup>16</sup> Statistics Canada. A census couple family consists of a couple living together (married or common-law, including same-sex couples) living at the same address with or without children. Beginning in 2001, same-sex couples reporting as couples are counted as couple families. [www.statcan.ca](http://www.statcan.ca).





seeking private patients and the addition of publicly-funded medical tourism will set up the EU as a largely self-contained healthcare market capable of meeting its own needs. This means that opportunities for accessing this market are limited, but some possibilities do exist.

Trinidad and Tobago does attract some European tourists, mainly from the UK (63,391 stay over arrivals in 2005) and Germany (8,647).<sup>17</sup> It may be able to establish a niche by serving higher net worth individuals who have the capacity and willingness to pay for treatment privately, despite the availability of public care in the EU. While cost savings will be a concern in this market, the availability of quality services is likely to also be an important consideration. The possibility of combining services that equal or surpass that of Eastern European countries with a holiday in Tobago gives Trinidad and Tobago an advantage over destinations in Europe. This opportunity will be a fraction of the size of the US market but is worth pursuing as the country already has an existing pool of European tourists.

### **C) Supply Markets**

Governments around the world, especially those in Asia and Europe, are vigorously promoting medical and wellness tourism in their countries. Major destinations include Belgium, France, Germany, the Czech Republic, Hungary, Poland, Thailand, India, Singapore, Israel, Jordan, Argentina, Mexico, Brazil, Cuba and South Africa.

Travel for medical tourism in Europe is mainly from west to east (cost benefit seekers). The trend has accelerated with the recent EU enlargement. Since joining the EU, many eastern European countries have seen a surge in health tourism. Polish dentists and cosmetic surgeons, and Czech and Polish fertility clinics, are booming as a result. These countries have a clear cost advantage; prices tend to be around half the German levels. Germans are increasingly travelling to Hungary and Poland for high-quality, low-cost dental work. Medical tourism also takes place from west to west (government to government) and east to west (high net worth individuals). In the UK, NHS patients were being sent to France, Germany and Belgium in order to reduce waiting times for routine operations and this is likely to resume as a result of the ECJ ruling. Wealthier patients from Russia and other CIS countries frequently travel to Germany for medical treatment.

So far, Thailand is the biggest player in Asia, attracting approximately one million medical tourists each year. Bumrungrad Hospital in Bangkok was the first hospital in Asia to be certified by the Joint Commission International (JCI), the international arm of the US-based Joint Commission on Accreditation of Healthcare Organisations. Of Bumrungrad's patients, 40% are medical tourists, and the group now has branches in the Middle East, China and other Southeast Asian countries. Thailand treats expatriates across Southeast Asia, many of whom work for multinational companies and have flexible, worldwide medical insurance plans. Thailand has been a preferred destination for Americans.

India, attracting some 150,000~200,000 medical tourists a year, is emerging as a major regional competitor to Thailand. A CII-McKinsey joint study showed that medical tourists could bring US\$2 billion to the Indian economy by 2012. Instead of a few states such as Maharashtra, Kerala and Andhra Pradesh promoting their own facilities, efforts are now being made to build "Destination India" as a complete brand to promote the country as an international destination in healthcare. This will allow

<sup>17</sup> Trinidad and Tobago Tourism Development Company Limited. [www.tdc.co.tt](http://www.tdc.co.tt).



private hospitals offering excellent services, such as the Apollo Hospital in Delhi, to also benefit from publicly-funded promotion. The Government has made 2006 "The Year of Health Tourism". The country initially attracted Indians living abroad, but now also attracts other patients from Europe, the Middle East and North America. Combining surgery with a yoga holiday or trip to the Taj Mahal is popular among medical tourists.

With a rapidly growing medical tourism sector, Singapore now attracts a quarter of a million medical visitors a year. The Government aims to establish the country as the region's medical hub, and to draw one million foreign patients by 2012, generating S\$2.6 billion in revenue (~1% of GDP). Singapore's top markets are Indonesia and Malaysia and it is also targeting the rest of ASEAN and the Middle East. Medical tourism offerings cover a range of services from simple health screening to plastic surgery, knee or hip replacement and heart bypass surgery.

Jordan serves patients from the Middle East. Israel caters to both Jewish patients and people from nearby countries. One Israeli hospital advertises services worldwide, specialising in both male and female infertility, IVF and high-risk pregnancies. A dedicated, large scale Healthcare City is currently under construction in Dubai. Once finished (scheduled for 2010), it will provide a solid foundation to promote Dubai as a regional healthcare hub, attracting patients not only from the Middle East, North Africa and the Indian subcontinent, but also from Europe, the Americas and wider Asian countries.

In Latin America and the Caribbean, Cuba, Argentina, Mexico and Brazil are the leading service providers for medical tourism. Cuba first aimed its services at well-off patients from Latin America. Medical tourism in the country is expanding as demand grows. The country now also attracts patients from Canada, Germany and Italy. Argentina has emerged as a major destination offering medical services to US and European citizens. As demand from domestic patients fell, as a result of the country's economic crisis and the consequent cash constraints suffered by

**Table 1: Comparison of Treatment Costs**

Country	Hip Replacement	Knee Replacement	Cataract
<b>UK</b>	£8,000	£9,500	£2,350
<b>US</b>	£6,250	£6,250	-
<b>France</b>	£5,689	£6,075	£1,742
<b>Germany</b>	£5,296	£5,365	£1,742
<b>India</b>	£3,763	£4,167	£1,100
<b>Norway</b>	£5,685	£6,400	£1,300
<b>Spain</b>	£5,695	£5,695	£1,742
<b>Tunisia</b>	£3,600	£4,000	£700
<b>Turkey</b>	£4,725	£3,600	£562

Source : [www.treatmentabroad.net](http://www.treatmentabroad.net)

government-sponsored medical insurance schemes, the private sector responded by marketing its services abroad. A combination of good quality services at low cost has helped the country become a leader for healthcare services, particularly in the US market which is denied access to services in Cuba. Mexico and Brazil also have large private health care sectors capable of serving medical tourists.

#### **D) Decision-making Factors**

The primary consideration behind the choice of destination for medical tourism is cost, but other factors such as the quality of care and the

**Table 2: Comparison of Dental Implant Cost**

Country	Procedure Price
<b>UK</b>	£2,000
<b>Bulgaria</b>	£700
<b>Costa Rica</b>	£435
<b>Croatia</b>	£672
<b>Germany</b>	£600
<b>Greece</b>	£600
<b>Hungary</b>	£665
<b>India</b>	£550
<b>Italy</b>	£411
<b>Poland</b>	£750
<b>South Africa</b>	£470
<b>Turkey</b>	£588
<b>Vietnam</b>	£545

Source : [www.treatmentabroad.net](http://www.treatmentabroad.net)





attractiveness of the location do play a role. Potential consumers in the US market will be price sensitive as the primary objective of seeking medical treatment abroad for employers, insurance companies and private individuals is cost savings. Private individuals from Canada and the UK will also be looking for cheaper alternatives as the cost of treatment will be coming out of their own pockets. The quality of care and the location will also become factors in the choice of destination.

**Table 3: Comparison of Cosmetic Surgery Costs**

Country	Rhinoplasty	Breast Augmentation	Upper & Lower Eyelids	Facelift
UK	£3,000~4,000	£3,500~5,000	£2,900~3,700	£4,300~6,000
Argentina	£1,270~1,750	£1,800~2,815	£1,165	£1,060~2,415
Belgium	£1,650~2,850	£1,960~2,720	£1,600	£1,650~2,950
Brazil	£1,550	£2,345	£1,550	£1,948
Croatia	£1,150~1,500	£2,250	£1,400	£2,700
Czech	£1,756	£2,346	£1,226	£2,056
Egypt	£1,500	£2,000	£1,200	£2,100
Germany	£3,400	£3,000	£1,900	£3,400~6,000
India	£850	£1,300	£1,050	£1,800
South Africa	£2,100	£2,200	£1,750	£3,300
Spain	£2,400	£2,900	£2,100	£3,200
Tunisia	£1,260	£1,750	£1,190	£2,400
Turkey	£1,600	£1,720	£1,350	£1,600

Source: [www.treatmentabroad.net](http://www.treatmentabroad.net)

Those travelling abroad are often high net worth individuals who place a high value on their wellbeing. They may be driven to purchase abroad because of cost or other factors, but will not want to take chances with their health. Further, some, especially those seeking elective treatments, will want to combine it with a holiday. Other factors that influence the decision are:

- Time to destination. As a rule of thumb, 3.5-5 hours is the maximum that people are willing to travel.
- Language. Familiarity with the patient language has proved an important factor for many.

Lack of JCI accreditation of institutions is not fatal to this industry and other countries have successfully attracted patients without it. Furthermore, many employers and insurance companies use their own fact-finding missions to decide whether or not an institution is suitable as a service provider. When selecting an overseas service provider, these organisations mainly look for cost and quality competitiveness, a high level of clinical competency, existence of spare capacity, an attractive location that is easy to travel to and language proficiency.

Most US insurance companies restrict where patients may be treated to an approved list. Clients are not allowed to go to other facilities whether in the US or abroad. However, this is not an insurmountable barrier for countries such as Trinidad and Tobago. The insurance companies are willing to include hospitals abroad, as the example of Blue Shield above shows. The insurance companies prefer JCI accreditation but lack of it does not seem to be a barrier. Insurance companies are willing to visit and evaluate facilities for themselves.

Many private individuals use medical travel agents to arrange their visits and firms such as Planet Hospital in the US also have their own screening processes, looking at similar criteria as employers and insurance companies. In addition to cost savings, these agents look for high quality treatment, surplus capacity, a service



provider with a strong track record, quality after-care services, ease of travel and local tourist attractions and an ability to put together packages of travel, treatment, accommodation and after-care. So while obtaining JCI accreditation will improve the visibility and perception of Trinidad and Tobago as a source of quality services and should be pursued by individual institutions with support from government, it is not an essential requirement.

Since medical tourism services are consumed abroad (mode 2), individual doctors will not require foreign qualifications. While a number of Indian doctors are foreign-trained and qualified, a number of other countries such as Cuba and Thailand have managed to establish successful medical tourism industries using primarily locally-trained physicians. This, coupled with the fact that employers, insurance companies and medical travel agents use their own screening process means that Trinidad and Tobago does not need to feature American or British-qualified doctors. Of course, physicians will have to be duly locally-qualified and licensed.

### 3.2.2 Local Capability and Competitiveness

Trinidad and Tobago has well-developed public and private healthcare facilities that are among the best in the region. The public health system includes 8 hospitals and a large network of primary healthcare and community clinics numbering approximately 107. The private healthcare sector is large and has a range of capabilities provided through hospitals, nursing homes, clinics, pharmacies, biomedical laboratories and diagnostic imaging facilities. The public facilities are being upgraded and private institutions have benefited from strong investment. Mount Hope, which is a public teaching hospital, has 350 adult and 250 paediatric beds. The facility is capacity constrained, but 3 new wards with 69 beds should be open by year end, increasing capacity by nearly 20%. Mount Hope employs about 3,100 people, including 1,800 doctors and nurses. The Port of Spain General Hospital, which is the major emergency facility, has 450 beds.

In 2001, there were an estimated 1,200-1,400 doctors in the country and roughly 600 of them were general practitioners. The remaining doctors are able to offer a full range of specialist services and the overall quality of physician care is good. There is a shortage of nurses and this is being partially alleviated through foreign recruitment from the Philippines and India. The table below compares the number of physicians and nurses per 1000 people in a range of countries to convey a sense of how well-served Trinidad and Tobago is. It provides the most recent information available for each country for the World Health Organisation's "The World Health Report 2006".

**Table 4: Number of Physicians and Nurses**

Country	Physicians per 1,000 people	Nurses per 1,000 people	Year
Argentina	3.01	0.80	1998
Barbados	1.21	3.70	1999
Brazil	1.15	3.84	2000
Canada	2.14	9.95	2003
Cuba	5.91	7.44	2002
Dominica	0.50	4.17	1997
India	0.60	0.80	2005
Mexico	1.98	0.90	2000
St. Lucia	5.17	2.28	1999



Strategic Marketing Plan for the Promotion of Professional Services Exports

Country	Physicians per 1,000 people	Nurses per 1,000 people	Year
Thailand	0.37	2.82	2000
Trinidad and Tobago	0.79	2.87	1997
United Kingdom	2.30	12.12	1997
United States of America	2.56	9.37	2000

Source: WHO

The figures are interesting to note, but no clear pattern emerges. Some of the regional leaders for medical tourism have very high physician density; Cuba leads all 13 countries at 5.91 and Argentina is third with 3.01. While this would suggest a high number of doctors in relation to the population is important for a medical tourism industry, other countries such as India and Thailand that have been successful in attracting medical tourists have very low ratios; 0.60 and 0.37, respectively. So this factor does not seem to be a prerequisite to developing a medical tourism industry, so long as the doctors that are in a country have the skills and specialist qualifications to attract foreign clients.

The situation is similar for nurses. After the UK, the US and Canada, Cuba at 7.44 has the highest nurse density. Argentina ties with India at 0.80 for the lowest figure in the table. However, both these countries have strong medical tourism industries, so again, no definitive pattern is discernable.

Overall, Trinidad and Tobago has a sound medical infrastructure, with skilled doctors working in quality facilities staffed with quality nurses, factors that are essential to developing a medical tourism industry. The shortage of nurses is being addressed through foreign recruitment. While the number of doctors is adequate, Trinidad and Tobago could quickly scale up its ability to provide services by allowing foreign doctors to work in the country. This has been done in the past for cardiac surgery and post-operative care and has the additional benefit of improving the services available to locals. The issue of using foreign doctors is addressed in more detail in the enabling environment section of the marketing strategy.

The immediate opportunity is in the cost-sensitive US market, and Trinidad and Tobago does have an advantage over the States in this regard. Major cardiac surgery costs about US\$50,000 in America and US\$24,000 in Trinidad and Tobago. While it is not as cheap as places like India which could handle such a procedure for US\$10,000, it has the advantage of being closer to the US. The level of crime is a problem and will act as a deterrent for some patients, but a possible solution would be to offer post-operative recuperation in Tobago, which is a more attractive atmosphere for a medical tourist than much of Trinidad and Tobago. This will involve some extra travel since the primary medical facilities are in Trinidad and Tobago and integrated packages should be put together. Countries such as Argentina, Brazil and Mexico also have cost advantages over Trinidad and Tobago, and can compete reasonably in terms of location (not with Tobago) and distance, but they cannot offer treatment in an English-speaking setting.

### 3.2.3 Market Positioning and Export Targets

Trinidad and Tobago has an opportunity to establish a niche in medical tourism that will be a valuable source of foreign exchange earnings. It will not be able to rival countries like Argentina or India in the size of this industry, but its combination of



cost, quality of service, English capability and an attractive location in Tobago gives it an advantage over many of its regional competitors. Its overall offering means that it is well-placed to capitalise on the growing demand for medical tourism in Canada, the UK and, particularly, the US.

Although some exporting is taking place, this is not an opportunity that has been pursued strategically. Foreign patients tend to come through referrals from doctors or as a result of information from a personal contact. To provide focus to efforts in this area, it is useful to work towards a clear goal in terms of patient numbers. Statistics on the treatment of foreign patients are lacking, which is an issue that needs to be addressed, so we do not have an idea of what the current patient numbers are. However, given the existing facilities, Trinidad and Tobago should seek to attract an additional 4,000 medical tourists per year for a major procedure as a 5-year target.

Attracting foreign patients to Trinidad and Tobago for medical procedures such as cardiac surgery and joint replacements will generate revenue and create employment opportunities. It is possible to estimate the potential revenue gains if a few assumptions are made. Assuming each patient: 1) brings one friend or relative; 2) has a relatively major medical procedure; 3) spends a total of 20 nights in Trinidad and Tobago (10 in the hospital and 10 in personally-funded accommodation); and 4) undertakes a moderate amount of tourist activities and shopping, the amount spent would be approximately US\$18,000, as per the breakdown below.

**Table 5: Estimated Patient Spend**

Activity	Cost (US\$)
Medical Treatment	13,000
Accommodation	2,500
Dining in Restaurants	1,500
Tourist Activities and Shopping	1,000
<b>Total Spend (per patient)</b>	<b>18,000</b>

If Trinidad and Tobago attracted 4,000 more patients a year, then the total revenue would be US\$72 million. These funds could be used to expand facilities and increase the range of services, thereby generating higher paid jobs in medicine and nursing.

### 3.3 Wellness

Wellness as a whole is a huge market worth hundreds of billions of dollars worldwide. The market is growing dramatically because of higher incomes and an increasing focus on looking and feeling good. Much of this market is served by domestic providers but increasingly, visitors are including wellness treatment in their travel plans abroad.

Within the wellness market, the segment most relevant for Trinidad and Tobago is spas in Tobago. This covers not only the formal medical spas attached to hotels but also a range of alternative therapies offered by practitioners throughout the island.

Within the spa industry, price and service vary between luxury and economy. A typical massage treatment at a luxury spa costs US\$125, down to US\$30 at a small, day spa. The luxury spa segment is experiencing even higher growth than the economy segment, and it seems that consumers are regarding them as less of an



indulgence as before. US suppliers are offering a combination of medical consultation and spa treatments in packages costing US\$ 1000/night<sup>18</sup>. In the US, the household income of a typical spa goer is currently between US\$50,000~74,999, compared with US\$75,000 and higher in the past. The corporate world is changing its philosophy as well, placing greater emphasis on achieving balance between work and lifestyle to increase productivity. A spa experience is becoming more mainstream in the corporate world. Businesses now engage the use of spas to build relationships, motivate employees, and manage employee health.

According to the ISPA Consumer Trends Report, strong growth is predicted in the medical spa product line in the future. The concept of an “integrated wellness centre” is becoming more popular. Medical products such as laser treatments, Botox, and medical acupuncture are increasingly on offer. More and more spa goers will use medical spas that offer preventative health treatments and regimens such as nutrition and fitness and health and wellness education.

There is a trend among spa goers toward seeking out authentically local and indigenous products and experiences. Consumers are seeking flexibility in booking spa vacations – shorter but more frequent visits. There is also a growing interest in services for couples, particularly massage and hydrotherapy. More couples are expected to opt for spa honeymoons and romantic spa vacations.

More than one tenth of spa-goers treat spa going as part of a larger health and wellness lifestyle, rather than as an indulgent habit. It is worth noting that one third of leisure travellers regard access to a spa as a primary consideration in making their travel plans. This makes all tourists that visit Tobago potential spa visitors. Stay over tourists will be more likely to visit spas as cruise passengers have access to facilities on board, and often at a lower price, and are only in the country for a day. In 2005, Tobago had 86,467 stay over visitors and 34,428 cruise passengers.<sup>19</sup> While this is much smaller than the numbers in many other Caribbean countries, it still represents a captive audience that is large for the size of Tobago's economy. Women still dominate the group of spa-goers but visits by males are on the rise. Last year, over a third (36%) of spa travellers were men. To attract an increasing number of men, spas offer activities like golf, outdoor and wilderness adventure activities, male cosmetic programs and high-intensity fitness programs.

### **3.3.1 International Trends**

#### **A) Key International Markets**

The US is the world's largest market for wellness. In 2003, the US and Canadian spa industries generated US\$11.2 billion and US\$2 billion, respectively, in revenue. Last year, 32.2 million Americans and 3.7 million Canadians visited a spa, over a half of them while travelling. Medical spas are growing rapidly in the US. The number of medical spas has grown from 50 in 2002 to about 2,500 this year and many of them have thrived by offering procedures such as Botox injections in a close-to-consumer setting such as a mall. Often these spas (also known as ‘cosmedical’ clinics) partner with high profile medical institutions as a means of generating credibility and accessing the services of plastic surgeons. The doctors only work part-time and most of the procedures are carried out by a nurse practitioner, with the assurance that qualified surgeons have operational oversight.

<sup>18</sup> Health consumerism: The wellness boom, The Economist, Jan 4, 2007

<sup>19</sup> Trinidad and Tobago Tourism Development Company Limited. [www.tdc.co.tt](http://www.tdc.co.tt).



Often located in upmarket shopping centres, the spas offer typical services such as massages in addition to cosmetic procedures. At the Klinger spa in Dallas, Botox injections cost US\$400 for one area of the face and Restylane (a filler to add volume) starts at US\$650. The American Society of Plastic Surgeons reports that Botox is the least invasive cosmetic procedure and 3.8 million treatments were done in the US in 2005. The International Medical Spa Association expects revenue from medical spas to top US\$1 billion this year.

Europe is also a huge market. Wellness tourism in Europe primarily revolves around spas. Austria has established itself as a world leader in wellness tourism, with an estimated 10% of tourists visiting Austria for reasons of health and wellness, generating revenue of €1.1 billion. Hungary has re-branded itself as a wellness destination to promote thermal water/spa tourism and Croatia and Bulgaria have followed a similar strategy. Bulgaria markets itself as the 'country of curative waters'. Some of the country's specialised rehabilitation hospitals are situated in scenic spa venues such as Velingrad, Pomorie, Sandanski and Banite village. In the UK, the industry is quoted as being worth £1.4 billion per annum with 20 spas opening each week.

Across Asia and Australia, the growth in wellness and spa tourism has been based around each country's heritage and cultural practice. The use of massage, yoga, acupuncture, reflexology, and meditation as preventative practices are well established in many Asian countries and have become popular among Western consumers. More and more international spa travellers are coming to the region to enjoy the vast choice of spa experiences. In the case of Australia, according to Intelligent Spas, international spa travellers account for 10% of total spa visitors, domestic tourists 25% and local residents the remaining 65%.

### **3.3.2 Local Capability and Competitiveness**

Trinidad and Tobago is at a disadvantage to other Caribbean countries in this area because of its crime. Wellness tourists are after a relaxing destination that provides an escape, generally in a beautiful setting. Trinidad and Tobago does have spas in hotels, but lacks the other qualities required to gain a reputation as an international wellness destination, particularly in comparison with other Caribbean destinations. However, Tobago does have the facilities and natural beauty to compete in this regard. While it does not possess the natural features, such as sulphur springs, that islands such as Dominica boast, it does offer an extremely attractive holiday setting. So it will not likely be able to compete in the destination spa market, but it can offer medical spas in hotels or as boutique standalone resorts. Large scale facilities exist, such as the Coco Reef Resort and Spa, which offers 150 rooms as well spa treatments. In addition to spas in upmarket hotels, Tobago has facilities that offer a mix of conventional and alternative treatments. For example, the Kariwak Village Hotel features Ayurvedic massage, Qigong, Shiatsu and yoga. The Le Grand Courlan Resort and Spa has 8 intimate therapy rooms; 2 rooms dedicated to skin treatments; a Jacuzzi, sauna and steam room; a gym and a full-service beauty salon. Services include Shiatsu, aromatherapy and thalassotherapy.

These types of spas should focus on providing alternative treatments to the existing tourism market and on putting together integrated packages to attract British, American, Canadian and German spa going consumers. How these packages should be structured and the marketing methods that should be used to increase spa





visitors will be covered in section 3. Given the importance of tourism to the Tobagonian economy, and the fact that it is concentrated in the sun and sand offering, wellness is a good opportunity to diversify the product into higher-value added activities.

### **3.3.3 Market Positioning and Export Targets**

Tobago has the spa infrastructure necessary to capitalise on the existing tourism market. Countries such as Austria that are well-known as spa destinations, usually because of natural endowments such as springs, have been successful in promoting wellness as part of the broader tourism offering. About 10% of Austria's tourists visit spas. Tobago does not have the kind of natural environment that is conducive to the establishment of destination spas, but does have a strong capability in medical spas offering conventional treatments such as massages as well as alternative treatments including Ayurvedic medicine.

Given the smaller size of the tourism market and the wide availability of spas, targeted marketing efforts should be able to, over 5 years, replicate the high proportion of visits that Austria enjoys. In 2005, Tobago had 86,467 stay over tourist arrivals, which means that it has a pool of roughly 8,500 potential spa visitors who will use spa services for a few days. We can assume that each visitor will spend roughly US\$500 each, which will generate revenues of US\$4.25 million. This target of 8,500 additional spa visitors annually from the stay over market should be pursued as a 5-year goal.

Attracting cruise ship passengers will be more difficult because of the short length of their stays on the island and existing facilities on ships. However, specialist, high-profile operators such as Coco Reef that are attractions in themselves may be able to capture some of this market. We conservatively estimate that spas and practitioners of alternative medicine should be able to attract 1% of cruise ship passengers. There were 34,428 cruise visitors in 2005, so this yields a pool of 340 potential spa visitors. The number of spa visitors from cruises should be increased by 350 annually as a 5-year target. They will only use services for one day, so we can assume a spend of US\$100 each. This will only yield revenues of US\$35,000, so we have not added this into the total impact of increasing wellness exports. Despite the small economic potential, it is worth marketing in this area as cruise arrivals have grown by 227% since 2002 and the proportion of visitors attracted could quickly increase from 1%. So the economic impact has the potential to increase rapidly.

## **3.4 Nursing and Elderly Care**

### **3.4.1 International Trends**

#### **A) Key Markets**

In developed countries, governments play a limited role in nursing and elderly care provision, primarily providing assistance to low income families and people with mental or physical disabilities. Populations are ageing rapidly in most developed countries along with the costs of accommodation in nursing homes and home care in sheltered accommodation. This is fuelling a growing trend to settle in lower cost locations, which, in many cases, also offer a temperate climate. This trend can be observed in many Western European countries and the US, which are the largest sources of patients for nursing and elderly care.



The US Senate Special Committee on Ageing estimates that there are approximately 10 million Americans who need elderly care today. By 2020, 12 million will need long term elderly care. Most will be cared for at home by family members and friends; these are the sole caregivers for 70% of elderly people. Homecare can be a cheaper option than a care facility, but it still adds up – a home health aide costs around US\$20 or more per hour in most areas, and expenses can easily amount to a few thousand dollars a month. The National Association of Insurance Commissioners estimates that the average rate for a private room in a nursing home is US\$203 a day, or about US\$74,000 a year. If current annual increases continue, by 2020 the average rate will have risen to about US\$480 a day, or about US\$175,000 annually.

Given the costs and anticipated impact of inflation, as well as the limitations of government programmes, private long term care insurance, which provides the insured with medical and nursing care, offers a solution to tackle the needs of the ageing population. In the US, more than a hundred companies now offer coverage. UnumProvident holds nearly 80% of the group long term care insurance policies in the nation, covering about 550,000 working-age employees. In addition, the company holds about 200,000 individual long term care policies. A Wall Street Journal poll early this year found that 9% of those surveyed have purchased long term care insurance.

There are also nursing needs and demand for long term care from people under age 65. The US Government Accounting Office estimates that 40% of the people receiving long term care services are between the ages of 18 and 64. Nearly 58% of submitted claims for UnumProvident's group long term care insurance are for people under age 65. More than two thirds of all the claimants in this age group received care at home, whilst 17% received nursing home care.

Similar trends may be observed in Western Europe and indeed, the ageing of the population is taking place much faster in the EU than in the US. The European Commission has estimated that the number of older people will reach 69 million by 2010, representing 16% of the total population. Public provision of elderly care is limited, resulting in large scale, private investment in elderly care and nursing homes. Costs in the UK are comparable to the US. Rising costs and the wish to live in countries with a better climate and natural environment are causing northern Europeans to seek alternatives in southern Europe. Enabled by higher property values at home, there is a trend towards retirement in countries such as Spain.

Recognising the need for sheltered accommodation for the elderly, countries such as Malta have developed packages to attract long term elderly residents. Companies are offering individuals life time care for a one-off cost of £50,000 and shorter term packages. The cost in countries such as Malta is roughly half that in the UK.

## **B) Decision-making Factors**

With the rising cost of care in the US and Western Europe, both individuals and private insurance providers are looking for lower cost care provision. As this is a decision about where one will live, the attractiveness of the location, in terms of climate and amenities, is a much more important consideration than it is for a health tourist who only visits for a short period of time. Proximity to the home country is also important as that enables visits from loved ones. The quality of care, both in nursing homes and hospitals, that is available is also a factor as many of these individuals have failing health and will want to ensure that facilities for all their needs, current and future, exist.



### 3.4.2 Local Capability and Competitiveness

While a shortage of nurses does not seem to be a constraint to a well-developed medical tourism market, it will impact the country's ability to compete in the nursing and elderly care market. The problems are further complicated by the level of crime, and the perception of it, in Trinidad and Tobago and the fact that other, more attractive retirement destinations exist. In short, it simply cannot compete with other Caribbean countries that are better equipped for the needs of this market.

Although Tobago is an attractive, crime-free location, in addition to a shortage of nurses, it lacks high-quality care facilities. There is a hospital but complex cases are transferred to Trinidad and Tobago and ambulance services on Tobago are limited. Regardless of whether people are living in nursing homes or retiring in sheltered accommodation, a key consideration will be the presence of quality medical facilities nearby. Tobago cannot provide this, but other, equally attractive Caribbean countries can, which makes them more suitable destinations.

So while Trinidad and Tobago can offer sheltered accommodation for around US\$630 per month, which is cost competitive compared with the US, other factors make increasing exports in this area unlikely.

## 3.5 Research and Diagnostic Services

### 3.5.1 International Trends

Medical research and testing services are emerging as a major export market in their own right. The rising cost of these services in the developed countries is the main driver of international trade. Many pharmaceutical majors have relocated part of their research activities to cheaper countries such as India where researchers and technicians can be obtained at a fraction of the cost in their home countries. The internet and other improvements in communications have resulted in increased outsourcing of testing services. These trends are likely to accelerate.

#### A) Source Markets

The US is the primary market for medical research and testing services such as lab testing and diagnostic services such as imaging tests. Potential institutional purchasers of these services include pharmaceutical companies, research labs and clinics and hospitals. The UK and Switzerland are also important potential source markets because of their pharmaceutical industries. The UK's NHS is a major purchaser of testing services. Many health trusts in the UK have outsourced routine testing of blood to internationally-accredited laboratories in India

Medical tourists from the US, the UK and Canada may make use of these services in Trinidad and Tobago as part of their treatment, but some may also independently opt to have some testing done while they are in the country, as waiting times in home countries can be very long and/or the cost of treatment expensive. Finally, some individuals may come to Trinidad and Tobago specifically to have testing services done.

The primary factors that drive both institutional and private clients to use research and diagnostic services in other countries are cost and lack of sufficient availability at



home. The quality of the service though, in terms of skills and international accreditation, is considered essential for all suppliers

### **3.5.2 Local Capability and Competitiveness**

Trinidad and Tobago also has a capability in lab testing, research and diagnostics, which can supplement the medical tourism market and directly provide outsourced services to foreign institutions. A full range of diagnostic tests are on offer, including imaging, ultrasound and MRI. Nuclear medicine, which is an imaging procedure that shows physiological functioning rather than simply revealing anatomy as other imaging procedures do, is a particular area of strength and Trinidad and Tobago leads the region in the field.

### **3.5.3 Market Positioning and Export Targets**

We are informed that local labs and researchers are already exporting their services. We were not able though to quantify the extent of these exports nor identify the markets to which they are exporting. Qualitative information of the range of services provided was available, but information on capacity was lacking. As such, it is not possible to provide hard export targets or the measure their potential for revenue generation. The marketing strategy recommends that the Business Development Company (BDC), in the absence of the Tourism and Industrial Development Company take an active role in promoting the health and wellness sector. Through its exposure to providers and potential purchasers during promotional activities such as marketing missions, it should attempt to gather more information and set some targets for this segment of the health market.

## **3.6 Marketing Strategy**

As indicated above, statistics on medical tourism in Trinidad and Tobago are not available. We do not know how many foreign patients are visiting the country or what the economic impact of treating foreign patients is. Foreign patients, particularly from within the region are coming to Trinidad and Tobago, usually after being referred by a physician, or on a self-referral basis. These exports have taken place despite the fact that no efforts to systematically promote exports of health and wellness services have been made. This marketing strategy outlines the brand awareness and direct marketing activities that should be undertaken, as well as the enabling environment constraints that need to be addressed, in order to establish healthcare services as an export industry. Across the four segments, the country's market positioning may be summarised as:

1. The explosive growth of health care exports provides a strong demand base that Trinidad and Tobago should be able to exploit to a far greater extent than it has done up to now, especially as the world's largest market, the US, is at its doorstep and the country has a base of visitors from the US and the UK. Even a small number of visitors would cause a dramatic increase in exports;
2. As a small country with limited medical staff, Trinidad and Tobago is unlikely to become a major player in the market. Nevertheless, its cost advantage compared with the US and UK, the fact that it is English-speaking, the attractiveness of Tobago as a location and the quality of the services it can offer form the basis of market success;
3. The country is unknown as a health and wellness destination. There is a need to put the country on the map. Some exporting of healthcare services is already



taking place, but this is being done in an *ad hoc* manner rather than in a strategic fashion.

4. Adopting a strategic approach to Increasing exports will require working towards a set of 5-year targets: 4,000 medical tourists, 8,500 visitors to spas from the stay over tourist market and a yet un-quantified value of research, diagnostic and testing services. Altogether, by 2012, health and wellness exports should total between US\$75-\$80 million annually.

### 3.6.1 Brand Awareness

Although Trinidad and Tobago has a high-quality healthcare system capable of providing world-class services, it does not yet have a high profile as source of these services. To raise the country's profile generally, and among potential consumers in the US and UK specifically, 6 brand awareness raising activities are suggested below.

1. Integrated website. The site should offer general information on Trinidad and Tobago, what the country offers, and basic, general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An integrated website is needed to raise awareness that Trinidad and Tobago is a cost-effective place to have high-quality healthcare treatment.

Actions Required	Resources Required
Hire website developer	US\$2,000
Form committee of healthcare industry (including public and private sector) to guide content; BDC to manage process	25 person days
Appoint BDC official to liaise between developer and committee and, where necessary, develop content	
Maintain website	US\$2,000 per annum

2. In-flight, airport, hotel and cruise ship advertisements. Efforts in this area have already begun but have generally been confined to individual service providers advertising their services. The advertising programme should be expanded to cover all of Trinidad and Tobago's healthcare capabilities, including medical tourism, wellness and medical research, diagnostic and testing services. Advertising the whole range of services available in the country will catch a broader range of interest and will raise the profile of the entire industry, rather than just those of individual service providers. Such advertisements should provide readers with details on how they can obtain more information on service providers (i.e. the website).

Rationale: Trinidad and Tobago receives over 450,000 tourists each year. These tourists know the country, which makes them excellent potential customers and promoters of its healthcare services. Tourists may choose to have wellness or minor medical procedures done whilst they are on holiday. Business travellers may decide to organise a visit to take advantage of cheaper services. Both groups may also tell their friends and family about healthcare options in Trinidad and Tobago once they return home, especially if they know someone who is a candidate for the services offered.



Actions Required	Resources Required
Hire graphics designer to develop advertisements for healthcare in Trinidad and Tobago; BDC to lead	US\$3,000
Place advertisements in airports, in-flight magazines, hotel brochures and magazines and cruise ship publications – Tourism Development Company (TDC) to lead	US\$10,000 per annum

- Internet directories. List on Internet medical directories, such as Treatment Abroad ([www.treatmentabroad.net](http://www.treatmentabroad.net)), Private Healthcare UK ([www.privatehealth.co.uk](http://www.privatehealth.co.uk)), Hospitals Worldwide ([www.hospitalsworldwide.com](http://www.hospitalsworldwide.com)), Spa Finder ([www.spafinder.com](http://www.spafinder.com)).

Rationale: Internet resources are a valuable source of information for people looking for international medical services. It is important that information on Trinidad and Tobago's healthcare facilities can be accessed internationally through reputable portals.

Actions Required	Resources Required
List in Internet medical directories; BDC to lead	US\$15,000 per annum

- Foreign patient-related advertising. Limited advertising directed at potential patients should be undertaken. The advertising should promote healthcare in Trinidad and Tobago as a whole, but could mention specific treatments available. Potential periodicals for advertisements include magazines such as Saga and Retired Magazines. There should also be an attempt to get information on healthcare opportunities in Trinidad and Tobago published in newspapers, and broadcast on shows on foreign television and radio. This could be done by making contact with the 'Heath' reporter at target newspapers and television and radio stations, and perhaps inviting them to Trinidad and Tobago.

Rationale: Many of the potential customers for healthcare exports are elderly and may not have a high degree of computer literacy. They may rely on alternative media such as print, television and radio for information and increasing their awareness of Trinidad and Tobago will require advertising in these formats.

Actions Required	Resources Required
Place adverts in select foreign publications; BDC to lead	US\$10,000
BDC to liaise with 'Health' reporters in media to get articles/pieces on Trinidad and Tobago's healthcare industry published/aired	20 person days per annum

- Familiarisation trips. As discussed above, the primary market for medical tourism and, in some instances, wellness will be cost benefit seekers in the US. This includes employers, insurance companies and individuals. The first two will make their own purchasing decisions, while individuals will often make use of the services of a medical travel agent to arrange their visits. Organising familiarisation trips for employers, insurance companies and medical travel





agents will expose them to the services on offer and the advantages of sending patients to Trinidad and Tobago.

Rationale: Familiarisation trips are common promotional activities in the tourism industry and this existing expertise should be used to promote health and wellness tourism. Key purchasers of these services in the US may not be aware of what is on offer in Trinidad and Tobago and familiarisation trips and missions provide a means of influencing their decision about where to send patients.

Actions Required	Resources Required
Organise familiarisation trips of roughly 5 days to visit a range of service providers. These trips will require funding for international airfare, 4 nights accommodation and 5 days of per diems. BDC to lead with assistance from TDC.	50 person days + US\$ 50,000 per annum

6. Foreign investment and partnerships. In the case of medical tourism, many patients rely on their doctors for referrals. Encouraging foreign health care providers to locate in Trinidad and Tobago would bring a captive client base as well as build the country's reputation as a health and wellness destination. Foreign investment in private clinics and cosmedical spas could help the development of a larger industry. Partnerships between US firms and local providers need to be fostered to determine what the needs and opportunities are on both sides. Contacts within the diaspora should be used to encourage patient referrals from doctors as well as to attract FDI.

Rationale: Forming alliances with doctors and with US healthcare services providers will provide local service providers with direct access to the customer base in its target markets. The partners are likely to have some influence with potential customers and will be able to encourage them to come to Trinidad and Tobago and allay any concerns they have. Foreign investment will add scale and profile to the local industry.

Actions Required	Resources Required
Develop database to track internationally mobile health and wellness providers especially US; BDC to lead	US\$15,000 in external research
BDC to contact providers directly and facilitate investment promotion, including possible joint ventures and alliances with local firms	One staff member half time per annum

### 3.6.2 Direct Marketing

In addition to raising awareness of Trinidad and Tobago's health and wellness industry, there is a need to provide direct support to service providers to help them generate exports. Direct marketing activities are designed to attract patients for health and wellness services by accessing improving/establishing effective marketing channels.

1. Marketing missions. Cost-sensitive employers, insurance companies, pharmaceutical companies, clinics and hospitals and medical travel agents are the primary marketing channels for medical tourism. Local providers need to



Strategic Marketing Plan for the Promotion of Professional Services Exports

contact and visit those most likely to generate business for them. They will need help to short list candidates and to make the preliminary approaches that will help to identify who is worth doing business with.

Rationale: Missions are common a way of helping companies develop markets abroad. Local healthcare providers do not know enough about export markets to organise effective trips abroad.

Actions Required	Resources Required
Organise missions of service providers to visit insurance companies, employers, hospitals, clinics, medical travel agents, etc. in the US, UK and Canada. BDC to lead	60 person days of BDC staff time. Delegates to pay their own costs

2. Matching grant facility. The purpose of this facility should be to provide funding for activities designed to generate export opportunities for service providers in the sub-sector. The Government, through the BDC, could contribute funds on a one-to-one matching basis for individual firms to access. These funds could be used by service providers to access specialist expertise to support their marketing activities.

Rationale: Even if activities such as marketing missions and partnerships with foreign doctors are organised on behalf of firms, they may still need help to identify marketing intermediaries and to market themselves to them. Their marketing staff resources and budgets are limited as most are either SMEs or in the public sector. A matching grant facility provides assistance in this regard.

Actions Required	Resources Required
BDC to liaise with Ministry of Health and Ministry of Trade and Industry on drafting of fund framework and charter	20 person days
Create application process, including documents and selection criteria, that are suited to the health and wellness export industry; BDC to lead	15 person days
First-year goal should be to assist 10 businesses	US\$50,000
Launch fund and administer disbursements; BDC to lead	30 person days

3. Packages. Health and wellness tourists often purchase package trips that integrate flights, treatment, aftercare, accommodation and transfers so that they do not have to make any arrangements themselves. While some service providers already offer such packages, some of the smaller or newer players will require assistance in developing packages of their own.

Rationale: Many medical travel agents, insurance companies etc. will require their suppliers to provide a full package of flights, accommodation, treatment, after care, transfers etc. at a cost that is less than what the customer would have to pay directly. Such packages are the norm in the tourism industry but not in health and wellness. Local health and wellness providers will need technical expertise in putting such packages together.



Actions Required	Resources Required
Technical assistance to service providers in developing packages. This will include facilitating contact with hotels and airlines to make specific arrangements and negotiate rates. TDC to lead.	30 person days per annum

### 3.6.3 Enabling Environment

The primary problem in this area is the way the healthcare industry has traditionally been regarded and what the prevailing perception of its role has been. The public sector has adopted a mindset that is detrimental to the development of a strong, exporting healthcare sector. This mindset must be changed if Trinidad and Tobago is to achieve its export targets.

The public sector has regarded healthcare as a system that is designed to serve locals, instead of as a strong, high value-added, knowledge-based sector that can be economically viable as an export industry. This sort of thinking has prevented public institutions from actively seeking foreign patients in favour of preserving capacity for locals. While serving local needs is the prime role of the healthcare sector, that role should not prevent the serving of private patients from abroad.

In fact, what health policy makers and the local medical profession need to appreciate is that serving foreign patients, by charging at a for profit rate, should help to increase the funds available to the healthcare industry to improve services. Moreover, it can help to increase the range of services that can be provided economically on the island. Additionally, as exports increase, more jobs for doctors and nurses will be created and the increased number of health professionals will be able to offer improved services across a wider variety of treatments and disciplines to local patients.

The Ministry of Tourism and the TDC are well aware of the potential of health tourism to increase value-added to the existing tourism product. They have, however, lacked a coherent strategy for promoting the sector. Hopefully, the marketing strategy above will convince them of how to align their efforts to the needs of the healthcare industry. This should enable them to feature the healthcare and wellness capability of the country far more prominently than at present.

The private sector has been much more active in serving export markets, as evidenced by levels of private investment in healthcare facilities. In some cases, foreign doctors have been brought in to provide specific services. This allows the country to quickly scale up and offer a more comprehensive healthcare product capable of attracting foreign patients. The use of foreign doctors is a stepping stone to setting up a viable export industry, and should not be perceived as a move to replace local physicians or encroach on their business. Once Trinidad and Tobago is established as a source of quality medical services, exports will continue to generate work for local doctors regardless of whether or not foreign doctors are still around.

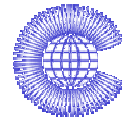
The public sector mindset needs to change to more closely reflect the early progressive thinking in the private sector. Both sectors will need to work together to address specific enabling environment constraints. An industry working group needs to be established that brings together the Ministry of Health; the Ministry of Tourism; the Ministry of Trade and Industry; the BDC; the Tourism Development Company



(TDC); public hospitals and clinics; private hospitals and clinics; the Trinidad and Tobago Medical Association; the Trinidad and Tobago Registered Nurses Association; the Massage Therapy Association of Trinidad and Tobago; and the Trinidad and Tobago Coalition of Service Industries (TTCSI). This industry working group should create a task force to take charge of the marketing strategy for the sub-sector. The task force should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - Expedited planning permission for healthcare facilities.
  - Improved standards and licensing processes. This will involve working with the Medical Association, the Registered Nurses Association and the Ministry of Health on issues involving licensing of facilities and the registration of doctors and nurses, and the Massage Therapy Association of Trinidad and Tobago on standards for masseurs and providers of alternative therapy. In addition to considering domestic developments, they will need to liaise with bodies established for this purpose at the level of the CSME.
  - Liberalising work permit restrictions for foreign doctors. This will include improving access to work permits and broadening the practice rights they confer.
  - Pursue JCI accreditation. This will involve determining what is required for public and private hospitals to become accredited, setting out a plan for making the necessary changes and procuring public resources where required.
  - Access to finance. Details of what is required are set out in the Action Plan below.
  - Market access negotiations. In general, exports in this sub-sector are supplied under Modes 1 (research, diagnostic and testing) and 2 (all other segments), which do not raise too many problems in terms of market access. However, there are two issues that require attention:
    - i) Current EPA negotiations should attempt to enable EU citizens to use the European Health Insurance Card to access healthcare in Trinidad and Tobago. The rationale behind requesting this in negotiations is that local tax payers should not have to bear the burden of funding care for EU citizens who require medical services while holidaying or living in Trinidad and Tobago.
    - ii) Trinidad and Tobago should, as part of GATS or another forum, schedule its commitments to remove all restrictions on healthcare services supplied by any Mode, so long as the healthcare provider is duly licensed and accredited in line with prevailing local standards.

The TDC will have to play a major role in the delivery of the marketing strategy and will have to work closely with the BDC as a partner. It is suggested that the TDC set aside the funds required to promote health and wellness for activities earmarked above. The BDC should access the remaining funds, develop the content required for brand awareness and manage support for direct marketing activities.



Strategic Marketing Plan for the Promotion of Professional  
Services Exports



## 4 Education

### 4.1 Introduction

The education industry is becoming increasingly global. The worldwide market for education exports is estimated as US\$30 billion and the number of students involved in formal education outside their own country broke the 2 million mark in 2001/02. On top of higher education, about 1.3 million students study English as a foreign language abroad each year. The global market for education services is projected to triple in size over the next twenty years. This growth will be driven by a range of factors including greater demand for linguistic skills, newer and more specialised employment skills required in knowledge-based economies, developing country students accessing better quality education abroad and increased consumption of education services in low-cost destinations by developed country students.

Movement of students for language training and degree education takes place between developed countries, from developing to developed countries and vice versa, as well as among developing countries. Asia is the major source of students, with North America and Europe the most important destinations.

In this industry, there are three segments of the market most relevant to Trinidad and Tobago: Medical Training, English Language Training (ELT) and Technical and Vocational Education (TVE). We review international trends and local capabilities and competitiveness for each before outlining the marketing strategy for the entire sector.

### 4.2 Medical Training

#### 4.2.1 International Trends

Doctors and nurses are in short supply in many developed countries, including the US, and as a result, many high-quality, well-paid jobs are available in those markets. This has stimulated a strong demand for medical training at the limited places available in North American medical and nursing schools.

#### A) Education of Doctors

US medical schools accept around 17,500 students per year (see the table below). The ratio of applicants to acceptees on average from 1994-2005 was 2.26:1. This has limited the supply of trained doctors. According to a World Bank study, residency positions at US hospitals have grown to over 20,000 positions per year, but in 2003 only 65 percent of them were filled by US medical school graduates<sup>20</sup>. At the same time, foreign doctors are facing increasing difficulties to obtain visas to work in the States. What these trends suggest is that more US students are going abroad for training and are successfully competing for residency positions with people trained domestically.

**Table 6: US Medical Schools – Applicants and Acceptees**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
<b>Total Applicants</b>	45,360	46,586	46,965	43,016	40,996	38,443	37,088	34,860	33,625	34,791	35,735	37,364	39,569
<b>Total Acceptees</b>	17,318	17,356	17,385	17,312	17,373	17,421	17,535	17,454	17,593	17,542	17,662	17,978	17,494
<b>Total Matriculants</b>	16,287	16,252	16,201	16,164	16,170	16,221	16,301	16,365	16,488	16,541	16,648	17,004	16,387

Source: AAMC

<sup>20</sup> "Offshore Education in the OECS" prepared by Swedish Development Advisers for the World Bank.



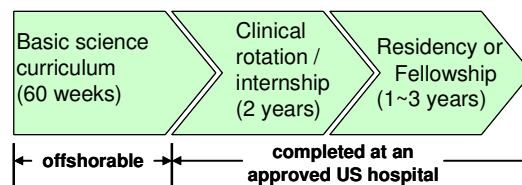


In addition to the lack of places available in US medical schools and the fact that foreign medical education is increasingly accepted at home, the high cost of medical education is also contributing to US students seeking training abroad. The average tuition and fees for first-year students in private medical schools for 2005/06 was around US\$37,000, and tuition and fees vary considerably in public medical schools, ranging from US\$9,068 to US\$75,739. In addition to being high, costs continue to rise, resulting in increasing indebtedness of medical graduates.

These issues create scope for medical education exports to help meet the demand for medical training in the US. In the Caribbean, a number of countries have a long established tradition of providing medical education to foreign students, and new entrants to the market have been common in recent years. There are now 23 primarily medical offshore schools in the Caribbean whose graduates together account for close to 70% of the international medical graduates entering the US. Tuition at these schools varies widely, from US\$10,000-\$40,000 per year. So while there may not always be a cost advantage over the US, strong demand for places has supported the rise of institutions on par with US costs. However, the possibility of cost savings does play a part in English-speaking countries in the region are particularly attractive to students due to the lack of a language barrier and what is often a very attractive location to live. Cost savings does play a part in the decision and many smaller countries with medical schools also as well a lower cost of tuition (and often of living).

Medical schools in the US and Canada are accredited by the Liaison Committee on Medical Education. The total number of accredited schools remains at 142, of which 125 are in the US and 17 in Canada. US medical education places substantial emphasis on providing students with hands-on clinical experience. Clinical skills development is supported by ample opportunity to practise a range of physical examination and life support skills in associated full service hospitals. After the first stage of basic science curriculum study, students work alongside clinicians in rotations in each of the major clinical disciplines. Many of the schools in the Caribbean teach the basic science curriculum locally and then offer clinical rotations at US hospitals as part of an integrated programme.

**Figure 2**  
Stages of US Medical Training



## B) Education of Nurses

There is also rationale to explore the export potential of nursing education based on increasing demand for nursing staff in North America.

In the US there are currently over 3,000 nursing programmes, ranging from one-year programmes leading to a diploma in practical nursing through master's specialist programmes and doctoral study. Authorised by the Department of Education, the National League for Nursing Accrediting Commission (NLNAC) is the entity to accredit all nursing education schools and programmes in the country. The American



Nurses Credentialing Centre (ANCC), a subsidiary of the American Nurses Association (ANA), is the largest and most prestigious nursing credentialing organisation in the States. ANCC certifications are highly regarded across the States by federal, state and local agencies and thus a powerful tool to demonstrate professional capability. Through its international arm Credentialing International, ANCC runs a series of programmes globally including certification of healthcare providers, accreditation of educational providers and programmes.

#### **4.2.2 Local Capability and Competitiveness**

Trinidad and Tobago does not have the type of private medical schools that have sprung up in other Caribbean countries, but the Faculty of Medical Sciences at the University of the West Indies (UWI) offers training in medicine, dentistry, pharmacy and veterinary medicine. It is part of the Mount Hope teaching hospital and is well-equipped to provide a full range of practical training. Total enrolment in the Bachelor of Medicine and Bachelor of Surgery degree (MBBS) for the 2006-2007 academic year was 1,154 with 279 students from outside the country. 170 of these students are from other Caribbean countries and 109 are from outside the region. Only 10 of the extra-regional students were from the US. In 2006, 99 medical students graduated from the 5-year programme. The Liaison Committee on Medical Education does not accredit institutions outside the US and Canada, but as this programme is offered by the UWI, it is duly accredited within the region.

The MBBS offered through the School of Medicine comprises 5 years of study in a programme that is similar to the MD programme of the US. The first 3 years consist of pre-clinical work and the last two involve clinical studies. Following the course of study, an 18-month internship is required to be eligible for certification and registration to practice medicine. In terms of cost, the programme is very competitive with what is on offer in the US and in the Caribbean; annual tuition fees for non-nationals for the pre-clinical phase are US\$15,000, going up to US\$18,500 for each year of clinical study.<sup>21</sup> Fees, at about US\$115 in the first year and US\$30 each year thereafter, are a negligible addition. The figure compares very favourably with the average cost of US\$37,000 for first-year tuition and fees in private medical schools in the US, and is competitive within the US\$9,068-\$75,739 range for schooling at public US medical schools. It also matches up well against the US\$10,000-\$40,000 charged for tuition at private schools in the Caribbean.

The UWI also offers a BSc in Nursing as part of a full-time 2-year programme and 32 students graduated this summer. The National Institute of Higher Education, Research, Science and Technology (NIHERST), under the umbrella of the College of Science, Technology and Applied Arts of Trinidad and Tobago (COSTAATT), also trains nurses. Although we received reports that private sector institutions also teach nursing, none attended the project launch meetings or the workshop in December. As such, we do not have any information about their capabilities.

#### **4.2.3 Market Positioning and Export Targets**

The School of Medicine offers a high-quality programme of instruction in a well-equipped facility that combines basic science instruction with clinical experience. The price of tuition, even for extra-regional students, is very affordable compared

<sup>21</sup> 2003/2004 fees as provided on the Faculty of Medical Sciences' website, <http://sta.uwi.edu/fms/>.



with competitors in the US and the Caribbean. The MBBS programme is already attracting many students from the region and 9.4% of its total enrolment in 2006/2007 was composed of extra-regional students. The institution provides an excellent base for Trinidad and Tobago to position itself as an exporter of medical training of doctors and nurses. Given this existing capability and the established reputation of the country, particularly within the region, as a training destination, increasing exports should not be difficult, and the major limitation will be capacity. Increased tuition from foreign students can be used to finance expansion, but efforts should also be made to attract a private sector training institution to invest in Trinidad and Tobago. The country's established track record in medical education and the existence of a number of facilities should make it attractive to investment in private medical training. The School of Medicine should seek to increase places in the MBBS programme by 250 as a 5-year target, reserving 125 of those seats for foreign students.

The total estimated cost of the MBBS programme for a student living on campus is shown below:<sup>22</sup>

**Table 7: Cost of MBBS for non-Nationals (US\$)**

Item	Pre-Clinical (total for 3 years)	Clinical (total for 2 years)	Estimated Cost of Year One
Tuition	45,000 (for 3 years)	37,000 (for 2 years)	15,000
Fees	175 (115 in 1 <sup>st</sup> year, 30 thereafter)	60 (for 2 years)	115
Accommodation	9,000	12,000	3,000
Meals	12,000	15,000	4,000
Personal Expenses	4,500	4,500	1,500
Books and Materials	6,000	6,000	2,000
<b>Total for each Phase</b>	US\$76,675	US\$74,560	US\$25,615
<b>Grand Total</b>	<b>US\$151,235</b>		

If an additional 125 foreign students enrolled in the programme, they would generate revenues of US\$3.2 million in their first year and US\$18.9 million over the 5 years of the course. The Government subsidises 50% of the tuition for persons admitted as nationals of Trinidad and Tobago, which amounts to about US\$5,870 per student for the first year of tuition.<sup>23</sup> The earnings from foreign students approach 3 times what nationals pay on tuition alone, so this is a significant economic opportunity. If a foreign school can be attracted to Trinidad and Tobago, the number of places for foreign students would increase dramatically. If we assume 250 places would be created, then the total revenue generated from medical training would approach US\$10 million.

<sup>22</sup> Fees and estimated living expenses taken from the Faculty of Medical Sciences' website, <http://sta.uwi.edu/fms/>

<sup>23</sup> Students are required to pay back the subsidies, either in cash or by working for the Government. However, no effective monitoring system exists, so students can often avoid repayment.



### **4.3 English Language Training**

#### **4.3.1 International Trends**

The emergence of English as the dominant global language is fuelling a boom in demand for ELT as students from many non-English speaking countries are going abroad for instruction. Language Travel Magazine estimates the total ELT market for all English-speaking countries was worth US\$9.2 billion in 2005. Although this was below the US\$9.6 billion estimate for 2003, it represented a nearly 11% increase from the previous year, with both student numbers and total student weeks up on 2004.

Given the strong fundamentals driving the market, the demand for ELT products will undoubtedly grow even larger. Research undertaken by the British Council shows that the current ELT market, in terms of student numbers, is only a small fraction of its potential. Looking at only the largest developing countries around the world, the British Council estimated a potential market size of almost 58 million students. If a modest 5% of those students were to travel abroad for ELT, the market would be almost 3 million students, which would more than double existing numbers.

A typical ELT participant enrolls in a course for anywhere from 2 weeks to an academic year, depending on one's proficiency in English at the start, time available before returning to their studies or job and their objectives in learning English. ELT courses include intensive, semi-intensive and fully-tailored programmes. For instance, the ELS Language Centre, one of the largest ELT providers in the US, offers intensive (30 taught lessons per week) and semi-intensive (20 per week) courses that consist of up to 12 levels from beginning through masters level. For international students, ELT programmes often serve as the gateway to higher education. Many ELT participants continue to pursue degree studies in the country and contribute further to the local economy. Therefore, a country's reputation as a centre of higher education, based strongly on the reputation of its universities, is an important success factor in the ELT market.

Providing ELT requires developing a product that goes beyond classroom teaching. In fact the product straddles the education and tourism sectors with many successful countries using their attributes as tourism destinations to succeed in the EL market. The benefits of developing an ELT market therefore also go beyond the education sector. For instance, surveys show that, in 2002, the US ELT industry raised US\$2.2 billion in revenue which broke down as follows: tuition US\$660 million, accommodation US\$595 million and miscellaneous living expenses US\$942 million.

Some niche products in the ELT sector offer exceptionally bright prospects. Language plus activity programmes, which tie language tuition with a specific interest (such as English plus film in the UK, Italian plus cuisine in Italy, Spanish and dance in Cuba, English and farm experience in New Zealand), are popular choices for those looking for a different type of language learning experience. Although these are premium-priced products, US participants and 24-30 year olds from Japan are especially interested in these interest-led programmes. These type of programmes represent an opportunity to tie in ELT with TVE in an integrated package.

#### **A) Source Markets**



Currently, two thirds of all international students are from Asia, with Europe and Latin America the next largest sources. In Asia, the dominant sources have traditionally been China, Korea, Japan and Taiwan. Chinese students, who once regarded the US as the most favourable destination for ELT and degree study, have moved away from the country due to visa difficulties. Their most common choices are now Australia and New Zealand followed by the UK, Ireland, Cyprus and Canada. Brazilian students have typically represented an important group for US ELT programmes, traditionally visiting when on seasonal break from studies. Top source countries in Europe include Italy and Russia.

British Council research highlights that East Asia, particularly China, is where a large proportion of future ELT students will come from. Almost 40% of the projected growth in demand for ELT will emanate from China (potential market size of 22 million students). Other source countries generating significant growth include India (16 million), Russia, (4.4 million), Brazil (2.8 million) and Eastern Europe with Poland alone generating 2 million students. Many of these students will be served by increased supply in their home countries. But the numbers of those travelling abroad will continue to rise.

## **B) Supply Markets**

A number of governments have recognised the potential in this area and are actively promoting the ELT sector, which, in many European countries, dwarfs the higher education market. The UK tops the market with nearly triple the revenue generated by its closest competitor (see Table 8 below). The US is in second position and these two largest destinations account for 70% of the global market.

Though a slight pick-up was observed last year, the US ELT sector has been underperforming for the past five years and its global market share has nearly halved during that period. The decline in student numbers was precipitated by September 11 and has been prolonged by safety concerns and changes in visa procedures. Competition from other leading destination countries (some of which allow short-term and up to six-month study periods with no visa requirements for many nationalities) also contributed to the decline. Erosion in enrolments has resulted in some ELT providers closing their doors. During 2002/03 alone, 27 ELT schools, or 10% of the total membership of the American Association of Intensive English Programmes (AAIEP), closed down due to low enrolment. In addition to building up capacity of its domestic ELT providers, Trinidad and Tobago does have an opportunity to attract disaffected American firms to the country. They will bring in existing expertise and knowledge of markets and will raise the overall profile of the local ELT industry.

**Table 8: 2005 ELT Ranking**

Destination	Revenue (US\$ mln), 2005	Market Share
UK	4,981.4	53.9%
US	1,475.7	16.0%
Canada	1,191.4	12.9%
Australia	703.5	7.6%
Ireland	550.3	6.0%
New Zealand	201.0	2.2%
Malta	94.1	1.0%
South Africa	44.2	0.5%
Total	9,241.7	100.0%

Other English-speaking countries are becoming increasingly attractive to all ELT participants. Canada and Australia are increasingly popular due to comparatively cheaper costs and the ease of visa acquisition. English as an official language and the presence of franchised UK training gives Malta a competitive edge – it provides UK-certified education at a cheaper price. Maltese ELT providers focus mainly on



the European market. Some two thirds of the participants, mainly in the 15~25 age group, come from Germany, France and Italy. In 2005 more than 61,000 people from overseas took ELT courses on this island of 400,000 people.

There is a growing trend to deliver ELT programmes in countries where English is not the first language. In Europe, countries such as Germany and Sweden are now starting to attract foreign students to English language schools that were once exclusively for their own citizens. Across Asia, English schools are being set up in Korea, Taiwan, China and Thailand, often with teachers imported from English-speaking countries.

### C) Decision-making Factors

**Table 9: Average Spend and Length of Stay of ELT Students**

Destination	Average Spend per Student per Week (US\$)	Average Length of Stay (Weeks)
UK	1,062	8
Ireland	805	6
US	760	10.9
Canada	732	9
Malta	634	2.4
Australia	616	11.3
New Zealand	551	10.2
South Africa	532	6

Source: Language Travel Magazine

South Africa continues to be the cheapest ELT destination in the table above, with an average spend per student per week of US\$532 on tuition, accommodation and extras (such as tourism activities and recreation). New Zealand is the next cheapest destination (US\$551), followed by Australia (US\$616) and Malta (US\$634).

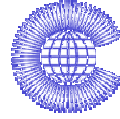
The UK is the most expensive destination with an average spend per student per week that is well above the US\$1,000 mark. Despite its high cost, the UK remains the clear market leader, indicating that cost is not the primary factor driving the choice of destination. Its appeal is based on its position as a traditional English study destination and a reputation for high-quality education and it has successfully attracted both short-term and long-term students. Because of its strong reputation, its source markets are more diversified, which strengthens its market position.

International enrolment in ELT programmes is sensitive also to factors such as security, work permit restrictions and visa requirements as exemplified by the experience of the US post September 11. The success of countries such as Malta depends strongly upon their reputation as holiday destinations. Students choose to combine study abroad with a visit to an attractive destination.

### 4.3.2 Local Capability and Competitiveness

Trinidad and Tobago has a good foundation in providing ELT to foreign students, mostly within the region. The UWI School of Continuing Studies and the NIHERST School of Languages provide English training on the public sector side, but most of the ELT schools are privately-owned. Estimates put the number of private ELT providers above 20 and growing.





ELT schools register with the Government and are required to demonstrate the qualifications of their tutors, but there is no institutional qualification. Accreditation has become an issue in this field as new schools continue to enter the market, putting the quality of instruction at risk. Although the country has a body that deals with accreditation of training institutions (the Accreditation Council of Trinidad and Tobago), its mandate is to ensure quality in the tertiary education sector and it does not appear that it oversees the ELT market. A regional accreditation body is in the process of beginning operations but whether or not it will cover ELT programmes remains to be seen.

Costs can be as low as US\$900 for a 6-week course, which is significantly lower than the £990 (approximately US\$1,915) such a programme costs in London. So Trinidad and Tobago does have a cost advantage over western markets.

As indicated, most of the students for ELT in Trinidad and Tobago are from the region and have come from places such as Venezuela, Colombia, Martinique, Guadeloupe and Mexico. Venezuela has traditionally been the major source market, with Colombia also providing a number of students. Trinidad and Tobago's appeal as an ELT destination to Venezuelans is based on its proximity to that market and the ease with which students can acquire visas. Most of the Venezuelan ELT students are young adults (16-25) who stay for about two years. Their purpose in learning English is to increase their employability at home, and many of those that come to Trinidad and Tobago already have a university education.

#### **4.3.3 Market Positioning and Export Targets**

Trinidad and Tobago has spare capacity in ELT and is cost competitive against the international market leaders such as the UK. It is not as attractive a destination as some other Caribbean islands such as Barbados which also have ELT capability. Despite this, it has an established export base within the region. However, the current focus is on comparatively small, regional markets (Martinique, Venezuela). Within the Latin America and Caribbean region, the largest market (Brazil) has yet to be targeted. In addition, the world's largest source markets in Asia have had no attention at all. In addition to China, Japan is a significant source market for students and Trinidad and Tobago has the potential to sell premium products that combine ELT with other activities (music, crafts, etc.).

To this point, the TDC has paid limited attention to ELT. Thus, all the marketing effort has been undertaken by the training institutions themselves. With the TDC promoting Trinidad and Tobago as an ELT destination and BDC supporting businesses, the country should be able to make rapid strides from its modest base. A market proposition of learning English in an English-speaking country with a strong education system should prove strong. A 5-year target of increasing ELT student numbers by 10,000 annually appears achievable. Assuming a tuition cost of at least US\$900 per student, revenues from the additional fees alone would come to US\$9 million. Assuming they spend at least twice the amount they pay on tuition on food, accommodation and personal expenses (the usual standard for the industry is for such spending to amount to 2-2 1/2 times tuition), then total revenues would approach US\$27 million.



#### **4.4 Technical and Vocational Education**

##### **4.4.1 International Trends**

As economies develop more specific knowledge-based industries, there is an increasing requirement for employees to have very specific skill sets. Additionally, in rapidly changing sectors such as ICT, where new programming and software applications are continually being developed, those working in the industry often require ongoing training. With an increasing range of technology and applications developing in the workplace, the demand for specialised skills is increasing. Developing expertise in these new disciplines does not always require a degree-length programme. This has created a need for focused instruction in a variety of technical and vocational areas.

To date, much of the response has come from domestic providers serving domestic needs. Both the universities and the TVE industry have developed a range of short and long courses aimed at students and those in work. In addition to publicly-funded TVE systems, a huge TVE training industry has developed in the private sector in the developed countries. In the UK, the publicly-funded universities and the TVE industry, both public and private, have been marketing their services abroad under the umbrella of the British Education Suppliers Association or individually. Education is increasingly regarded as an export industry of note, contributing £10.3 billion to the economy in 2001/2.

This change in the way that education and, with it, TVE is perceived is being picked up by other countries. Canada and Australia now regard their education systems as industries with increasing export focus. They promote them vigorously in their own right by developing national websites, assisting local providers to market their services abroad and as part of their destination promotion activities. The links between tourism and education remain weak but they are growing. Smaller players such as South Africa and Malta are also following suite. Malta, in particular, has seen the benefits of combining ELT and TVE provision with students in the former encouraged to stay on for services of the latter. A new business association has been formed that combines ELT with TVE and this is now promoting both together.

In the Caribbean, travel abroad to undertake university or TVE training is a well-established practice because small countries cannot hope to meet education needs comprehensively in-country. However, the provision of education remains focused on meeting the needs of local students with little attention given to exporting. Indeed, a system of restricting places on offer to foreign students is common. The advent of foreign investment in medical and nursing schools has aroused interest in exporting education but this is viewed as an enclave activity. Most policy makers have not embraced the changed thinking regarding the role education can play as an export industry.

Nevertheless, the market for TVE exports within the Caribbean exists and is likely to grow as a result of greater demand for specialist skills. The regional demand could provide the springboard for exports further a field.

##### **4.4.2 Local Capability and Competitiveness**

Trinidad and Tobago has a very strong capability in TVE and there are a number of institutions in the public and private sector that offer a diverse range of courses. In



the Vision 2020 Action Plan 2002-2007, the Government recognised the need to provide more tertiary level education and to provide it in a wide variety of areas. To this end the University of Trinidad and Tobago (UTT) was created to help provide a technologically-trained workforce. The UTT offers BSc degrees, associate degrees and certificates, mostly in engineering disciplines related to the petroleum industry, but it also provides ICT programmes as well as a Bachelor of Education degree. The University has alliances with a number of international institutions, including the Universities of Houston and Texas, TATA Infotech in India, the Southern Alberta Institute of Technology in Canada, the Southampton Institute/Warsash Maritime Centre in the UK and the Instituto Superior de la Energia (ISE) in Spain. These alliances have allowed for the development of joint training programmes (such as biomedical engineering with Texas) and exchanges (with the ISE).

The College of Science, Technology and Applied Arts of Trinidad and Tobago brings together seven tertiary institutions under one umbrella, each of which serves as a College campus. The institutions are:

- The Eastern Caribbean Institute of Agriculture and Forestry (ECIAF)
- The John S. Donaldson Technical Institute (JSDTI)
- The Joint Services Staff College (JSSC)
- The Metal Industries Company (MIC)
- The Government Vocation Centre (GVC)
- The San Fernando Technical Institute (SFTI)
- The NIHERST Colleges:
  - College of Nursing
  - College of Health Sciences
  - Information Technology & Business Management College
  - School of Languages
  - General Education Division

COSTAATT offers associate degrees, certificates and diplomas in a wide range of subjects, including:

- Agriculture and Forestry, Agricultural Teacher Education, Graphic Arts, Applied Foreign Languages, Building and Construction, Business Studies, Criminal Justice, Engineering Technology, Food Service, Allied Health Sciences, Information Technology, Nursing, Technical/Vocational Teacher Education, Office Administration

Through the RBTT Roytec institute, Trinidad and Tobago also offers tertiary level training in financial services, banking and insurance. Roytec has alliances with Monroe College in the US and the University of New Brunswick (UNB) in Canada. It offers UNB degrees and programmes leading to UNB degrees. In addition, there are tertiary level franchises that offer University of London and Heriot-Watt qualifications.

#### **4.4.3 Market Positioning and Export Targets**

Although Trinidad and Tobago has been exporting TVE for some time, the success it has been able to achieve has been a result of the high quality and range of services offered, rather than systematic efforts to market and promote the sector. The public sector needs to recognise that the TVE system is a viable exporting industry, not just a tool for producing a qualified and competitive workforce. Allowing the system to fulfil both these roles will result in increased revenues from higher foreign tuition fees,



the economic impact of which is made greater by the fact that the Government subsidises part or all of tuition for undergraduates. Charging of fees to foreign students should therefore be on a for-profit basis with the increased revenues used to expand facilities and fund increased training capacity for locals. Given the quality of the product offering, Trinidad and Tobago should be able to attract regional and extra-regional students. A 5-year target to increase the number of extra-regional TVE students studying in Trinidad and Tobago annually by 1,000 should therefore prove feasible.

The cost of tuition and fees for a first-year student in a BSc programme at the UTT comes to US\$5,120. Foreign students pay twice what nationals do for tuition, even before the government subsidies come into effect. Information on cost of food and accommodation at the UTT was not provided, so we have adapted this information from the cost of medical education provided in Table 7, above. Assuming an annual cost of US\$3,000 for accommodation, US\$4,000 for meals and US\$1,500 for personal expenses, the total spend in the first year of the BSc would be US\$13,620.<sup>24</sup> This would result in additional revenues of US\$13.6 million if the 5-year student target is achieved. For purposes of quantifying the total impact of this sector, the figure has been rounded up to US\$15 million.

#### **4.5 Marketing Strategy**

Despite the presence of some foreign students in Trinidad and Tobago, the country is a net importer of education-related travel services. In 2000, Trinidad and Tobago spent US\$23 million on student-related travel. However, it did receive some fairly significant inward flows in this area, receiving US\$15.3 million in 2000. Given the steady pace of activity in the sector since then, growth has likely been solid but not dramatic. Our estimates are that, within 5 years, medical training can add an additional US\$10 million to the economy annually, ELT US\$27 million and TVE US\$15 million, giving a total of US\$52 million. So an overall 5-year target of increasing education services receipts by US\$50 million per year should be achievable.

Reaching this target will require marketing to raise awareness of the education sector in general as well as marketing support to public and private institutions to help them export directly. Enabling environment constraints will also need to be addressed.

##### **4.5.1 Brand Awareness**

Trinidad and Tobago does not have a high profile in the international education market for medical training, ELT or TVE and the activities suggested below are designed to promote the country's overall offering in education services.

1. 'Study in Trinidad and Tobago' website. The website could be based on the Canadian model – [www.studyincanada.ca](http://www.studyincanada.ca) or <http://studyinaustralia.gov.au/>. The site should include sections with general country information, costs, what it is like to live in Trinidad and Tobago and course options. Basic information on specific institutions should also be available, with links through to the institutions' own websites. The website should be designed to provide useful country-level

<sup>24</sup> We have not made use of the estimated cost of books and materials in the MBBS programme as those costs would likely be much higher than the corresponding cost in a BSc programme. As such, the spend per student would be slightly higher than estimated.



information that allows potential students to make the decision about where to pursue their studies. They can then go on to decide which institution and course(s) they wish to take within Trinidad and Tobago. The website should have links to the Ministry of Labour and Small and Micro Enterprise Development's website, which contains a database of registered training institutions. This will help to create confidence in the quality of the services offered by education institutions.

Rationale: Research has shown that the first decision that most international students make is which country to study in. Currently, there is no unified resource where international students can access comprehensive and unbiased advice on studying in Trinidad and Tobago. Since many students rely on Internet research to gather information on their options, a website is essential.

Actions Required	Resources Required
Hire website developer	US\$2,000
Form committee of education industry (including public and private sector) to guide content; TDC to manage process	25 person days
Appoint TDC official to liaise between developer and committee and, where necessary, develop content	
Maintain website	US\$2,000 per annum

2. 'Study in Trinidad and Tobago' advertising. This should be limited and targeted to preserve resources for other uses. Should include ads in key websites and periodicals read by students in the 15-26 year-old age bracket in key target markets. Generic brochures focused on educational opportunities should be created and distributed to embassies, at education fairs, and sent to targeted schools.

Rationale: Awareness about educational opportunities in Trinidad and Tobago is limited, particularly in extra-regional markets. Advertising is needed to boost awareness and create interest and can be useful for reaching students who, because they have no knowledge of the opportunities in Trinidad and Tobago, might not come across the website.

Actions Required	Resources Required
Hire graphic designer to develop advertisements and brochure; BDC to lead	US\$3,000
Place advertisements in select few websites and periodicals; examples are listed below; BDC to lead	US\$15,000 per annum
Print and distribute brochures to foreign education institutions, local education institutions, embassies, and schools identified in target markets as likely to have students study abroad; BDC to lead	US\$3,000 per annum

Potential websites and periodicals

**Multi-country**



International Student, International Education Site ([www.intstudy.com](http://www.intstudy.com)), Study Abroad Magazine ([www.studyabroadmagazine.com](http://www.studyabroadmagazine.com)), [www.studentdoc.com](http://www.studentdoc.com) (for foreign medical school applicants)

### **China**

Chinese Student, 21<sup>st</sup> Century (“Er Shi Yi Shi Ji”), Overseas Students (“Liu Xue Sheng”) and Work & Study Abroad (“Chu Guo Yu Jiu Ye”)

### **Korea**

Cindy the Perky, Synrome, Junior, Ceci, With, Yuha eng, Hot Music

3. Raising the profile of the UWI and the COSTAATT. A large number of universities around the world are trying to raise their international profile, so this will not be easy. But it also makes it that much more important. A multi-faceted approach would be best. Potential actions include strategic alliances with foreign universities to offer combined programmes and offering partial scholarships to a select few top foreign students. The UWI has such alliances in place, but needs to continue to develop its programmes.

Rationale: The reputation of a country's education system is strongly affected by its universities. For example, Oxford and Cambridge boost the international prestige of the British education system, despite the fact that most students do not attend these universities. The UWI has a strong regional reputation, but its international profile could improve. Although the COSTAATT was formed from existing institutions, it will have to establish its own reputation among regional and international students.

Actions Required	Resources Required
Develop or enlarge strategic alliances with foreign universities to offer or continue to offer combined education programmes	1/2 time position at UWI, COSTAATT
Offer scholarships covering tuition cost to top foreign students	US\$20,000 (services provided in-kind)

4. Using foreign students as ambassadors. Foreign students currently studying in Trinidad and Tobago are an excellent source of marketing information and can be useful in marketing activities. With a little bit of training, foreign students can be used to promote studying in Trinidad and Tobago to their countrymen on their holidays or after graduation. For example, current students can be used as support at trade fairs, and to provide a legitimate, experienced voice on the benefits of studying in Trinidad and Tobago. They can also conduct ‘Study in Trinidad and Tobago’ seminars at schools in their home country that could provide good future candidates. Foreign students can also provide information on why they decided to study in Trinidad and Tobago, and what guided their decision. This information can then be incorporated into future marketing efforts. Those studying ELT can also be targeted for TVE courses. Although many Venezuelans already have degrees and tend to return home following their ELT training, some effort to ‘up sell’ them into higher level programmes may pay dividends.

Rationale: Prospective students will be interested in hearing about what the study experience in Trinidad and Tobago is like. One of the best sources of this





information (from their perspective) will be students from their country who have studied in Trinidad and Tobago. Additionally, information provided by students may carry more weight with other students than information provided by representatives of local education institutions. ELT students are already familiar with the country so may be likely to convert to TVE courses.

Actions Required	Resources Required
Recruit and train foreign students to promote studying in Trinidad and Tobago in their home country; BDC to lead	30 person days per annum
Hold regular roundtable discussion with foreign students about why they decided to study in Trinidad and Tobago, what guided their decision, and their experience of studying in Trinidad and Tobago. Target ELT students for TVE courses – industry task force to lead	

5. Attract investment in private medical training. As discussed above, a number of private medical schools are springing up in the Caribbean to service the strong US demand for training. Trinidad and Tobago has a well-developed medical infrastructure and an established training centre in the Faculty of Medical Sciences at the UWI. So the facilities and the competencies to provide quality medical training, including clinical work, exist.

Rationale: Bringing established foreign medical training institutions to Trinidad and Tobago will raise the profile of the industry, which will benefit local providers. Additionally, foreign companies will bring with them industry expertise and knowledge, as well as an existing student base that will generate direct economic benefits for Trinidad and Tobago. The Liaison Committee on Medical Education (LCME) provides a list of accredited schools in the US, including private schools and could provide a starting point for developing a shortlist of prospective investors.

Actions Required	Resources Required
Contact LCME to shortlist service providers and then contact individual institutions to gauge interest, at a later stage, familiarisation visits may be required; BDC to lead and work with the TDC to conduct familiarisation trips	100 person days in year one, 40 person p.a. thereafter.

6. Attract US ELT companies. As discussed above, a number of US ELT providers have lost significant business in the States since 9/11 and may be looking to set up operations in locations that are more 'ELT-friendly', particularly in terms of obtaining visas. There is a possibility to attract international ELT providers based in Europe also but the US industry has a more compelling driver to locate elsewhere.

Rationale: The benefits of foreign investment in ELT are similar to the benefits of investment medical training. Foreign ELT companies will raise the profile of the industry, will bring industry expertise and knowledge and an existing student base that will generate direct economic benefits for Trinidad and Tobago. The American Association of Intensive English Programmes should be a useful resource for developing a shortlist of prospective companies.



Actions Required	Resources Required
Contact AAIEP to shortlist service providers and then contact individual companies to gauge interest, at a later stage, familiarisation visits may be required; BDC to lead and work with the TDC to conduct familiarisation trips	100 person days in year one, 40 person p.a. thereafter.

#### 4.5.2 Direct Marketing

Direct marketing activities are designed to support education institutions in the public and private sectors market their services abroad. We suggest two specific activities:

1. Education fairs. Delegations including public and private sector actors should be assisted to attend a few important fairs each year. Each delegation should represent the country as a whole, providing unbiased advice to potential students and agents. However, they should also market their own products. Through its involvement the BDC should ensure the contact information and market intelligence gathered is passed on to other local service providers, thereby ensuring that public investment in organisation and participation results in public benefits.

Rationale: Attendance at education fairs is important for recruiting students, particularly in some Asian countries including China. For example, the China International Education Exhibition Tour (CIEET) is dedicated to promoting overseas education services and is one of the country's most influential events in the area. In the past 6 years, 830 institutions from 37 countries have attended the event. More than 366 international education institutions from 27 countries participated in this year's event and the size of the audience was estimated at 127,100, composed mainly of students and parents. 17% of the audience were interested in language studies and 64% in degree programmes. Events such as the CIEET provide valuable opportunities for directly contacting foreign students and boosting enrolment. Multi-country fairs provide an opportunity to access students from markets other than Asia.

Actions Required	Resources Required
Send delegation to five education fairs per year, including on in East Asia; BDC to lead	50 person days + support for organising Trinidad and Tobago stand. All cost of travel and preparing individual stands to be borne by institutions

#### Potential education fairs

##### **Multi-country**

Alphe ([www.hothousemedia.com/alphe](http://www.hothousemedia.com/alphe)), ICEF Workshops ([www.icef.com](http://www.icef.com)), a2 International Education Fairs ([www.aafair.com](http://www.aafair.com))

##### **Brazil**



Salão do Estudante ([www.salaodoestudante.com.br](http://www.salaodoestudante.com.br))

#### **China**

Beijing International Education Expo ([www.edufair.com.cn/en/](http://www.edufair.com.cn/en/)), China Education Expo ([www.fairlink.com.cn/education/](http://www.fairlink.com.cn/education/)), China International Education Exhibition Tour ([www.cieet.com](http://www.cieet.com))

#### **Korea**

Study Abroad & Language Fair ([www.kamc.com](http://www.kamc.com)), Korea Student Fair ([www.yuhak2min.com/e/study\\_1.php](http://www.yuhak2min.com/e/study_1.php))

2. Developing Marketing Channels. Building relationships with reputable education agents in Brazil, China and other Asian countries is the key to TVE and ELT providers developing a continuous stream of students. Reputable agents should provide high-quality, legitimate students, thereby reducing visa and human-trafficking problems. However, identifying which agents are reputable is not always easy and most institutions lack the resource to undertake the research and to promote themselves. There is a need to employ the services of those who are knowledgeable about the source market. For example, C&S Associates is a leading Brazilian fair and exhibition organiser. In addition to organising education fairs, it hosts workshops for education agents (both Brazilian and international) and could provide a useful starting point for making contact with established agents in that market (see [www.csglobal.net](http://www.csglobal.net)). Paying for such assistance can be shared between the export promotion agency and the educational institution

Rationale: In China, research has suggested that as many as 80% of students use the services of education agents. Agents offer a way of tapping into this significant market through a trusted advisory resource. The public and private institutions involved lack the resources to identify and promote themselves to such agents.

Actions Required	Resources Required
Develop a network of reputable agents and other marketing channels for providers with the capability to develop exports. Operate and assistance scheme on a matching grant basis; BDC to lead	US\$20,000 representing half the cost of marketing assistance for 2 providers per year. 40 person days BDC staff time to identify suitable providers of assistance and to manage the assistance programme

#### **4.5.3 Enabling Environment**

The perception of the role of public sector training institutions has traditionally been that they are there to educate locals. They have not been seen as potential earners of foreign exchange through high value-added exports. Increasing the number of foreign students will provide more revenue through higher tuition fees that can then be used to expand facilities and improve the course offering, which benefits locals. This point and the potential gains from exports need to be communicated effectively to bring about a change in existing mindsets. An industry working group should be formed to set about the process of changing this thinking and removing the enabling environment constraints that have come about because of this type of thinking.



The industry working group will need to bring together the Ministry of Education; the Ministry of Science, Technology and Tertiary Education; the Ministry of Tourism; the Ministry of Health; the Ministry of Labour and Small and Micro Enterprise Development; the Ministry of Trade and Industry; the BDC; the TDC; the UWI; the UTT; the COSTAATT; private training providers; the Accreditation Council of Trinidad and Tobago; and the TTCSI. This industry working group should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - Improve the student visa and work permit regime. Some smaller service providers have indicated that the application process is overly bureaucratic and can require a high level of personal attention. The application procedure for students and firms should be streamlined. There is a need also to examine the work permit regime to make it comparable to that operated by the UK. The British Council may be able to provide technical assistance.
  - Improved permit, planning and licensing processes to facilitate ongoing business operations as well as investment in new ventures.
  - Review standards for accreditation. The task force should work with the Accreditation Council of Trinidad and Tobago to improve the accreditation process, particularly with regards to private sector institutions and ELT institutions. Once the regional accreditation body is running, this partnership should lobby for national standards to be accepted across the region.
  - Access to finance. Details of what is required are set out in Action Plan below.
  - Market access negotiations. In general, exports in this sub-sector are supplied under Mode 2, which does not raise too many problems in terms of market access. However, one issue should be addressed:
    - Trinidad and Tobago should, as part of GATS or another forum, schedule its commitments to remove all restrictions on education services supplied by any Mode, so long as the service provider is duly licensed and accredited in line with prevailing local standards.



## 5 Business Development Services

### 5.1 Introduction

Global markets for business development services (BDS) are large and are growing rapidly. Legal services worldwide are a US\$260 billion industry, with America alone accounting for roughly US\$160 billion. In the finance and accounting segment, outsourcing alone is predicted to be worth almost \$48 billion in the next two years. Management consulting, once IT is removed, is a US\$50-\$60 billion industry. Although most of the market is served domestically, there is a growing trend to outsource and to offshore, which provides opportunities for countries such as Trinidad and Tobago.

The distinction between outsourcing and offshoring is worth noting, as these terms are often used interchangeably, which is not correct. For the sake of clarity, these terms are used as follows:

- Outsourcing refers to moving a function that was previously performed in-house to a location outside of the company.
- Offshoring refers to moving a business function to distant location, but does not necessarily mean that the function is moved outside of the company. For example, a company may use a low cost base of operations to carry out its procurement activities. The activity remains within the company so it has been moved offshore but has not been outsourced.

A function can be both outsourced and offshored, and this is what occurs when, for example, American firms use independent Indian companies to provide services. Opportunities to develop exports may arise from offshoring, either through companies locating in-house operations in Trinidad and Tobago or through outsourcing and offshoring to independent service providers in Trinidad and Tobago. Offshoring can take two forms: nearshoring to countries that are easily reachable from the customer's home country or conventional offshoring to cheaper but more distant locations.

### 5.2 Legal Services

#### 5.2.1 International Trends

##### A) Key Markets and Industry Trends

Outsourcing of legal services is a relatively new development in the industry, but it is growing and estimates of the size of the market vary from US\$3-\$5 billion. As in other outsourcing sectors, India is the global leader, and has established a role in serving the US market. The activities being outsourced range from lower value-added tasks such as secretarial support services, billing and preparation of transcripts to higher-end activities such as due diligence, patent applications and general legal research. The US, with its large legal market, leads on outsourcing of legal services, and other countries have been slow to follow suite. However, even within the US, there are divisions in the profession about the appropriateness of sending legal work abroad.

The US accounts for over two-thirds of global spending on legal services and remains the primary market for legal outsourcing providers. India, with its low cost base and supply of skilled and often US-trained lawyers has emerged as the leader



in serving this market. Work that large US firms would bill at \$250/hour or more can be done at a fraction of the cost in India, where, depending on the type of service, billing rates can range from \$12-125/hour. This huge potential for cost savings has led to increased outsourcing of legal services, and two distinct models have emerged:

- Corporations with offices in India setting up captive in-house legal departments to serve their global operations.
- The creation of Indian firms that focus on providing legal services to foreign clients. While the clients are mainly corporations, law firms use these services to a lesser extent.

General Electric is a good example of the first approach. In 2001, GE created a legal branch within its Indian operations to take on legal compliance and research for its Plastics and Consumer Finance Divisions. GE estimated the savings in 2001 at half a million dollars and a further reduction of 50% the following year.

In the second model, both law firms and outsourcing companies offer a range of services. Intellectual property work, such as preparation of patent applications, has emerged as a strong niche, and firms such as Intellevate, which is now owned by Computer Patent Annuities, specialise in this area. Large corporations such as Microsoft are among its clients. In addition to specialised firms, there are companies that essentially provide the services of a large law firm. Lexadigm is one such outfit and it charges between \$65 and \$95/hour for work that would be billed at \$250/hour or upwards by firms in the States. It also handles patent applications, but provides additional services such as the drafting of appellate briefs. Salaries for lawyers at the firm range from \$6,000 to \$36,000, which is often more than what is on offer at corporate firms in India.

Initially, the type of legal work that was sent overseas was lower-level, secretarial or paralegal-type work such as typing of dictation, monitoring of filing dates or reviewing of documents. With this type of work, the primary advantage of outsourcing is cost savings, and, because the fees it commands are low, significant scale is required to make the proposition profitable.

More recently, high-end legal work such as litigation and contract support has begun to be sent offshore. This has led to a concern in the industry about maintaining professional standards. Lack of control over the process is a concern in any outsourcing decision, but issues of professional responsibility, confidentiality and quality are particularly important in law. These factors have led to the reluctance in some quarters within the US, and in most other countries, to send complex legal work overseas. The fact that the UK is a less-developed market than the US was made clear by a report to the October 2006 meeting of the Law Society of England and Wales' Regulation Board.<sup>25</sup> In his report, the chief executive of the Board warned that ethical issues relating to outsourcing of client-related work were areas of rising concern. His comments came in response to a trend among firms to outsource routine business processes, which provides an indication that the UK is behind the US in terms of the level of work outsourced. The report acknowledged the cost benefits but pointed out that protecting client confidentiality, maintaining quality controls and ensuring transparency and accountability present ongoing challenges.

<sup>25</sup> The Law Society Gazette, 2 November 2006. The article by Jonathan Rayner appears at page 8.





In the US, despite the fact that outsourced work is supervised and vouched for by members of an American bar, and that commissioning legal research in India is not much different than having law students at US firms do it, similar concerns persist. Even firms that have outsourced legal work are sensitive to this issue, and worry about backlash from their employees or customers. This leads them to be secretive about their use of Indian legal services, and the client lists of outsourcing companies are often not made public.

Nevertheless, growth in this sector appears to be strong. Some predictions estimate that US firms will outsource US\$5 billion in litigation support this year. A report by Forrester research predicted that about 12,000 legal jobs would shift to low-cost countries in 2004, with the majority going to India. Reports of what actually occurred vary considerably, with the National Association of Software and Service Companies (NASSCOM) of India indicating that less than a few hundred jobs have moved to the country. This is consistent with estimates of an employee base of 600-700 that are engaged in legal outsourcing from India. Despite the discrepancy between Forrester estimates and NASSCOM reports, it is worth noting that Forrester predicts that 35,000 US legal jobs will be outsourced by 2010. NASSCOM estimates that up to 70% of these jobs will come to India. As resistance to legal outsourcing subsides, as it has in other outsourcing sectors, it seems likely that activity will pick up and the estimates and the reality will come closer together.

### **B) Decision-making Factors**

India's attractiveness as a legal outsourcing destination is based on the following factors:

- Low cost.
- Quality, English-speaking labour in abundance; the presence of some US-educated personnel is an advantage.
- Favourable time difference that allows overnight delivery of services to the US.

The cost advantage has been discussed and corporations that have in-house legal departments in India report a savings of 60-80%, net of outsourcing overhead. For corporate clients, cost savings is the primary consideration. The time difference allows US companies to request something in the afternoon and have it by the start of business the next day. This increases their scale and frees up staff to work on higher-value added tasks that remain in the domestic office. English is the language of the legal system in India and many lawyers are US-educated and often belong to a US bar association. In many cases, the fact of the US training is what has led to the development of legal outsourcing firms. Strategic partnerships between individuals and firms with US and Indian connections have led to a model in which an office in the States is supported by operations in India. Clients, who are often reluctant to outsource for the reasons above, are usually courted over time and a strong relationship-building element is essential to success. The margin between salaries and billable rates is high, encouraging entrants to the market, so the degree of competition is also high and firms must be well-organised in their marketing and operations to compete effectively.



### 5.2.2 Local Capability and Competitiveness

Trinidad and Tobago has one of the largest populations of lawyers in the Caribbean, and the Law Association of Trinidad and Tobago has roughly 2,000 members.<sup>26</sup> However, this figure is not truly representative of the export potential in the industry as nearly half of that number work in government. Of the remaining 1,000, roughly 100 have migrated but remain on the rolls. 900 lawyers work for companies or for private firms. The Law Association was not able to provide a breakdown of how many lawyers from the last group work in private practice, which makes it difficult to accurately assess the size of the workforce that could engage in service exports.

Although the number of lawyers is much higher than in other Caribbean countries, the structure of the industry is quite similar. There are only about 8 firms that, with 20 or more lawyers, can be considered large. The vast majority of the industry is made of sole practitioners or small partnerships. These firms tend to be lifestyle businesses that are focused on serving the domestic market.

Local lawyers are well-educated and their English common law-based legal system provides them with legal skills required for conducting outsourced work from the US legal system, which is also based on English common law.

However, there are two limitations in the capability and competitiveness of the industry:

- A lack of medium-sized firms. Companies such as those in India that have been able to attract outsourced legal work are generally medium-sized, indicating that some scale is required in this field.
- A lack of cost competitiveness due to a buoyant local market that is able to pay reasonable fee rates

The implications of these limitations is that the comparative advantage of the country lies in the quality and size of its legal profession in relation to the region (CSME). It is not well-placed to provide outsourced, offshored services to the US or, for that matter, the UK markets. The high cost base and comparatively small workforce in relation to major suppliers such as India means that Trinidad and Tobago is not likely to attract companies looking to offshore their in-house legal functions.

Therefore the best prospects for developing exports of legal services will remain within the CSME. However, it is worth continuing to explore the prospects for supplying outsourced services to the US market, which is growing rapidly and against whose local suppliers Trinidad and Tobago does have a cost advantage. To achieve this, local firms will need to forge alliances with legal practitioners in the US. The Trinidad and Tobagoian legal diaspora in that market may provide a source of such alliances.

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<sup>26</sup> Estimated numbers and profile of industry gathered from a conversation with the Law Association on January 10, 2007.



### 5.3 Finance and Accounting Services

#### 5.3.1 International Trends

##### A) Key Markets and Industry Trends

Outsourcing of finance and accounting functions is a well-established trend that has been growing rapidly, a pattern that looks set to continue over the medium to long-term. A July 2004 report by market intelligence firm IDC predicts a compound annual growth rate of 9.6% in finance and accounting outsourcing and estimates the market size will top \$47.6 billion in 2008. A range of services are outsourced, including lower-end, process-oriented jobs such as bookkeeping and accounts receivable and payable as well as more complex activities such as budget forecasts and risk management. India remains the market leader and the US the largest market. In 2002, outsourcing consultants Everest Group estimated that 80-90% of finance and accounting activity outsourced by US companies was sent offshore. Much of the work projected to be offshored is expected to go to India or Eastern Europe.

The finance and accounting (FA) outsourcing market can be broken down as follows:

- **Transaction management:** this includes activities like accounts payable and receivable, credit and collections and billing/invoicing.
- **Finance:** this covers activities such as investing, fundraising, financial and performance analysis and reporting, capital planning and budgeting and forecasting.
- **General accounting:** this involves tasks such as fixed assets management, general ledger, account reconciliation, banking relations, management accounting, financial statements preparation, project accounting and inventory accounting.
- **Treasury and risk management:** this segment includes functions such as cash management and planning, bank account reconciliation, funding, insurance, foreign exchange, internal audit, compliance, internal controls and risk management strategy.
- **Tax management:** this covers activities like tax planning, tax filing and tax processing.<sup>27</sup>

Initially, FA outsourcing was concentrated on the basic accounting activities mentioned above. However, as confidence in service providers has grown, an increasing amount of more sophisticated work is being outsourced. The IDC report pointed to accounts payable as the most widely outsourced FA function, and from 2004-2009, transaction management at 9.8% was the segment expected to see the fastest annual growth in spending. Over the same period, annual spending on tax management was to grow at 9.3% and general accounting at 8.3%.

In terms of markets, the US remains the largest outsourcer of FA functions. However, the Europe, Middle East and Africa region is expected to be the fastest growing in terms of spending in the short-term. According to research from Deloitte, India leads in terms of financial service offshoring, accounting for 80% of the market.

<sup>27</sup> IDC, Asia/Pacific (Excluding Japan) Business Process Outsourcing Taxonomy 2006. Phil Hassey, Romaia Ravi, Conrad Chang., January 2006.

**B) Potential Cost Savings**

The cost savings from FA outsourcing can be significant. Accenture puts the savings from outsourcing between 25 and 30%, and when the functions are moved offshore, the numbers are even higher. Estimates vary, with Deloitte reporting a 32% savings from offshoring and some firms claiming savings of around 50% from using India. The difference in annual salaries between the US and India demonstrates the potential for cutting costs:

- American accountant: \$41,000, Indian accountant: \$5,000.
- American financial operations: \$37,625, Indian financial operations: \$5,500.

Despite India's obvious cost advantage, some Canadian outsourcers have had success in serving both the domestic and the US markets. Canada still affords a savings over America and many of the large, established and technologically-advanced US firms such as Accenture and IBM have Canadian divisions. In some cases, total costs can be 30-40% less than in the States, and other benefits include proximity, cultural similarities and similar time zones. Aside from the large players, Canada does feature some providers that serve smaller businesses. One of these, BPM Outsourcing has set up a processing centre in Jamaica. While the President of the country is Jamaican, which undoubtedly influenced the choice of location, the difference in cost between Jamaica and India when balanced against the proximity advantage was not deemed to be high enough. BPM Outsourcing offers bookkeeping packages from \$85 to \$125/month and its clients include accounting firms in addition to small businesses. For an accounting firm, it makes more sense to farm out bookkeeping than to hire high-priced staff to cope with the volume.

Aside from the cost advantage, outsourcing has one other important benefit: it frees up financial officers and other accounting staff to focus on strategic management issues. By providing home office employees with more time and more timely financial information, they are better able to address management analysis, planning and control.

**C) Outsourcing Models**

As with legal outsourcing, a number of distinct models can be identified:

- The "regular" model involves outsourcing operations to a single location.
- Some larger organisations outsource more strategically. Under this approach, they commonly send basic functions to a low-cost area such as India and management accounting to a more respected nearshore destination, such as Canada in the case of US firms.
- Other large companies use captive centres rather than third party providers.

There are a few advantages to using the second model over the first. These include:

- High-level strategic functions are near HQ, often only a 2-3 hour flight away, allowing for easier monitoring and better control.
- Using different locations allows firms to take advantage of local expertise if they are looking to expand into new markets in addition to saving on costs by outsourcing.



For large multinationals, setting up their own outsourcing centre allows them to benefit from a low-cost location and centralise functions from far-flung subsidiaries. Again, GE is one company that has taken this approach. General Electric Capital International Services has more than 11,500 employees and handles the FA functions of 32 GE subsidiaries, in addition to providing other services such as IT support.

FA outsourcing has become increasingly reliant on the use of technology, which can allow for automated outsourcing. Accenture uses a system that recognises printed characters, so a digital or faxed invoice can be automatically processed. This approach has proved useful for mass billing that involves a large number of standardised invoices. Since the system requires a minimum of human involvement, large scale tasks can be handled without a large scale labour force. This type of approach requires that a quality ICT infrastructure is in place, along with a legislative data protection regime.

Despite the maturity of FA outsourcing in comparison with legal outsourcing, some companies still have concerns about making their use of low-cost providers public. Some of this is due to the negative attention from the media and labour unions that comes with importing jobs. However, the idea that India provides lower quality does persist in some circles and confidentiality agreements are still in use.

#### **D) Decision-making Factors**

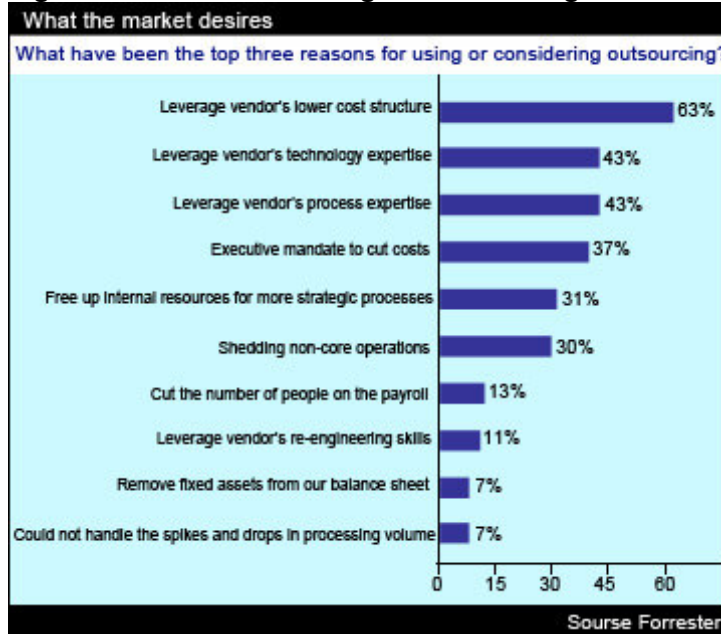
As India is still the preferred destination for outsourcing, looking at its advantages offers some insight into factors that attract companies to service providers. India features:

- A very large pool of inexpensive, educated, qualified and English-speaking workers.
- An education system that produces over 2 million college graduates a year.
- An established reputation as a quality supplier of a range of outsourcing services.
- A time difference that allows firms, particularly in the US, to offer clients a round-the-clock service.

As Figure 3 shows, low cost is the primary reason driving outsourcing, and this holds true for FA outsourcing as well. But as outsourcing providers have gained expertise, more companies are turning to them for assistance with strategic business solutions as well. As clients' demands are becoming more sophisticated, outsourcing companies have to offer a more sophisticated product. This is less true of smaller business and for the process-oriented functions of accounting firms. As the Canadian example demonstrates, some clients are willing to forego larger savings for a nearshore solution with the balance it strikes between cost and control through proximity.



**Figure 3: Reasons for Using or Considering Outsourcing**



### 5.3.2 Local Capability and Competitiveness

Trinidad and Tobago's accounting sector is large for the region and offers a high quality of service. The industry has developed a high degree of sophistication from serving the country's mature energy and financial sectors. The Institute of Chartered Accountants of Trinidad and Tobago (ICATT) has about 700 registered members. The local landscape is dominated by three of the big four global accounting firms, Price Waterhouse Coopers, Ernst & Young and KPMG, which employ a few hundred accountants each. Only Deloitte Touche Tohmatsu does not have a local presence. There are a few medium-sized local firms such as Aegis Business Solutions, and these operations tend to have about 100 professional staff. The remainder of the industry is dominated by micro enterprises of 1 or 2 accountants.

The accounting sector does have the expertise to export services and a number of firms have served foreign clients in the past. However, a few characteristics of the local market act as barriers to increasing exports:

- Demand for accounting services in the local market currently outstrips supply.
- The high demand for services creates a great deal of job opportunities locally and, coupled with strong international demand for accountants, contributes to a high rate of employee turnover; anecdotal estimates put the figure at 50% per year.

The first factor means that many firms, particularly the small operations, have no need to look beyond the local market for business. In fact, the accounting sector has difficulty meeting the needs of the domestic market. The second factor compounds the effect of the first by making it difficult for slightly larger firms that are more export-





ready to plan for long-term business development and strategic expansion, as their capacity is continuously changing.

Trinidad and Tobago does have a cost advantage over the US or the UK, and reports indicate that services are cheaper than in Barbados. This makes the financial return to exporting attractive, but the extra effort involved in securing foreign business combined with the abundance of local work (and the desire to retain local clients) have limited exports. Given cost levels, the quality of services offered and the proximity to the US market, Trinidad and Tobago has an opportunity to attract nearshore outsourcing of FA functions from the US market in the Canadian mode. The few medium-sized local firms are particularly well-equipped to make such an offering.

The point that needs to be made to the private sector is that the fortunes of the accounting industry are tied to that of the oil and gas industry. While times may be good at the moment, the possibility of a downturn does exist. By developing a base of foreign clients, firms will be able to ensure their long-term profitability, even though there may be more than ample immediate returns available locally.

The smaller firms will have more difficulty in exporting. One or two person operations do not have the resources to market service exports effectively, they do not have the scale to cope with even mid-sized outsourced work and they cannot project the type of corporate image often required to convince clients to outsource key functions (even though the capability may well exist). These constraints could be addressed in a few ways:

- Inward investment from existing FA outsourcing providers seeking a nearshore location to serve the US.
- Development of strategic partnerships using contacts in the diaspora to generate export possibilities.

## **5.4 Management Consulting**

### **5.4.1 International Trends**

The size of the international market for management consulting services is difficult to pinpoint because many of the functions and services are integrated with the IT market. If we exclude IT, we can estimate that the global market is somewhere between US\$50-60 billion.

This segment of BDS can be broadly grouped into services for two types of clients, the public and private sectors. Some of the advisory services typically provided to clients in each sector are as follows:

- **Private sector:** Human resources outsourcing; organisation, including corporate governance and institutional system design; and strategy, including activities such as corporate branding and coordinating shared functions.
- **Public sector:** Efficiency improvement, policy design, organisation (including governance) and development consulting.

A trend that has emerged in the industry is for the large and well-known players such as McKinsey and A.T. Kearney to expand globally as they follow their clients into new markets. McKinsey, for example, now has operations in 46 countries. On the public



sector side, development assistance is set for a large increase. At last year's Gleneagles summit, the G8 pledged to increase aid by US\$50 billion annually by 2010. Development projects are becoming increasingly larger, more complex and multi-disciplinary.

#### **5.4.2 Local Capability and Competitiveness**

The three global accounting firms that have offices in Trinidad and Tobago also offer management consulting services as part of their portfolio. There are also a number of locally-owned management consulting firms, some of which have spun off from accounting firms. As in other BDS segments, most of the firms are small, generally with 10 or less professionals. Their focus is on the local market, but some have exported in the region.

We were not able to ascertain the cost of local services, but given Trinidad and Tobago's overall cost structure, they are likely to be high for the region. The maturity of Trinidad and Tobago's economy, particularly in financial services and the oil and gas sector, has contributed to the development of a level of service in management consulting that is sophisticated for the region. Given the small size of the industry, promoting it as a cohesive offering internationally will be difficult. As such, the best opportunities for exports will be within the CSME.

A large number of donors, including the EU, the Inter-American Development Bank, the World Bank, USAID and DFID, are operating in the region, which offers opportunities in development consulting. Publicly tendered projects from these donors represent a large opportunity for development consultants, who require assistance with networking so that they can associate themselves with large firms capable of delivering large-scale projects.

#### **5.5 Market Positioning and Export Targets**

Opportunities for increasing legal exports in the near future are likely to be limited to further expanding into the CSME market and some exports to the US. Tapping into the US market will require development of strategic alliances with American legal firms, perhaps by using contacts in the diaspora.

Although local firms have more work than they can cope with, developing an export base is good way to insure against a downturn in the local industry. The best opportunities for local firms in the FA segment are to develop export capability by serving the regional market, use contacts in the diaspora to develop export opportunities and attempt to attract FDI from leading outsourcing providers interested in serving the US market from a nearshore location. Using the diaspora may provide opportunistic and strategic export possibilities. One-off work may come from contacts in the US markets and this could lead to more formal partnering arrangements in which the US firm acts as the marketing centre and the work is performed in Trinidad and Tobago.

Large international management consulting firms are increasingly expanding their global reach and following their customers into new markets. These global firms tend to dominate the world market. Due to the size of the local management consulting industry, the best opportunity for exports is within the region.



Given the overall potential across these three segments, a 5-year target of increasing BDS exports by an additional US\$10 million should be an achievable goal.

## 5.6 Marketing Strategy

The majority of the BDS industry is not structured in a way that favours outsourcing of services beyond the region. Some firms may have the ability to compete in extra-regional markets, but most are small enterprises that will not be competitive outside the CSME. Some regional exporting has already taken place, despite the fact that Trinidad and Tobago is high cost for the CSME and this represents the immediate opportunity in this sub-sector. Trinidad and Tobago does have some of the elements that should allow it to compete with Canada as a nearshore destination for outsourced BDS work from the US, but the structural deficiencies in the industry present a challenge to winning business. As such, the focus of the marketing strategy for BDS is on creating partnerships that can overcome this constraint.

### 5.6.1 Brand Awareness

Outside of the region, Trinidad and Tobago has a very low profile as a source of quality business development services. Some focused marketing activities are required to raise awareness of Trinidad and Tobago and brand the country effectively so that it is considered a potential source of services by prospective customers and investors.

1. Integrated website. The site should promote Trinidad and Tobago as a data safe location for quality legal, accounting and management consulting services. It should also offer general information on Trinidad and Tobago, information on the business environment, information on investment/export incentives, information on the legal and accounting sectors (such as the size and skills of the labour pool) and general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An integrated website is needed to raise awareness that Trinidad and Tobago offers quality BDS in a business-friendly environment that favours FDI and exports of services.

Actions Required	Resources Required
Hire website developer; BDC to lead	US\$2,000, to be funded by private sector
Form committee of BDS industry associations to guide content	25 person days
Appoint BDC official to liaise between developer and committee and oversee development of content	
Maintain website	US\$2,000 per annum, to be funded by private sector

2. Foreign advertising. Limited advertising should be directed at key decision makers in companies, both those that outsource services and those that provide outsourcing services. This will involve placing ads on websites and in magazines such as "The American Lawyer" ([www.americanlawyer.com](http://www.americanlawyer.com)) and Outsourcing



Today ([www.outsourcingtoday.com](http://www.outsourcingtoday.com)), which also publishes Finance and Accounting Outsourcing Today.

Rationale: As Trinidad and Tobago has a low profile, it is not often considered by investors looking for a nearshore destination or by firms looking for an outsourcing provider. As such, they may not come across the website, which is a passive advertising tool. Therefore, some more direct forms of advertising will be required to reach these key decision-makers.

Actions Required	Resources Required
Hire graphic designer to develop advertisements; BDC to lead	US\$3,000
Place advertisements in select few websites and periodicals	US\$15,000 per annum

- Identification of potential investors. There is a need to conduct research on established foreign BDS outsourcing companies from India, Canada and the US to explore the possibility of them using Trinidad and Tobago as a nearshore location to serve the US FA market or directly outsourcing work to local legal or FA firms. A database should be created to track contact with potential investors. Information on industry trends also needs to be gathered.

Rationale: To focus the FDI courting and alliance-building process, a list of interested parties should first be compiled through research. Targeted efforts to convince them to invest in Trinidad and Tobago can then be conducted. FA outsourcing continues to evolve and as the industry in Trinidad and Tobago develops, it has an opportunity to grow in a way that mirrors the trends in the industry. Market information should be provided for domestic firms so that they can tailor their service offering.

Actions Required	Resources Required
Research into foreign outsourcing providers that may be suitable partners for joint ventures or other forms of FDI, research into industry trends; BDC to lead	US\$15,000 + 20 person days
Creation of database to track status of contact with potential investors; BDC to lead	50 person days

- Circulate a free monthly electronic newsletter to contacts within the database. This should also be sent to any potential investors within the CSME. This will keep clients and decision-makers informed of developments and opportunities in the BDS sector. Using the information in the client database, any business opportunities should be matched up with potentially-interested clients and postings to these clients should be followed-up with phone calls.

Rationale: A newsletter will advertise potential opportunities to clients. It will also facilitate ongoing relationship building by keeping contacts informed of the evolution of the local industry and will provide an "excuse" for conducting follow-up phone calls.



Actions Required	Resources Required
Drafting and circulation of newsletter, follow-up phone calls; BDC to lead	60 person days per annum

### 5.6.2 Direct Marketing

As local capacity to export services is limited, direct marketing activities will be focused on forming strategic partnerships to generate export opportunities.

1. Undertake investment promotion activities. The BDC needs to use the information collected in the database of potential investors to start to court FDI and build alliances between foreign service providers and local legal and FA firms. This is likely to take the form of marketing missions and participating in exhibitions to raise the profile of Trinidad and Tobago as well as direct contact with firms that show the most interest in the country. The BDC should promote contact between local FA firms and those investors who may wish to seek a joint venture or alliance. It should also facilitate contact between service providers in the US and Canada and local legal and FA firms to develop opportunistic export possibilities.

Rationale: To enter the FA nearshore market, Trinidad and Tobago needs to attract foreign investors. Legal and FA firms lack the resources to market themselves internationally, and facilitating contact with firms in the US and Canada, perhaps through diaspora contacts, could provide a means of tapping into those markets.

Actions Required	Resources Required
Undertake direct promotion of Trinidad and Tobago as a FDI and outsourcing destination; BDC to lead	50 person days
BDC to court the 50 most promising investors and partners and refer them to local FA firms	50 person days

2. Market intelligence. As many of the firms in the industry are small, they do not have spare capacity to gather information on upcoming projects and opportunities in the public and private sectors. The BDC should compile information on opportunities within the CSME. Since some BDS opportunities will come through public procurement, training to service providers on how to prepare competitive tenders could help them to win projects.

Rationale: As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them at a disadvantage. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced.

Actions Required	Resources Required
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be	40 person days per



Strategic Marketing Plan for the Promotion of Professional Services Exports

made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. Through its contact with firms for investment promotion purposes, the BDC should be able to gather information on upcoming opportunities in the private sector.	annum
BDC to prepare and deliver training on proposal preparation	30 person days

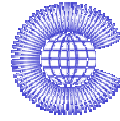
### 5.6.3 Enabling Environment

The exporting of BDS that has taken place to date has come about because of the high quality of service provision in Trinidad and Tobago. However, concerted attempts to increase exports have not been made. While this strategy provides an approach to promoting exports, it requires that an industry working group is in place. Such a group will be able to take charge of the strategy and by working towards a common set of targets, will be able to address the enabling environment constraints to exporting.

The industry working group should draw together the Law Association of Trinidad and Tobago, the Institute of Chartered Accountants of Trinidad and Tobago, representatives from the management consulting profession, the BDC and the Ministry of Trade and Industry. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Incentives:** The investment and export incentive regimes that exist in Trinidad and Tobago have been designed for manufacturing. There is a need to tailor the BDS incentive regime so that Trinidad and Tobago is attractive to FDI and so that it supports the development of export-oriented businesses.
  - **Technology:** Outsourcing increasingly makes use of technology such as systems that recognise printed characters and automatically input them into databases for processing. This allows firms to take on large-scale tasks without the need for large-scale labour. As domestic capability develops, Trinidad and Tobago will need to have the technology to compete with international outsourcing centres as well as the legal and practical framework to protect the information its firms deal with. Such technology can be acquired through FDI and or provided by exports sourced from abroad.
  - **Trade Negotiation Issues:** Given that most BDS service exports are supplied cross-border (mode 1), market access issues are not a major obstacle to increasing exports. However, there are some barriers to trade that should be addressed. The CSME has already put in place measures to allow the free movement of professionals and this should enable greater market access for the local BDS industry. Initiatives to establish mutual recognition of qualifications in the CSME are also





Strategic Marketing Plan for the Promotion of Professional  
Services Exports

underway, but there are practical barriers to lawyers and accountants practicing in other countries which will need to be removed. In the wider international market, the ability to practice law and accountancy is restricted in most countries. A practical way to address this barrier is by enabling mutual recognition of qualifications and easing the conditions that allow new entrants to become qualified to practice.



## 6 ICT

### 6.1 Introduction

Outsourcing in the ICT field is a well-established practice and growth is projected to be explosive. According to Gartner, worldwide spending on offshore research and development will increase by 860% from US\$1.25 billion in 2004 to as much as US\$12 billion in 2010. Offshore spending on application development services will more than double from US\$23 billion to as much as US\$50 billion. The US IT offshoring market will be worth \$14.7 billion by 2009. The value of business process outsourcing (BPO) and IT-enabled services that will be outsourced is expected to reach US\$140 billion by 2008. Such growth volumes present tremendous opportunities for offshore and nearshore outsourcing.

### 6.2 International Trends

#### A) Supply Markets

India continues to dominate the market for IT outsourcing and BPO. It holds a 44% share of the global offshore outsourcing market for software and back office services. And Gartner predicts that India will continue to attract the bulk of global offshore spending on IT services. Part of its dominance is due to the labour cost advantage it enjoys. Table 10 below provides some indicative comparisons between the cost of labour in India and other countries. It is important to note that China and the Philippines compete closely with India on cost.

**Table 10: Indicative Labour Costs (US\$)**

Country	Programmer (2-3 years experience)	Call Centre Agent (2-3 years experience)	Programmer (average cost)
India	\$6,000 to \$9,000	\$5,500 to \$7,000	\$7,500
China	\$5,500 to \$9,600	N/A	\$7,550
Philippines	\$6,500 to \$10,900	\$7,600 to \$9,200	\$8,700
Ireland	\$21,000 to \$28,000	\$16,000 to \$25,500	\$24,500
Mexico	\$18,000 to \$23,000	\$3,000 to \$15,000	\$20,500
Singapore	\$27,300 to \$34,600	\$22,300 to \$28,400	\$30,950
Canada	\$25,000 to \$50,000	\$18,600 to \$28,300	\$37,500
USA	\$45,000 to \$85,000	\$25,000 to \$40,000	\$65,000
Malta	\$18,000 to \$21,000	N/A	\$19,500

In addition to its cost advantage, India benefits from the fact that it dominates perceptions as the leading supplier of services in this sub-sector, particularly in the large US market. Over 82% of American companies rate India as their primary choice for software outsourcing. However, some trends in outsourcing have led to the rise of nearshore locations as part of a more rounded service offering.

Canada has become the most widely used nearshore location for outsourcing from the US. From 2002 to 2003, the number of outsourced agent professionals in Canada grew by 8.3%. The cost of Canadian labour can be up to 30% lower than in the US, and, as a standard of comparison, Mexico affords a 50% savings on labour.



After accounting for all costs including labour, telecommunications, travel, and dual-management required for different cultures, Canada presents a 20-30% savings over the US while Mexico comes in between 25 and 30%. Aside from the savings issue, Canada is particularly attractive to US firms as the two cultures are very similar, allowing for strong client-facing relationships.

### **B) The Rise of Nearshoring**

As outsourcing has matured, companies have moved away from a simple model of using a home location that is supported by outsourced services, usually located offshore. A trend over the past few years is the use of a mix of on-site, offshore and nearshore services to provide a delivery model that balances risks and rewards. Generally functions are divided between those that are provided on-site and those that use off-site delivery. Off-site activities are assessed for their suitability for offshoring, and if that route is not chosen, they are carried out at a nearshore or onshore location. Activities can be broken down as follows:

- **Typical on-site activities:** program management, requirements definition, prototyping, high-level design, usability testing, acceptance testing, user training, and implementation/cutover.
- **Typical nearshore activities:** quick-turnaround development, emergency fixes, interactive development, prime-time support, iterative testing, risk diversification, and an alternative to on-site work for high level design.
- **Typical offshore activities:** detailed design, coding, unit testing, documentation, ongoing maintenance, and project management of offshore staff.

Diversifying operations in this way allows companies to benefit from cost effectiveness, high productivity and round-the-clock service while minimising risk. As a result of this approach, several nearshore destinations have arisen to serve the large US and European markets. Typically, Canada, the Caribbean and Central America serve American outsourcing needs while countries such as Ireland and Poland handle Europe.

The desire for a diversified service offering has led service providers to situate higher value-added services closer to their clients' headquarters with the majority of their process-oriented and labour-intensive functions in low cost locations such as India and, to a lesser extent, nearshore destinations. Additionally, major Indian service providers have matured and are considering the use of nearshore options not only to provide better service but to expand their reach and tap new markets. A number of firms, including TCS, Infosys and Satyam are setting up operations in Eastern Europe to serve the broader European market. In terms of North America, centres have been established in Canada, Mexico, Brazil and Puerto Rico. A number of these operations were created through acquisitions or joint ventures, and were direct responses to specific client needs.

### **C) Decision-making Factors**

The key factors driving the decision to outsource ICT functions are:

1. Quality of labour pool
2. Cost savings
3. Control
4. Risk
5. Quality of service



India offers a good mix of the above 5 factors. It is worth noting that the well-trained labour pool is continuously supported by the addition of 120,000 trained IT professionals to the industry each year. As people who have been in the workforce for some time progress to higher-value added tasks, the supply of recent graduates ensures the country has the scale to continue to deliver the lower value-added services which formed the basis of its outsourcing industry in its infancy. Aside from these factors, a country's reputation as a source of ICT outsourcing services also has an effect on purchasing decision-making. As indicated above, over 82% of US companies rate India as their first choice for software outsourcing, which demonstrates how a strong reputation can influence the purchasing decision.

From the nearshoring perspective, a principal factor is the difference in the cost of labour between the originating location and the destination. There must be a sufficient cost differential to warrant the use of a nearshore location over an offshore one. Nova Scotia has, through a concerted effort to become a hub for IT outsourcing and research and development, emerged as a popular nearshore destination in North America. As such, it is worth considering as an example of the level of cost savings that can make a nearshore destination attractive. In 2004, KPMG reported that Nova Scotia enjoyed a 30% cost advantage over Western Europe and a 20% cost advantage over the US (ranging up to 30% cheaper than Boston). So it seems that a 20-30% savings is enough to enable a nearshore destination to compete successfully with an offshore location.

In addition to cost, the location must afford a high quality of service and a high quality labour pool that provides the ability to scale up. Factors such as risk and control are more favourable in a nearshore destination as compared with an offshore site. Proximity and cultural affinity with the customers' market is also important. The following is a comprehensive list of the factors that drive the decision-making of service providers when they consider a nearshore destination:

- English skills (other language skills like Spanish, French or German are also a factor depending on the target market).
- Location (geographic and time zone proximity).
- Labour pool (size, diversity, maturity).
- Cost (real estate, equipment, operations, wages, etc.).
- Infrastructure (quality, stability and cost).
- Enabling environment (including tax incentives, double taxation treaty, favourable policies, subsidies, etc.).
- Domestic market opportunities.
- Globalisation maturity (legal system, regulatory environment, immigration policies, business sophistication).
- Cultural compatibility.
- Political and economic stability.
- Educational system (determines quality and size of the workforce that will be produced in the future).
- Security and privacy.
- Travel and living expenses (connectivity with the US through multiple carriers and source/destination choices).



### 6.3 Local Capability and Competitiveness

#### A) Characteristics of the Industry

The Government has recognised the importance of the ICT sector and has prioritised its development in the National Information and Communication Technology Plan, Fast Forward. As a result, the country is well ahead of many Caribbean countries in developing the components of a knowledge-based society. Despite these initiatives, some problems remain, particularly in regard to the cost of bandwidth. From the table below, which compares the cost of different access speeds, it is apparent that Trinidad and Tobago is very expensive, even within the region.

**Table 11: Cost of Internet Access**

	Country	Speed (Kbps)		Cost (US\$/month)
		Down	Up	
Mid-range access	US	768	128	15.00
	Canada	1,000		31.30
	Jamaica	1,024	256	40.00
	Dominican Republic	768	512	49.80
	Costa Rica	512	128	72.30
	St. Lucia	512	128	73.00
	Barbados	768	128	86.30
	Trinidad and Tobago	512	128	467.72
Upper-range Access	US	3,000	768	30.00
	UK	8,000		33.50
	Canada	3,000	800	38.00
	Jamaica	2,048	512	50.00
	Dominican Republic	1,536	128	70.30
	Barbados	1,544	256	108.10
	Dominica	1,544	512	183.10
	Costa Rica	2,048	256	204.50
	St. Lucia	1,544	512	219.80
	Trinidad and Tobago	1,544	256	663.35

Source: Assessment of the Telecommunication Services Sector in CARICOM: Convergence Issues at the Regional and International Level. Peter Stern, CRNM, June 2006.

Telecommunications Services of Trinidad and Tobago (TSTT) is being deregulated and there are 10 other Internet Service Providers (ISPs) in the country. However, TSTT still controls access to bandwidth, so it continues to have a *de facto* monopoly, which is the reason for the continued high price of internet access. This is an important factor in the competitiveness of a location for ICT services

Estimates from the private sector put the number of firms in the industry between 70 and 100. Of these, roughly 20 firms are exporting, mostly within the region. Most companies are small operations, but there are some medium-sized and larger companies, some of which have upwards of 30 employees. The larger companies that do exist have typically built their size by offering local/regional distribution services of software and hardware. While they do offer other services such as software development, these distributorships are an important component of their business. Companies strictly offering software development and IT services tend to be smaller in size. Domestic companies have developed a range of services to serve the local market, which, in terms of size and needs, is advanced for the Caribbean.



As a result, the local ICT industry is among the best in the region, which has fuelled regional exports.

Firms have complained about the availability of skilled labour and the relevance of training provided to ICT graduates. The UTT is collaborating with the private sector in developing its programmes and this partnership needs to be expanded. The issue of training is discussed in the Enabling Environment Section below.

## **B) Software and IT – Capability and Competitiveness**

Trinidad and Tobago does have a strong regional capability in software development and IT services and does offer a cost savings over providers in the US, mainly due to a labour cost advantage. A trained programmer in Trinidad and Tobago would cost roughly US\$24,000 per year, compared with US\$45,000 at the lower end of the scale in the States (see Table 10 above). These rates also make Trinidad and Tobago competitive with Canada, which can only approach this salary with a bottom-of-the-range offering of US\$25,000. Despite this advantage, the firms in this segment of ICT services lack the size necessary to attract and deliver the scale of work that is generally outsourced from the US. To overcome this constraint, firms could offer niche services, particularly in areas relating to the energy sector, or the country could attempt to attract investment from an established service provider looking for a nearshore location to serve the US market.

Indian providers that are looking to set up nearshore locations for their US clients provide the best opportunity for foreign investment. However, in selecting a location, they opt for a destination that is publicly perceived as a mature nearshore hub with a critical mass of service providers. Trinidad and Tobago is not perceived as mature, and actually has a low international profile as a source of outsourced software and IT services, and lacks a critical mass of service providers. Canada, which has emerged as a key nearshoring location for serving the US, meets these two criteria and in fact many of the large Indian vendors (revenues of US\$250 million and above), have already established software development and IT nearshore hubs there. The fact that many of these companies also have a Canadian client base gives that country another advantage over Trinidad and Tobago. So while it can rival Canada on cost savings, it lags behind in other areas. However, this is a possibility worth pursuing as it offers one of the best means of accessing the large US market.

Within the CSME, Trinidad and Tobago has the capability to provide software development and IT services and by increasing regional exports, firms can develop scale and expertise. This will improve local providers' ability to export to the US and will make the country more attractive to investors looking for a nearshore destination to serve the American market. Regional exports are also important because the investment required for software development, in terms of cost and time, is very high and firms will need to be more established before they can engage in this quaternary activity.

## **C) Call Centres – Capability and Competitiveness**

Despite the high cost of internet access, Trinidad and Tobago does have an existing capability in call centres. In 2002, the country had 7 centres, 940 seats and 1,010





agents.<sup>28</sup> Although Jamaica, the Dominican Republic and Puerto Rico have larger call centre industries, Trinidad and Tobago should try to pursue knowledge process outsourcing (KPO) services which will not require large-scale operations.

KPO services are a better option for Trinidad and Tobago because they are not as dependent on low cost labour and operations, areas in which Trinidad and Tobago cannot compete with some other Caribbean countries, as lower value-added services are. For example, in the Dominican Republic in 2004, the cost of skilled labour was US\$4.47/hour and unskilled labour was US\$1.47/hour.<sup>29</sup> In Trinidad and Tobago, skilled labour was US\$13.50/hour and unskilled labour was US\$2.88/hour. Where Trinidad and Tobago has an advantage over countries such as the Dominican Republic is in its expertise in financial and insurance services. This expertise can be combined with its capability in call centres to offer KPO services. The 20-30% savings that Canada affords over the US has been sufficient to attract exports and foreign investment in this area. Trinidad and Tobago, where an insurance claims processor can be hired for US\$2,000/month, should be able to match Canada's cost advantage, particularly if the cost of internet access comes down.

The best opportunities are in financial and insurance sector-based KPO services such as credit verification, receivables management and claims management. It is in these niche areas that Trinidad and Tobago has the most potential for attracting higher value-added exports. Additional efforts should be made to create links between existing call centres such as DirecOne and financial and insurance services firms to increase the availability of services, thereby developing critical mass in the local industry that will make it more attractive to FDI. This will also provide a stepping stone for outsourcing of more complex KPO services that are not linked to call centres such as actuarial and risk management services in insurance and equity research and asset management in the financial sector.

#### **6.4 Market Positioning and Export Targets**

In the software development and IT services segment, Trinidad and Tobago has a competitive advantage in the region and should concentrate export promotion efforts on the CSME while trying to attract FDI into a nearshore location. As scale and expertise develop, some direct exporting to the US may be possible and the prospect of foreign investment in should improve.

Trinidad and Tobago should be able to provide KPO call centre services to the region, to the US and should be able to attract FDI in this industry, particularly if financial sector firms can partner with call centre operations to increase the range and quality of services offered.

Within the next five years, Trinidad and Tobago should attract at least one foreign investor that will set up a financial sector KPO call centre operation focused on the US market. Over this period, it should be possible to generate additional revenues of US\$25 million from increased exports of ICT services.

#### **6.5 Marketing Strategy**

<sup>28</sup> Caribbean Call Center Overview by James Beatty. Published by Customer Inter@ction Solutions, November 2002. The article reproduces information taken from a report released that year by the Zagada Institute on the Caribbean call centre industry.

<sup>29</sup> World Bank, figures are for 2004.



The marketing strategy will involve support to SMEs in developing CSME markets as well as targeting of the US market and courting of FDI in KPO call centre services. Many of the activities in the marketing strategy should be led by an industry association. The capacity of the ICT Society of Trinidad and Tobago (ICTSTT) to undertake such activities is not known but many of the indicative actions and resource requirements provided below have assigned responsibility to the ICTSTT for the time being. The exact division of responsibility should be addressed by the industry working group.

### 6.5.1 Brand Awareness

Trinidad and Tobago is a relatively new entrant into a mature global industry and so there is a need to create awareness of the country and the services it can offer.

1. Redesign of industry association website. The website of the ICTSTT is currently laid out as an information resource for members and the public. It needs to be redesigned to promote ICT services as a commercial product. The site should promote Trinidad and Tobago as a location for quality services and should profile particular areas of expertise. It should also offer general information on the country, information on the business environment, information on relevant investment/export incentives, information on the ICT industry (such as the size and skills of the labour pool) and general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An industry website provides a focal point for highlighting the services Trinidad and Tobago can offer and establishing its strong regional reputation in a marketable form that has international reach. It is often the first point of engagement for potential investors and businesses looking for strategic partnering opportunities, as well as for customers looking for service providers. It also serves as a way of differentiating Trinidad and Tobago from the service offering in other countries, which is an important aspect of competing in the international export market. Branding the country through the use of a USP can help in this regard. Due to its importance, it is vital that it is well-designed and information is clearly laid-out.

Actions Required	Resources Required
Hire website developer	US\$2,000 industry association to bear cost
ICTSTT to lead on development of sites, perhaps by appointing responsibility to a sub-committee; BDC to advise on development of content	25 person days
Maintain website	US\$2,000 per annum, industry association to bear cost

2. Image building advertising. These activities must be focused on increasing awareness of Trinidad and Tobago within international ICT circles. Ads should be placed in industry specific periodicals and brochures should be distributed at



Strategic Marketing Plan for the Promotion of Professional Services Exports

industry fairs and through international channels such as embassies and through joint national Chambers of Commerce.

Rationale: Trinidad and Tobago has a low international profile as a source of ICT services. Companies often must 'sell' the destination as well as their product, which makes marketing more difficult. While the website will address some of these problems, it is by nature a passive marketing device, requiring that industry players visit it of their own accord. Strategic, targeted advertising will reach those who may not access the website.

Actions Required	Resources Required
Hire graphic designer to develop brochures and advertisements for periodicals; ICTSTT to lead	US\$3,000, industry association to bear cost
Place advertisements in select few foreign periodicals; ICTSTT to fund. Potential periodicals are listed below	US\$15,000 per annum, industry association to bear cost
Distribute brochures to embassies, joint national Chambers of Commerce and at trade shows; ICTSTT to lead	US\$3,000, industry association to bear cost

Potential periodicals

US: CIO Magazine ([www.cio.com](http://www.cio.com))

Europe: Information Age

UK: Computer Business Review, Computing

- Strengthen the ICT industry association. The ICTSTT should take on a greater range of responsibilities on behalf of its members, including promotional functions. An established industry association should be responsible for:

- Providing information to its members on overall trends and opportunities locally and abroad.
- Briefing members on regulatory issues and competitor activity.
- Working with government agencies to develop a clear and consistent brand for Trinidad and Tobago and a defensible market position.
- Helping to build and support cooperative ventures between members to take advantage of business opportunities abroad.
- International marketing through organisation of delegations and attendance at tradeshows, publishing of newsletters and missions to targeted customers/investors.

Rationale: Local firms lack the resources to market themselves internationally and no unified body has taken on the responsibility for promoting the industry abroad either. This lack of marketing activity has contributed to the low profile of the local ICT industry. A well-functioning industry association provides a point of engagement for foreign interest and can market on behalf of the entire industry. In this way, it will increase awareness of Trinidad and Tobago as a source of ICT services.

Actions Required	Resources Required
Association's brand awareness development activities to include drafting and circulation of newsletters, sending	To be provided by industry association



delegations to trade shows and presenting information seminars

### Sample Industry Associations

The industry associations given as examples below provide an indication of best practice. Trinidad and Tobago should not seek to directly adopt their approaches as models but should use certain elements from each to inform the development of the local association.

ICT Ireland ([www.ictireland.ie](http://www.ictireland.ie))

NASSCOM – India ([www.nasscom.org](http://www.nasscom.org))

Australian Information Industry Association ([www.aiia.com.au](http://www.aiia.com.au))

4. Identification of potential investors. There is a need to conduct research on established foreign KPO call centre companies from markets such as India to explore the possibility of foreign investment in nearshore operations to serve the US market. A database should be created to track contact with potential investors. Information on industry trends also needs to be gathered.

Rationale: To focus the FDI courting process, a list of interested parties should first be compiled through research. Targeted efforts to convince them to invest in Trinidad and Tobago can then be conducted. Marketing efforts should focus on attracting investment in areas where Trinidad and Tobago has existing expertise, such as insurance and financial services. ICT outsourcing is based on rapidly evolving technology and as the industry develops, it must keep abreast of industry trends. Market information should be provided for domestic firms so that they can tailor their service offering.

Actions Required	Resources Required
Research into foreign providers that may be suitable partners for joint ventures or other forms of FDI, research into industry trends; ICTSTT to lead	US\$15,000 + 20 person days
Creation of database to track status of contact with potential investors; ICTSTT to lead	50 person days

5. Circulate a free monthly electronic newsletter to contacts within the database. This will keep clients and decision-makers informed of developments and opportunities in Trinidad and Tobago. Using the information in the client database, any business opportunities should be matched up with potentially-interested clients and postings to these clients should be followed-up with phone calls.

Rationale: A newsletter will advertise potential opportunities to clients. It will also facilitate relationship building by keeping contacts informed of the evolution of the local industry and will provide an “excuse” for conducting follow-up phone calls.

Actions Required	Resources Required
ICTSTT to draft and circulate newsletter, make follow-up	60 person days per



phone calls

annum

### 6.5.2 Direct Marketing

The focus of the direct marketing activities is to create export opportunities in US and regional markets and to attract FDI.

- Undertake investment promotion activities. The BDC needs to use the information collected in the database of potential investors to start to court FDI. This is likely to take the form of marketing missions as well as direct contact with firms that show the most interest in the country. The BDC should also promote contact between local call centres, financial and insurance firms and those investors who may wish to seek a joint venture or alliance.

Rationale: To add scale to its KPO call centre industry, Trinidad and Tobago needs to attract foreign investors.

Actions Required	Resources Required
Undertake direct promotion of Trinidad and Tobago as a FDI destination; BDC to lead, ICTSTT to assist	50 person days each
BDC to court the 50 most promising investors and refer them to local FA firms; ICTSTT to assist	50 person days each

- Market intelligence. As many of the firms in the software development and IT services industry are small, they do not have spare capacity to gather information on upcoming projects and opportunities in the public and private sectors. The ICTSTT should compile information on opportunities within the CSME. Since some opportunities will come through public procurement, training to service providers on how to prepare competitive tenders could help them to win projects.

Rationale: As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them at a disadvantage. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced.

Actions Required	Resources Required
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. Through its contact with firms for investment promotion purposes, the ICTSTT should be able to gather information on upcoming opportunities in the private sector. The BDC should gather information on public sector opportunities	40 person days per annum each



ICTSTT to prepare and deliver training on proposal preparation

30 person days

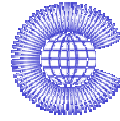
### 6.5.3 Enabling Environment

The exporting of ICT services has taken place in an *ad hoc* manner and concerted efforts to increase exports have not been made. While this strategy provides an approach to promoting exports, it requires that an industry working group is in place. Such a group will be able to take charge of the strategy and by working towards a common set of targets, will be able to address the enabling environment constraints to exporting.

The industry working group should draw together the ICTSTT, representatives from call centres, representatives from software development and IT firms, representatives from the financial and insurance sectors, the Ministry of Public Administration and Information, e Teck and the BDC. The group should also involve the Ministry of Education; the Ministry of Science, Technology and Tertiary Education; the UWI; the UTT and the COSTAATT in a partnership that addresses training in the ICT services sub-sector. This industry working group should take charge of the marketing strategy and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Access to Sites and Planning Permission:** To increase ICT services exports, some FDI will be required. To facilitate large-scale developments and make the country attractive to potential investors, access to sites will have to be provided and planning permission expedited.
  - **Incentives:** As in other services sub-sectors, the incentive regime that exists has not been tailored to the ICT industry. Specific FDI incentives and export incentives need to be designed to improve Trinidad and Tobago's competitiveness as a FDI destination.
  - **Training:** The private sector has expressed the view that graduates do not enter the workforce with an adequate skill set. There is a partnership between the UTT and the private sector to address this issue and it should be broadened to include the participants listed above. It may be necessary for the working group to form a more focused taskforce to deal with training. It should seek to identify specific training needs and provide tailored courses that reflect those needs. The industry association could play an important role in setting up and facilitating such a partnership.
  - **Partnerships:** Domestic firms should associate on tenders for large projects and larger local firms should subcontract work to smaller local providers. Associating on tenders provides a way that firms can overcome the limitations they face because of their small scale. If





Strategic Marketing Plan for the Promotion of Professional  
Services Exports

larger firms pass on work to smaller providers, they will be able to have the work done at lower cost and will be able to concentrate on further business development and higher fee-earning work. The smaller firms benefit because they develop expertise and an established track record and increase their business. The industry association will need to encourage this activity and facilitate contact between businesses.

- **Access to Finance:** For further details of what is required, please see the Action Plan.



## **7 Construction-related Services**

### **7.1 Introduction**

The world market for construction related, knowledge-based services, principally architecture and engineering, is estimated to be worth around US\$600 billion. A quarter of these, US\$150 billion, are carried out in-house by construction companies, another quarter by firms whose principal business is not consulting engineering, and roughly a half (US\$300 billion) by firms who are principally architects and consulting engineers. This suggests that a world market worth around US\$300 billion is contestable by specialist architectural and consulting engineering firms. A high proportion of this market is made up of engineering services.

Like the construction industry itself, the world market is highly concentrated geographically. Some 75% of the total market is likely to be concentrated in the top 10 nations by spend on construction: the US, Japan, China, Germany, France, the UK, Italy, Spain, Canada and the Netherlands. Over the past decade, demand has been growing rapidly, led by high rates of economic growth and rising asset prices that have resulted in a boom in construction. Particularly rapid growth has been recorded in the emerging markets with China and the Middle East representing hot spots for the growth of demand.

The vast majority of the market is supplied domestically, though international trade in these services is increasing. Engineers and architects from other countries are being engaged to supply services, particularly on large projects, where the domestic industry has yet to develop competence. The development of large scale commercial complexes in China and the Middle East are an example. In addition, large firms with international reputations, based in the more mature OECD markets, are increasingly engaged to work on high prestige projects.

There is a mix of modes employed in delivering services internationally. When working on projects abroad, a high proportion of trade is cross border (mode 1), as the home office of large firms will provide much of the service. Commercial presence (mode 3), in the form of local offices or representation, is playing a greater role. The larger firms, particularly consulting engineers, are beginning to establish global networks of offices whilst medium to large firms are appointing representatives. Almost all projects will involve some travel of persons abroad (mode 4) for client meetings and site inspection.

### **7.2 Engineering Services**

#### **7.2.1 International Trends**

##### **A) Development of Trade in Engineering Services**

The supply of services remains predominantly domestic because practicing as a consulting engineer in most countries requires engineers to have a local presence and be registered with a locally accepted professional association. Nevertheless, international trade in consulting engineering services is increasing. The factors driving the growth of the international market are:

- The increasing globalisation of the construction industry itself as a result of cost differentials and increasing specialisation. As the construction industry



becomes globalised it, in turn, causes consulting engineers to become global to serve their clients;

- The growing importance of large, complex, prestige projects that can only be serviced by large, international firms of civil engineers that have the necessary expertise, experience and scale;
- The shortage of engineers in some countries (e.g. the UK) and the large differentials in earnings between engineers based in the richer developed countries and those from central and eastern Europe or low cost Asian countries; and
- The small but rapidly growing market for outsourcing engineering services either in-house between the offices of international firms or externally to firms based in cheaper locations.

### **B) Offshoring Internally**

The international trade is dominated by large firms which have opened networks of offices to provide their services globally, though most are strong only in one or two regions of the world other than their home base. These firms choose to establish offices in countries based on the volume of work they are likely to obtain. Hence, all the major international firms have offices in growth hot spots such as China and the Middle East. Countries that are likely to provide smaller volumes of work are often covered by appointing representatives.

The growth of ICT is changing the roles of local offices based in lower cost countries. With the ability to send drawings and data instantaneously to all parts of the world, the larger firms are increasingly using their network of offices to offshore services to cheaper destinations. Offices located in complementary time zones that enable work to be carried out when the home office is closed for the night are particularly attractive as they allow 24 hour working. The services offshored tend to be the less critical, labour intensive such as the production of drawings and support for drawing up bills of quantities.

Cost differentials are mainly due to employment costs. Engineers in the richer developed countries are likely to earn several times (US\$4,000-US\$5000/month for a draughtsman) those in low cost countries in central and Eastern Europe or India and China (US\$1000-US\$2000 for a draughtsman). In addition, cost of accommodation and other overheads are also lower. As the engineer or draughtsman is trained by the firm and the quality assurance system is likely to be identical to the home office, reliability of quality is not a concern for offshoring. Nevertheless, the office generating the business is unlikely to outsource the higher value-added services because these are likely to be the most profitable and critical to client satisfaction.

### **C) Outsourcing**

Outsourcing engineering services has been part and parcel of the industry for some time taking the form of sub-contracting services in which the principal supplier is not strong. Such practices are especially prevalent amongst medium and small firms who frequently may not have the full range of skills needed for a project in-house. Such outsourcing is usually localised or at least within national borders, based on long-established relationships between firms.

A more recent development has been external outsourcing across international borders. This is still in its infancy but likely to grow rapidly as a result of cost differentials and specialisation. The main constraint to its growth is concern over professional standards and skills. However, where the firm providing the service is



run by engineers that are qualified and registered to practice in the country of the client, there is likely to be greater confidence in the professional competence of the supplier and hence the quality of the service that will be received. At present, international trade is limited to labour intensive, low-value added functions such as draughtsmanship but, with greater trust, the type of service provided could be higher value-added.

#### **D) The Caribbean Engineering Industry**

In the Caribbean, because of the small size of the market, the numbers of firms of consulting engineers is limited in each country. Barbados, Trinidad and Tobago and Jamaica have the three largest consulting engineering industries. The largest industry association, the Barbados Association of Professional Engineers, has 180 corporate members. Of its corporate members, some 40% actually work for companies whose main business is not engineering consultancy. The Association of Consulting Engineers of Trinidad and Tobago (ACETT), which represents the special interests of firms and individuals in private consulting practice, has 45 members. Dominica and St. Lucia have very small industries consisting of a handful of firms, most of which are small.

Most firms serve local markets. However, the larger firms are becoming pan-Caribbean, opening offices in other countries, thereby driving the growth of trade in engineering services within the CSME. In addition, specialisation is increasing within the industry, spurring the use of firms based in other CSME member countries. Tenders launched for large commercial projects and donor agencies are open to firms internationally, allowing firms to work across the region. Outsourcing within the region is limited to the larger firms passing on work to their network of offices and the sub-contracting of specialists from other islands.

As the CSME becomes a reality, the trade in engineering services within the region will increase. The free movement of professionals, mutual recognition of qualifications and better ICT links will enable trade in engineering services to increase using all 3 of the relevant modes of trade. This will enable greater specialisation to occur which should lead to a more efficient industry. However, overall, the growth of the consulting engineering industry will continue to be limited by low levels of gross fixed capital formation in the region. Achieving high rates of growth will depend upon the industry being able to export its services to larger markets such as the US and the UK.

The Caribbean industry should be able to compete on price in these markets. In the UK, the average salary of a draughtsman is US\$55,000. And the UK is short of engineers. There are also pockets of excellence in the Caribbean, such as environmental management and disaster mitigation in Barbados and services to the oil industry in Trinidad and Tobago, which could form the basis of competitiveness in international markets. The key issues will be the extent to which the larger Caribbean firms have the ambition to invest in developing international markets and can overcome the challenges of managing businesses with international customers.

#### **7.2.2 Qualifications and Accreditation**

As is the case with architects, local presence and compulsory membership of a professional association are commonly required by law for an engineer to practice in a country. Barriers to practicing internationally are, however, progressively being removed, as indicated by the following:



- Recognition of foreign qualifications is more advanced in engineering than in architecture. In a number of countries, foreign professionals do not need local licenses if they have a license to practice from their home country. For example, there is a mutual recognition agreement between NAFTA member countries for temporary and permanent licensing of engineers.
- The Washington Accord's nine signatories – Australia, Canada, Hong Kong, Ireland, Japan, New Zealand, South Africa, the UK and the US – recognise the substantial equivalency or comparability of engineering education courses that have been accredited in any of the signatory countries (the "Accredited Engineering Degree Courses"). The Accord does not, however, address the mutual recognition of professional credentials, such as the professional engineer, or chartered engineer.

Internationally, there are two main bodies that are important for the consulting engineering industry.

- The International Federation of Consulting Engineers (FIDIC) is the largest professional association globally. FIDIC membership today numbers 74 member associations representing some one million professionals. Many national associations, including those in Barbados and Trinidad and Tobago, are not members of FIDIC. FIDIC membership does not confer advantages in terms of mutual recognition of professional qualifications or licenses to practice.
- The London based Institution of Civil Engineers (ICE), is a global membership organisation that promotes and advances civil engineering around the world. ICE now has nearly 80,000 members in 150 countries. Currently there are 196 members recorded as living in the West Indies. Again, membership of ICE does not confer advantages in terms of licenses to practice.

At present, given the restrictions on practicing in other countries, only those Caribbean engineers that have obtained a license by living in the US and UK are likely to be able to supply these markets through mode 4. However, providing services on an outsourced basis to firms of consulting engineers located in these countries should be open to all.

The draft Economic Partnership Agreements with the EU, if formalised, would help to reduce barriers to providing engineering services from the Caribbean. They would enable Caribbean engineers to travel to the EU to work temporarily without economic needs tests. They also provide the basis for mutual recognition of qualifications but how these are to be implemented remains to be determined.

### **7.2.3 Local Capability and Competitiveness**

The engineering sector is the largest in the CSME and of very high quality. The Board of Engineering oversees registration of professionals in accordance with local legislation and there are 835 registered engineers on its rolls. As in many other industries in the country, many of the private firms are small practices. However, Trinidad and Tobago is unique in the CSME in that the local industry has 10-20 large firms (over 50 professionals). While the smaller firms will likely only be able to export within the region, these larger firms have the ability to export outside the CSME.



The country boasts strong capabilities in a range of disciplines, including civil, structural, mechanical and electrical engineering, and has a particularly high level of expertise in petroleum and energy engineering. The service offering is made more attractive by the fact that the cost of engineers in Trinidad and Tobago is lower than in the US, giving the country a good value proposition.

In the energy sector, Trinidad and Tobago has a particular capability in drilling and gas processing. Within these areas, petroleum and electrical engineering capabilities are strong. Many big international energy service companies such as Schlumberger and Halliburton are present, but there are some locally-owned companies as well and joint ventures between the two are common. Some local firms, Tucker, for example, have exported petroleum services outside of the region. Plant maintenance services are being exported to other markets and a move to do more of the front end design work in Trinidad and Tobago that was previously done in Houston has been successful. This includes the design of platforms, pipeline layout, project management and even procurement. This is a world class service and has good prospects for export.

The quality of the engineering services is excellent by regional and international standards. Reports from consulting civil and structural engineers were that the supply of skilled labour was not a problem, but the energy sector indicated that the capacity to export was limited because the UTT was just meeting the need to serve the local market. A major issue is the labour implications of downturns in this cyclical industry. When the local market dips, labour is often siphoned off by foreign companies, and Trinidad and Tobago lost roughly half of its consulting engineers during a previous downturn. Developing a more established base of exports could help to support the industry during such periods and reduce the chance of an exodus.

## **7.2.4 Market Positioning**

Given the structure of the local industry and its capabilities, the best opportunities for increasing exports are in the following markets:

- The CSME region. Trinidad and Tobago has a history of exporting in the region and this market is the primary opportunity for increased exports for all firms.
- The UK. There is a shortage of engineers in the UK which is creating opportunities for exports to that market under modes 1 and 4. Supplying services under mode 4 will be difficult for Trinidad and Tobago as it does not have as many chartered engineers as Barbados does. This will make it difficult for them to work in the UK. The main opportunity is in supplying draughtsmanship (in an engineering context) and other low value-added engineering services to UK firms on an outsourced basis. Cost differentials make this an attractive market. The new foreign entrants to the UK market are large US engineering firms with which Trinidad and Tobago should be able to compete. The firms most likely to have the capacity and capability to supply these markets are the larger engineering firms that have started the process of global expansion by opening offices in other Caribbean countries. If there is sufficient appetite amongst these firms for entering the UK market, the way to develop this market will be to arrange marketing trips for the larger firms to visit interested firms in the UK to offer outsourcing services. Firms with staff who are members of the ICE or are chartered engineers will have a





greater probability of success as their competence will be recognised by UK firms.

- The US. There are already a number of US oil and gas companies and petroleum services companies active in Trinidad and Tobago. These firms need to be convinced to outsource more of their high-end activities, such as plant design to local firms. Marketing trips to visit these firms should also be arranged.
- Europe. The EPAs, could allow local engineers to access the wider European market. This is a long-term possibility and is discussed in more detail under the Enabling Environment Section below.
- International engineering and oil and gas companies. Many of these companies are already active in Trinidad and Tobago, but some are simply focused on the offshore oil and gas industry. Trinidad and Tobago should promote itself as the centre of engineering services in the Caribbean and attempt to convince firms to set up local operations to access the national and regional market. Once these local offices have been established, they may internally offshore functions to Trinidad and Tobago which has a cost advantage over western markets, and a number of strong niche capabilities.

## 7.3 Architectural Services

### 7.3.1 International Trends

#### A) The State of Trade in Architectural Services

International trade in architectural services is growing for many of the same reasons as engineering services. The globalisation of the construction industry, the growing importance of large, complex projects that require large or specialised architectural firms and growing cost differentials between architects from the rich developed countries and the rest of the world, are common to the growth of both types of service. However, global trade in architectural services is likely to be considerably lower in value than engineering services for a number of reasons:

1. Foreign architects need to be registered locally to be able to practice architecture. Registration is considerably harder than for engineers (see the Qualification and Accreditation Section below) requiring foreign architects to practice as interns and pass exams, all but preventing the supply of services on a temporary basis (mode 4) unless the architect has registered previously.
2. Many countries specify who may apply for planning permission, limiting this key function to those who are registered to practice architecture in the country.
3. The nature of architecture means that the types of work that may be sub-contracted or outsourced is more limited than engineering.
4. The large architectural firms are smaller and less globalised than their engineering counterparts and hence less able to drive international trade.

What these trends imply is that international trade in engineering services is not only much greater in value today but is also likely to grow at a faster rate. International trade in architecture will grow rapidly, but will be driven mainly by the international expansion of large firms. Outsourcing will remain limited to a few labour-intensive processes such as draughtsmanship. This is borne out by the fact that the outsourcing of architectural services has received far less attention from within the profession than outsourcing of engineering services has.



The market for architectural services is also fairly strongly contested. In the UK for instance, charges for an architect (not senior) range from US\$85/hour to US\$115/hour and for an architect's assistant, US\$65/hour to US\$85/hour. Whether the difference in pricing is sufficient to compensate Caribbean architects for investing the time and money in developing a market overseas and still enables them to undercut domestic service providers remains to be determined.

### **B) The Caribbean Architectural Industry**

Within the Caribbean, trade in architectural services is being driven by a combination of the larger firms opening offices in other islands and sub-contracting or alliances with specialists based in other countries. The larger architectural practices are based in Barbados, Jamaica and Trinidad and Tobago. They have opened offices in other islands. In addition, in the OECS, there is evidence of a growing intra-regional trade in architectural services.

As the CSME emerges, it is enabling greater movement of persons. Currently, each country has its own association of architects and the right to practice in that jurisdiction is linked to membership of the association by law. Reducing the barriers to mutual recognition of registration should not pose a problem. The Caribbean School of Architecture, at the University of Technology, Jamaica, is the only School of Architecture in the English-speaking Caribbean. Further, a large proportion of Caribbean architects are registered with the Royal Institute of British Architects (RIBA). This provides the basis for a common recognition of qualifications and registrations.

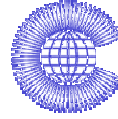
Encouraging greater freedom to practice across the CSME would be helpful in developing the capability to provide architectural services to more attractive markets in the US and UK. It would enable larger firms to emerge that would have the capacity to supply services to these markets. And it would enable specialisation to increase, enabling competitive advantage to develop in niche segments.

## **7.3.2 Qualifications and Accreditation**

### **A) UK and EU**

To practice in the UK, architects must be registered with the Architects Registration Board (ARB). Britain is a world leader in architectural education, evidenced by a high enrolment rate by international students. In 2000/01, 15.4% of architecture students entering British universities were from overseas. The ARB does not recognise any qualifications obtained outside the UK (including international courses validated by the RIBA) except those covered by the European Commission Architects' Directive 85/384/EEC. Appropriately-qualified architects from EU Member States registered in their own country are able to register in other Member States. Most UK architectural qualifications are recognised under the Directive and UK architects registered with ARB may register in other EU member countries.

For architects qualified in other EU member countries via one of the academic programmes listed under Directive 85/384/EEC, s/he may register with the ARB following two years European professional experience and go on to practice as an architect within the UK. Statutory control over who may practice varies from one Member State to another. Whist countries such as Denmark, Ireland and Sweden exercise no state control, others reserve some functions for domestically registered architects or put in place various restrictions such as who may make planning applications.



In the UK, the sole professional body is RIBA. RIBA represents 24,000 architects in the UK and a further 3,000 overseas. Its main function is to promote the development of the profession in the UK, though it plays an important regulatory role with the ARB in registering architects. RIBA membership provides recognition of professional competence and is hugely important in the UK market. To be a RIBA member, one has to train for a minimum of seven years, which normally involves three key stages:

- A five-year degree programme, on a course that is recognised by the RIBA and the ARB.
- A minimum of two years Professional Experience in an architects' office or equivalent.
- This is followed by the RIBA Examination in Professional Practice and Management.
- For those who wish to apply for chartered membership of the RIBA, s/he must have completed five years professional experience since finishing listed qualification.

In addition to individual membership, most of the UK's architectural practices are also corporate members of RIBA. The key criteria for RIBA Registered Practices include:

- A minimum of 80% of registered architects within the practice are RIBA Chartered Members.
- The active Principal or Executive Company director of the practice is currently a RIBA Chartered Member.
- They have management systems in place to ensure their architects comply with RIBA Continuing Professional Development obligations.
- A RIBA registered practice may register overseas, following the requirements and process set up by the national registration body of that particular country.

For architects qualified from outside the EU to register as an architect in the UK, s/he needs to apply for an assessment by the RIBA and the ARB through the ARB RIBA Assessment Panel to obtain recognition of her/his qualification and then sit the Professional Practice Examination run by the RIBA. For those who have their architectural education partially completed overseas and plan to complete studies within the UK, they will first need to have their international study assessed for equivalence to UK standards before undertaking further study on RIBA ARB recognised courses in the UK. Hence, for those architects that have studied and qualified in non-EU countries, there are substantial barriers to supplying services to the EU. All that is open, for now, is to provide non-critical services such as producing drawings.

The EPAs would change this substantially. The draft EPAs indicate that architects would benefit alongside engineers by having greater access to EU markets.

## **B) US**

US federal laws governing the practice of architecture are both "title" and "practice" statutes. With only minor exceptions, no one may engage in acts that constitute architectural practice without first being registered. In addition, no one may use the title "architect" or advertise his or her services as an architect or otherwise represent oneself to be an architect without first being registered.



The National Council of Architectural Registration Boards (NCARB) is the national agency to establish registration or licensing policies. Each state has a state board that registers and regulates architects. NCARB requires a degree accredited by the National Architectural Accreditation Board (NAAB) in the study of architecture. NAAB does not accredit foreign professional degree programmes. Foreign-educated individuals, who do not hold such a degree, may be directed to have all of their post-secondary education evaluated by NAAB.

NCARB requires candidates for certification to have completed an internship (the Intern Development Program or IDP). Most state boards similarly require IDP. In the IDP, training is measured in training units; one training unit equals 8 hours of acceptable experience. To satisfy the IDP requirements one must earn a total of at least 700 training units, with prescribed subtotals in various training areas. The maximum credit allowed for foreign experience in architecture is 235 training units if under the supervision of an architect not registered in the US or Canada. Every NCARB member board requires interns to pass NCARB's Architect Registration Examination (ARE). Those who practice architecture outside of the US or Canada must also pass the ARE to qualify for registration in the US. An alternative to the IDP training requirement is provided for a person who has practiced for at least five years as a principal in a foreign architectural firm.

For foreign qualified architect to become a registered architect in the US, most states require that the person (1) holds a professional degree in architecture which is equivalent to a program accredited by the NAAB, (2) has satisfied the IDP requirement and (3) has completed the ARE.

Neither citizenship nor residency is required in order to obtain the NCARB Certificate. A non-US person who meets NCARB's standards may obtain the Certificate. In many cases, education and training outside the US are fully credited by NCARB. However, due to non-existence of bilateral agreement on registration between US and other countries, with the exception of Canada, they cannot practice architecture in a US jurisdiction without acquiring a license to practice in that jurisdiction.

The US is currently seeking a mutual recognition agreement with China to enable its architects to practice in that country.

### **C) Canada**

Regulation of the profession of architecture, including the registration/licensing of architects, is the responsibility of each province. All 10 provinces have self-regulating associations to govern the profession of architecture and to establish registration/licensing requirements. Fortunately, all provincial associations have common admission standards, regarding education, experience and examination. Such standards facilitate reciprocal registration/licensing from province to province.

For any non-US foreign trained architect to practice in Canada, s/he is required to register as an intern with the appropriate provincial association. Each association (except Quebec) requires interns to pass NCARB's ARE. Some provinces may have additional requirements before registration, such as the completion of a certain number of hours of practical training.

### **D) Australia**

Anyone using the title 'architect' or offering services to the public as an architect, must by law be registered with the architects' board in the relevant state or territory.



Each state and territory has its own architects' board. Generally, to register as an architect one needs:

- a recognised academic qualification in architecture, a pass in the National Program of Assessment, or a pass in the relevant registration board prescribed examinations where offered;
- a period of training through experience followed by successful completion of the AACA Architectural Practice Examination; and
- to apply for registration to the architects' board in the state or territory in which registration is sought.

### **7.3.3 Local Capability and Competitiveness**

The local architectural industry has a similar structure to the engineering sector, but on a smaller scale, which reflects the relative size of the two industries. The Board of Architecture of Trinidad and Tobago, the local authority charged with registering architects, recognises about 40 practices. Roughly 8 of these are considered large by local standards, which means they have at least 5 architects. There are a few 2-professional firms, but the majority are single-person operations; even the small firms do work on large projects. The Trinidad and Tobago Institute of Architects (TTIA) has 84 qualified architects as members.

The quality of services is internationally-competitive, but the industry has a low profile outside of the region. Firms offer a full range of services, including design, technical drawings and project management. As a result of the petroleum industry, particular capabilities exist in areas such as efficient energy design and terrorist protection design. Costs are competitive with the UK and the TTIA provides recommended fee bands that charge a percentage based on the cost of the project, the classification of the building and whether it is a new building or work on an existing structure.<sup>30</sup> These vary widely, from 4.8%-15.65%, but some firms charge between 6% and 10%.

While there is a cost advantage, the current accreditation scheme makes it difficult for architects to supply services to the UK through mode 4. And since outsourcing in the industry is limited to labour-intensive activities such as draughtsmanship, these activities are more likely to go to lower-cost destinations with the ability to handle high volumes of work. Accessing the UK and the rest of the EU market will be dependent on easing of registration requirements through the EPA negotiations. Similarly, outsourced work from the US is not likely to be sent to Trinidad and Tobago, and the registration regime will have to be eased through trade negotiations before mode 4 service supply becomes feasible. The exporting that has taken place has been regional.

### **7.3.4 Market Positioning**

The size, quality and maturity of the Trinidad and Tobagoian architectural industry give the country a competitive advantage in the CSME. Exporting to the region has already occurred and this market continues to present the best chance for increased exports. Trade negotiations should seek to open up the EU and the US to architects and, if that is done, there may be long-term possibilities in those markets. Trinidad and Tobago will not be able to compete with low-cost destinations for labour-intensive outsourcing. At the moment, higher value-added services are not

<sup>30</sup> See [http://www.ttiarch.com/fee\\_bands.htm](http://www.ttiarch.com/fee_bands.htm) for more information.



outsourced, but if this were to change, local architects could attempt to supply such services to UK and US firms via cross-border supply, which would allow them to avoid onerous registration requirements. However, the EU and the US are not feasible target markets at present.

## **7.4 Construction-management Services**

### **7.4.1 International Trends**

The top ten nations in terms of spending on construction are the US, Japan, China, Germany, France, the UK, Italy, Spain, Canada and the Netherlands, accounting for 75% of the global market. Much of the services for these markets have been supplied domestically. Growth in the world economies continues to underpin strong growth in demand. The very high levels of economic growth in some emerging markets have been paralleled by high growth rates in the construction sector. China is becoming a very large market and the oil-driven boom in the Middle East has financed massive projects in those countries that have greatly increased construction activity.

Projects are becoming increasingly complex and require the services of large, global firms that possess an array of expertise, including construction-management skills. However, they continue to make use of local firms to assist in the execution of this work as they may not be familiar with the local operating environment.

### **7.4.2 Local Capability, Competitiveness and Market Positioning**

The construction-management industry is structured similarly to the architectural and engineering sectors. The Contractors' Association has about 250 members and about 10% of the firms are large, 30% medium-sized and the rest are small. There are no locally-owned firms that are large by international standards, although there are a number of large foreign firms that work locally and serve the regional market. These firms compete directly with local firms.

At the moment, this is not an issue as there is a lot of domestic demand. However, since construction is a cyclical industry, when that dies down, there will be excess capacity and competition will increase. While the quality of work offered by local firms is high, they cannot compete with larger foreign operators in terms of scale. However, their costs are competitive and some local firms have been able to export their services regionally.

The construction industry is moving towards the use of management contractors rather than general contractors, and while Trinidad and Tobago has some capability in this regard, it needs to increase its capacity and experience in this area to capitalise on the opportunity. Local firms have good capability in project management and have the ability to build from the ground up, rather than simply using prefabricated materials, which is important because using prefabricated inputs reduces value-added.

The Contractors' Association has begun efforts to implement a licensing regime for contractors. This is an important step that will help to increase professionalism and the reputation of an industry that is open to unqualified entrants.





Firms will not be able to compete for the type of massive projects that are going on in Middle East because they cannot offer the range of specialist expertise or the scale required. The best opportunities for exporting will continue to be within the CSME.

## **7.5 Export Targets**

Exporting of services within all three market segments encompassed by construction-related services is already taking place within the CSME, which will continue to provide the best opportunities in all areas. Engineering services can focus on attracting business from the US and UK markets and will likely yield the greatest share of increased revenues of the three segments. Considering the local capability and the potential in the target markets, a realistic 5-year goal is to add an additional US\$15 million to earnings from construction-related services.

## **7.6 Marketing Strategy**

Clearly, the size of the international trade in engineering and architectural service that is contestable by firms specialising in these services is large (US\$300 billion). However, international trade is dominated by engineering services and this is likely to remain the case in the foreseeable future. Of this market, a sizeable proportion is likely to be served by the larger, international firms. Third party outsourcing is only now becoming an established practice, though it is likely to grow rapidly in some areas. The strategy is focused on increasing regional exports in all market segments, creating opportunities in extra-regional markets (primarily the US and the UK and primarily for engineering services) and on improving long-term export prospects.

### **7.6.1 Brand Awareness**

The first step in the process is to increase the profile of the sub-sector internationally. Trinidad and Tobago has a good regional reputation, but this needs to be showcased in a more focused way that has a global reach.

1. Redesign of industry association websites. The websites of the Association of Professional Engineers of Trinidad and Tobago (APETT), the Trinidad and Tobago Institute of Architects (TTIA) and the Trinidad and Tobago Contractors' Association are all currently laid out as an information resource for members and the public. They need to be redesigned to promote their relevant services as a commercial product. Each site should promote Trinidad and Tobago as a location for quality construction-related services and should profile particular areas of expertise. They should also offer general information on the country, information on the business environment, information on relevant investment/export incentives, information on the local industry (such as the size and skills of the labour pool) and general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An industry website provides a focal point for highlighting the services Trinidad and Tobago can offer and establishing its strong regional reputation in a marketable form that has international reach. It also serves as a way of differentiating Trinidad and Tobago from the service offering in other countries, which is an important aspect of competing in the international export market. Branding the country through the use of a USP can help in this regard.



Actions Required	Resources Required
Hire website developer	US\$2,000 per site, relevant industry association to bear cost
Industry associations to lead on development of their sites, perhaps by appointing a sub-committee; BDC to advise on development of content	25 person days per site
Maintain website	US\$2,000 per annum per site, relevant industry association to bear cost

### 7.6.2 Direct Marketing

These activities are designed to create export opportunities in the target markets for firms and to provide support to activities taken on independently.

1. Marketing trips. Trips for the larger, export-ready firms in the local industry to meet with US and UK firms should be arranged. As indicated above, the UK is suffering from a shortage of engineers and firms in this market will be more likely to require strategic partners to help cope with the resultant lack of capacity. A number of international firms (mainly US) are already working or have operations in Trinidad and Tobago and efforts should be made to solicit higher-end engineering outsourcing work from them, or to convince them to establish local operations to serve the region. Delegations comprising representatives from a number of firms should be organised so that a broad range of services and providers are exposed to potential customers.

Rationale: UK firms looking to outsource engineering work or partner on projects may not be aware of what is on offer in Trinidad and Tobago and marketing trips will address this constraint. International and US firms with a local presence are already familiar with what Trinidad and Tobago can offer and so are excellent sources of potential outsourcing work. Marketing to engineering firms instead of potential clients for engineering services will avoid the high cost of directly marketing for individual contracts. The foreign firms will attract the business and, if they are convinced of the benefits of using local suppliers, they will continue to provide export opportunities. This allows local firms to benefit from their marketing efforts. Aside from raising the profile of the industry, trips will allow local firms to gain valuable information about upcoming opportunities and how foreign firms select partners. The exchange of information may lead to some immediate partnering or outsourcing opportunities.

Actions Required	Resources Required
Compile a list of US/UK engineering and oil and gas firms with potential interest in outsourcing/partnering; this may require the assistance of a consultant familiar with the engineering landscape in each country. The APETT and	30 person days + cost of potential consultancy



Strategic Marketing Plan for the Promotion of Professional Services Exports

individual firms should be able to inform the selection process. Contact the firms and arrange meetings; BDC to lead	
Organise and send delegation to meet with firms; BDC to lead	Privately funded by delegation members + 20 person days for trips (10 days for each of 2 trips)

- Marketing support and market intelligence. Although the level of technical capability in this sub-sector is high, even in smaller firms, the ability to market that capability is sometimes lacking. While many firms may be more than capable of carrying out a job, in some cases, they cannot make this expertise clear in public tenders. Training to service providers on how to prepare competitive tenders could help them to win projects. Additionally, information on upcoming projects and opportunities should be compiled and disseminated industry-wide.

Rationale: Much work in the construction-related services sub-sector is awarded through public procurement. To ensure their future viability, firms must be able to put together competitive proposals. While they will develop expertise in doing this through experience, training could improve their success rate in a more immediate way. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced. For example, it may be necessary to form a consortium to bring in the full set of skills required for the job, and this means partners need to be identified at an early stage. As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them behind their competitors. This information could be compiled nationally for all firms.

Actions Required	Resources Required
Develop and deliver training programmes on preparing project proposals. The industry associations may take on this function in cooperation with the BDC	30 person days per annum
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. A list of major construction-related services firms operating in the target markets should be compiled and then visits should be conducted. Again, the industry associations could take on this role and work with the BDC	40 person days per annum

- Matching grant facility. The purpose of this facility should be to provide funding for activities designed to generate export opportunities for service providers in the sub-sector. The Government, perhaps through the BDC, could contribute funds on a one-to-one matching basis for individual firms to access. These funds could be used by service providers to finance their marketing activities. Although engineers and architects are not allowed to advertise their services, they can



undertake business development and this is what such funds are intended to support.

Rationale: Even if activities such as marketing missions are organised on behalf of firms, they will still have to contribute some resources. Their marketing budgets for these collective activities, as well as for their individual business development efforts, might be limited. A matching grant facility provides some assistance in this regard.

Actions Required	Resources Required
BDC to liaise with industry working group on drafting of fund framework and charter	20 person days
Create application process, including documents and selection criteria, that are suited to the construction-related services industry; BDC to lead	15 person days
First-year goal should be to assist 20 businesses	US\$100,000
Launch fund and administer disbursements; BDC to lead	30 person days

### 7.6.3 Enabling Environment

The exporting of construction-related services that has taken place to date has been based on the quality of services offered; a directed and concerted effort to commercialise the industry outside of Trinidad and Tobago has not been made. The marketing strategy is an attempt to make this push and to be successful, it needs an industry working group to take the lead and address the enabling environment constraints to exporting.

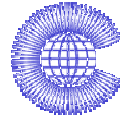
The industry working group should draw together the APETT, the TTIA, the TTCA, the TTSCI, the Ministry of Works and Transport, the South Trinidad and Tobago Chamber of Commerce and the BDC. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Free movement:** As much of the initial export focus will be on serving countries in the region, it is important that Trinidad and Tobagoian professionals can work in these markets. A common view in the private sector is that the Government should require local content in its construction-related projects to protect the local industry. However, given Trinidad and Tobago's strong position in the regional industry, local firms stand to benefit more by a level regional playing field. The CSME should alleviate requirements for local accreditation and ensure that local content requirements are reduced, thereby facilitating access to regional markets. Negotiations on access need to be monitored by the industry to ensure that markets genuinely open up. The Caribbean Council of Engineering Organisations (CCEO) is expected to eventually have regional oversight over training and



accreditation, which would be an improvement over the multitude of national schemes that exist now. Once in place, CCEO-accredited professionals should be able to work throughout the region.

- **Improve International Market Access for Engineers:** While accreditation is not required when taking on outsourcing work, it does become an issue when personnel are required to work abroad. The process of obtaining foreign qualifications for engineers and architects can be quite onerous and pursuing these standards is not always feasible, even for those who train in the region. Rather than having individuals obtain foreign qualifications, international trade policy negotiations should facilitate movement of persons. This issue is already on the agenda in the EPAs, and once they come into effect, they should allow temporary work in Europe without qualifications. The EPAs also address mutual recognition of qualifications but how this will be implemented is uncertain. What should be pursued is a NAFTA-style arrangement that allows for temporary and permanent licensing of engineers who are licensed in their home jurisdiction or CCEO accredited, when that regime comes into place. Similar regimes should be pursued with other countries such as the US and attempting to join the Washington Accord, although it only deals with mutual recognition of engineering education programmes, may be a starting point.
- **Improve International Market Access for Architects:** The draft EPAs indicate that architects would benefit alongside engineers by having greater access to EU markets. They should seek to have Caribbean qualifications recognised under the EU's Directive 85/384/EEC and grant Caribbean professionals European treatment. This would essentially allow Caribbean architects to register in European countries following the Directive once they have 2 years professional experience.
- **Skills:** A number of firms have reported difficulties in recruiting skilled labour. And if Trinidad and Tobago is to pursue outsourcing of construction-related services, it will need to ensure that skilled labour is in adequate supply. For example, outsourcing of draughting services will require that the supply of draughtsman is increased. While many more qualified professionals that have the capability to do this work exist, their high rates make them uncompetitive in such services. The private sector will need to liaise with training institutions to guide the development of education programmes so that graduates enter the workforce with relevant skills. The industry working group should involve the Ministry of Education; the Ministry of Science, Technology and Tertiary Education; the UWI; the UTT and the COSTAATT in a partnership that addresses training.
- **Incentives:** As in other service sub-sectors, there is a need to develop export incentives that are tailored to the construction-related services sub-sector. This will make exporting more profitable, which will be important as the CSME opens up the local market. SMEs also suffer from a lack of access to finance. This is a common problem in many of the service industries and the issue of access to finance for SMEs should be approached as a general problem, rather than individually by service sub-sectors. The possibility of obtaining donor funding for technical assistance on this issue should be explored.



Strategic Marketing Plan for the Promotion of Professional  
Services Exports

- **Public-Private Partnerships:** These partnerships will be a key element to the success of the marketing strategy. The private sector will have to inform trade policy negotiations and the development of training programmes and formal partnerships with the public sector will need to be formed to do this.
- **Private-Private Partnerships:** Domestic firms should associate on tenders for large projects and larger local firms should subcontract work to smaller local providers. Associating on tenders provides a way that firms can overcome the limitations they face because of their small scale. If larger firms pass on work to smaller providers, they will be able to have the work done at lower cost and will be able to concentrate on further business development and higher fee-earning work. The smaller firms benefit because they develop expertise and an established track record. The industry associations should serve as the contact point for setting up these partnerships.
- **Access to finance:** For further details of what is required, please see the Action Plan.





## **8 Production Services for the Entertainment Industry**

### **8.1 Introduction**

Production services in entertainment encompass a range of activities in a variety of areas which can include animation, advertising, film-making, photography, music and events management. As the areas most relevant to the Caribbean are production services relating to film, music and the staging of events, this analysis will concentrate on these areas.

### **8.2 Film**

#### **8.2.1 International Trends**

##### **A) Industry Trends**

Worldwide expenditure on film production has increased from US\$5.6 billion in 2001 to US\$7.3 billion in 2005. Despite the 30% growth over this period, expenditure in the US rose only marginally, by 4.3%, from US\$3.24 billion to US\$3.38. Meanwhile, production outside the US jumped by 135% to top US\$3.8 billion, eclipsing spending in the States. Within America, California retains a competitive edge because of its talent base and infrastructure and accounts for over 60% of the domestic market.<sup>31</sup>

Some countries have been able to successfully develop as production or post-production hubs for major film projects. These locations feature world class studio facilities with high quality equipment and sophisticated production facilities. India, due to its large pre-existing film industry features such infrastructure, and locations such as Ramoji Film City at Hyderabad have facilities on par with those in Hollywood. Post-production services often concentrate on adding animations, computer graphics and special effects. Due to these state-of-the-art facilities, combined with good shooting locations and a low-cost base, several Hollywood films are already being made in India. It is important to note that the film-making process that is going on there involves more than simply the use of an attractive location and the creation of low-paid employment. India is providing higher value-added, skilled services by participating in the production and post-production on films.

Canada has also been successful in attracting Hollywood productions due to appealing filming locations, availability of skilled labour, a lower-cost base and an attractive incentive regime. In 1998, the Federal Government introduced a Production Services Tax Credit which offered an 11% rebate on qualified Canadian labour. This was supplemented by many provinces offering additional rebates on regional labour varying from 11-47%. As a result, film production expenditure in Canada rose from US\$430 million in 1998 to US\$1.2 billion in 2005. However, the rate of growth has been even more significant in Eastern Europe where expenditure grew nine-fold over the same period, rising from just US\$30 million to US\$308 million.

##### **B) Potential Cost Savings**

An overseas production location can provide a cost saving that ranges between 10-15% of the total budget. Current savings on labour from the US to Canada are 42.1%; a film production technician in the States that would cost US\$25.00/hour is available at US\$14.49/hour in Canada. The same technician costs US\$16.14 in

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<sup>31</sup> CEIDR



Australia and US\$13.71 in New Zealand. In some Eastern European countries with low wages and a favourable exchange rate, the cost can be just US\$2.50.

### **C) Decision-making Factors**

As the capabilities of special effects improve, small differences between relatively similar shooting locations become less important and the quality of incentive structures becomes more important as a decision-making factor. However, the shooting location is still a consideration and figures more prominently in projects that require a particular setting such as specific natural environments. In addition to incentives and appropriate location, factors affecting the choice of filming and production services include a low-cost base (including labour), the availability of skilled labour and the availability of world-class production facilities.

### **8.2.2 Local Capability and Competitiveness<sup>32</sup>**

Trinidad and Tobago cannot match locations like Dubai and India in terms of the large-scale film production facilities that can be a draw for movie productions and lags behind Canada which is a mature market that has been hosting Hollywood TV and movie productions for some time. It can offer some attractive filming locations due to its varied topography but faces competition in this regard from many other Caribbean islands. And because of its high cost base, it is not competitive with places such as Dominica, St. Vincent and the Grenadines and the Dominican Republic that offer similar locations at cheaper prices.

However, the Government has prioritised this sector through the creation of the Trinidad and Tobago Film Company, which aims to increase the competitiveness of this segment. 9 films have been shot in the country since 1995 and it remains to be seen whether or not the Film Company can turn Trinidad and Tobago into a regional centre of activity. The website is well-organised and informative and, as this is a venture that is already being actively promoted independently, it has not been included in the marketing strategy.

Where it does have capability is in smaller-scale video production for music videos or use in Carnival (in the 2005 season, animation began to be used in music videos). The use of music videos as part of their promotion is most common among soca artists. There are three production companies that produce music videos in the country and the use of freelance producers to make videos is growing. The cost of a video can vary greatly, depending on its complexity, and can be between US\$6,350 and US\$19,000. Typically, local videos cost US\$6,350 to US\$9,500 to produce. In the international music industry, this cost is typically covered by the producer of the song or the artist's management/label, but this is not the case in Trinidad and Tobago. Due to large financial overheads and the difficulty in getting a good return on the investment through CD or merchandise sales, the artists usually have to pay. And since many of them lack the resources for this expense, the size of the local market is limited. Exports of video production services to other artists in the region would allow local producers to tap into a larger market.

Carnival has numerous spin-off effects throughout the economy, particularly in the entertainment industry. The market for Carnival-related merchandise has grown and

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<sup>32</sup> Much of the information is adapted from "The Strategic Plan for the Entertainment Industry of Trinidad and Tobago", by the Music and Entertainment Industry Team of the Standing Committee on Business Development, January 20, 2006.



there is an increasing demand from visitors for DVDs that capture the event, including the parade of bands and some of the larger, more high-profile events. This has created a demand for audio visual production skills, as the DVDs that are produced are heavily edited, not simply recordings of the event.

### 8.3 Music

#### 8.3.1 International Trends

##### A) Structure of the Global Market

The global market for music is worth over US\$100 billion. Table 11 overleaf breaks out the components of the global market into individual segments; physical recordings at US\$31.4 billion is the largest sector. Other key activities related to production services include live performances (US\$14.4 billion), music publishing (US\$6.9 billion), ring tone revenues (US\$3.5 billion) and digital recordings (US\$2 billion). Live performances is a growing area and the upward trend is being driven in part by the growth in music festivals, including very large festivals, in the US and Europe. One such event is the Couleur Café Festival that is held annually in Belgium during the summer. It draws in artists from all over the world, including Jamaican artists, 3 of whom appeared in 2006. A number of other festivals exist, including MIDEM, WOMEX, Oslo World Music Festival, the Masala World-Beat Festival in Hanover and Glastonbury in the UK.

**Table 12: Music Industry Revenues by Segment (US\$ billions, end user prices)**

Segment	Revenue
Physical Recordings	31.4
Radio Advertising	29.9
Live Performances	14.4
Portable Digital Players (global)	9.0
Music Publishing	6.9
Audio Equipment Sales (US & Europe)	4.8
Ring Tone Revenues (after royalties)	3.5
Digital Recordings	2.0
Radio Subscriptions	0.8
<b>Total</b>	<b>102.7</b>

Sources: IFPI, Global Media & Entertainment Outlook, Pollstar/Music & Copyright, IFPI (from IDC & Apple announcements), Music & copyright, CEA (USA) EITO (Europe), Informa Media, IFPI, Citigroup (from Sirius & XM announcements) as published in 2006 Global Recording Industry in Numbers: the Definitive Source of Global Music Market Information

Physical recordings and music publishing require studios and skilled producers to arrange the music artists produce. The attractiveness of locations has traditionally been fuelled by the availability of quality equipment, but more importantly by the skill of individual producers. As this expertise grows and becomes more well-known, the result is a greater perception that a particular location is a centre of quality music production. Jamaica is a good example of this and many artists go to the country to work with talented producers in quality studios.

A growing trend within the physical recording segment is growth in digital music sales, which surpassed US\$1 billion in 2005. This represented 5.5% of total music sales and primarily occurred in the form of mobile or online sales. The rise of digital commerce in music has impacted CD sales and they dropped from 84% of total sales



in 2004 to 82% the next year. Sales of recorded music by country appear in the table below.

**Table 13: Recorded Music Sales by Country (includes digital sales)**

Country	Percentage of Total Sales
US	34%
Japan	18%
UK	10%
Germany	7%
France	6%
Canada	3%
Australia	2%
Italy	2%
Spain	2%
Brazil	1%
<b>Total</b>	<b>85%</b>

Source: IFPI 2006 Global Recording Industry in Numbers

France, which ranks 5<sup>th</sup> by sales, has a market size of US\$1.9 billion. 3% of its sales by genre from 2001 to 2005 were in world/reggae music. While up to 2/3 of these sales come from domestic sources, this is a market that has demonstrated openness to diverse forms of music.

## **B) Decision-making Factors**

Physical recordings and music publishing require studios and skilled producers to arrange the music artists produce. The attractiveness of locations has traditionally been influenced by the availability of quality equipment, but more importantly by the skills and reputations of individual producers. As this expertise grows and becomes more well-known, the result is a greater perception that a particular location is a centre of quality music production. This sort of reputation plays a key role in the decision about where to go for production services. Jamaica is a good example of a country with a well-established reputation and many foreign artists go to the country to work with talented producers in quality studios.

### **8.3.2 Local Capability and Competitiveness<sup>33</sup>**

The entertainment industry in Trinidad and Tobago employs over 10,000 people and generates around US\$55 million in revenue annually. The music sector is the largest, employing over 5,600 people and accounting for annual revenues of US\$26.9 million. There are a number of genres of music in the country, which are broken down in the table below.

**Table 14: Recording Artists by Genre**

Genre	Estimated Number of Recording Artists	Sample of Best Known Recording Artists/Groups
Calypso	100	Mighty Sparrow, Shadow, Black Stalin, David Rudder, Crazy, Calypso Rose
Soca	500	Anselm Douglas, Nigel Lewis, Machel Montano, Denise Belfon, Destra, KMC, Iwer

<sup>33</sup> Much of the information is adapted from "The Strategic Plan for the Entertainment Industry of Trinidad and Tobago", by the Music and Entertainment Industry Team of the Standing Committee on Business Development, January 20, 2006.



Strategic Marketing Plan for the Promotion of Professional Services Exports

Genre	Estimated Number of Recording Artists	Sample of Best Known Recording Artists/Groups
		George
Rapso	50	Brother Resistance, 3 Canal
Chutney Soca	80	Rikki Jai, Heeralal Rampartap
Parang**	14	Scrunter, Crazy, Los Reyes
Steel Band	22	Exodus, All Stars, Desperados, Invaders
Pan Jazz	15	Liam Teague, Ken "Professor" Philmore, Darren Shephard
"World Beat"/Jazz	8	Mungal Patasar & Pantar, Moyenne, Elan Parle
Gospel	100	Circle, Angela Williams, Sherwyn Gardner
Rock/Alternative	10	Orange Sky, Joint Pop, Cobolized
<b>Total</b>	<b>889</b>	

\*These numbers also include artists that record on demos.

\*\*Includes parang-soca

**Sources:** Interviews with Music Industry Professionals, September 2004; Henry S. Gill and Allison Demas (2001) "Entertainment Services with Special Reference to Music, Mas, and the Film and Video Segments", presented to Caribbean Regional Negotiating Machinery.

Due to the demand created by Carnival, calypso and soca dominate the recording industry, which tends to ramp up a few months before the beginning of Carnival season and declines once it begins. Gospel music is growing as a recording genre and demand has been fueled by a need for recorded church music and demand for CDs of performers.

Recording studios were initially used to produce calypso music and industry activity has expanded to include mastering, mixing, music publishing and retailing of music. There are 13 project studios in Trinidad and Tobago and a number of bedroom studios that have some digital capability. The smaller outfits predominantly serve the needs of new artists. In 2004, data indicate that an established and fully-operational project studio can earn roughly US\$143,000 annually, with 90% of the revenue coming from studio work. Outside of the peak Carnival recording period, revenue is generated from studio rental and production by regional and extra-regional artists. 4 of the studios have begun to produce and commercial jingles.

Training in sound engineering or music production is not widely available. There are three sound production companies that offer training that is designed to upgrade the skills of producers and engineers, rather than to educate people from scratch. Many young workers in studios lack practical skills, even if they have had some form of training.

There are 4,000 performing artists and they outnumber recording artists across the genres. As a result of falling local music sales, limited broadcast exposure and limited resources to produce and market albums, performance has become the main source of income. Many artists achieve commercial viability through performance and this has dampened demand for music production services. A greater focus on exports could prop up the industry and generate revenue outside of the Carnival recording period.



## 8.4 Events Staging<sup>34</sup>

### 8.4.1 International Trends

#### A) Cultural Tourism

Cultural tourism is a growing market and 2002 estimates called for an annual growth rate of 15%. Driving this trend is the retirement of the well-educated, well-travelled baby boomer generation, which will leave these individuals with more time to visit different countries. The World Tourism Organisation has estimated that 37% of all international trips include a cultural component. The activities that fall under the definition of cultural tourism are broad and include:

- The sale of recorded music to tourists.
- Live performances – music, dance, theatre, fashion shows, etc. at concerts, in hotels, night-clubs, etc. (performance revenue & performance royalties).
- The sale of craft & visual arts, literature.
- The sale of local cuisine and food products.
- Heritage tourism – trips to museums, heritage tours.
- The presentation of local films and audio-visual products.

Of primary interest to the events management section is the component of cultural tourism that involves attendance at live performances. As cultural tourism grows, demand for live performances of all kinds, including music, dance and theatre will increase. Staging of these shows will require event management services. As tourism is attracted to these events, greater awareness of the entertainment product that is on offer increases. This should fuel consumption of other products such as film and music that also involve the use of production services.

Large-scale festivals require a great deal of organisational and technical skill to stage. With the growth of such events around the world, opportunities for planning and participating in their execution exist.

#### B) Decision-making Factors

As in the music industry, production services relating to staging events are dependent on the reputations of the individuals putting the events on. As smaller scale events are successful, reputations grow and larger opportunities come along.

Cultural tourism is somewhat different. Tourists are more likely to choose to travel to a destination based on their understanding of its heritage, rather than on the strength of the reputation of an individual producer staging a performance. A perception of a destination as culturally-rich is necessary to attract the initial visit. Once tourists are in a country, factors such as marketing and positive word-of-mouth (domestic and international) will affect their decision about which events to attend.

### 8.4.2 Local Capability and Competitiveness

Much of the demand for events staging services is centred around Carnival, which employs nearly 3,600 people and generates over US\$24 million in revenue. Due to the size and complexity of the event, a range of capability has evolved in Trinidad

<sup>34</sup> Much of the information is adapted from “The Strategic Plan for the Entertainment Industry of Trinidad and Tobago”, by the Music and Entertainment Industry Team of the Standing Committee on Business Development, January 20, 2006.





and Tobago. These services are most suited to exporting to Carnival-themed events in the region and abroad, particularly in markets that have a large Caribbean diaspora.

In addition to producing Carnival-themed concerts and events, there is a local capability in theatre production. The theatre industry requires producers; directors; stage managers; production assistants; musical directors; wardrobe and costume personnel; sound, stage and lighting personnel; and actors. This is not a large local industry and most of those involved in it rely on other sources of income. The peak theatre seasons are from the end of Carnival to early August and from October to December. Activity outside these periods is very limited. Exporting of shows should be directed at the Tobago tourist market and some support should be providing for taking events to other regional markets.

## **8.5 Market Positioning and Export Targets**

The Film Company will lead on promoting the film production segment, so the focus of the marketing strategy is on promoting Trinidad and Tobago's capability in audio visual production of music videos and Carnival DVDs. The primary market for music video production services will be the CSME. The low profile of the industry makes extra-regional exporting of these services unlikely, but there may be an opportunity to export to local genre artists outside of the Caribbean. Locating them and marketing to them effectively will be the challenge. Exports of production services by creating Carnival DVDs can be made to all visitors of that event, but demand among extra-regional tourists is likely to be the strongest.

Music production exports should similarly target artists in the region and local genre artists outside the region to provide work outside of the peak recording period. Events staging services should aim to capture an increased share of the Tobago tourist market and export shows and events production capability to regional markets. A target of increasing exports by US\$10 million over 5 years should be achievable.

## **8.6 Marketing Strategy**

The entertainment industry in general is fragmented and difficult to promote cohesively. The strategy is focused on conducting some direct marketing activities that will hopefully lead to increased exports while raising awareness of Trinidad and Tobago's capability in production services.

### **8.6.1 Brand Awareness**

The Trinidad and Tobago music and entertainment industry has been able to gain some international recognition, primarily through the success and high profile of Carnival. Concerted efforts to raise the profile of the industry through marketing have not been made and the activities suggested below are intended to fill that gap.

1. Tourism website. The website of the Tourism Development Company ([www.visittnt.com](http://www.visittnt.com)) does contain information on culture and activities, but it does not contain information on specific production facilities and services on offer. A section with this information should be added to the site. The site does brand Trinidad and Tobago and feature what it can offer, but this branding should be



expanded so it highlights the country as a centre for creative production services. Information on individual service providers should also be made available.

Rationale: The tourism website, which already contains information on local events is a natural place to house information on related production services capability. The purpose of the website is to create awareness of what Trinidad and Tobago has to offer in a range of areas and it can easily be expanded to take on the same function for music and video production services as well as events staging services.

Actions Required	Resources Required
Industry working group to develop content for website in association with TDC	25 person days
Add new content to website	US\$1,000

2. In-flight, airport, hotel and cruise ship advertisements. This is already being done but is generally used as a direct marketing tool to attract tourists to cultural events. Advertisements that focus on promoting Trinidad and Tobago's general entertainment offering should also be placed in the channels above. This will raise the profile of the industry in general.

Rationale: Trinidad and Tobago received over 460,000 stay over tourists in 2005. These tourists know and like the country, and many of them come for Carnival, which makes them excellent potential customers for local entertainment, and therefore production services. They need to be made aware of the entire cultural offering of the country. Not only will this lead to increased attendance at events and consumption of music and videos, these people will create awareness of the industry through word-of-mouth.

Actions Required	Resources Required
Hire graphics designer to develop advertisements for entertainment in Trinidad and Tobago; TDC to lead	US\$3,000
Place advertisements in airports, in-flight magazines, hotel brochures and magazines and cruise ship publications; TDC to lead	US\$10,000 per annum

3. Foreign advertising. Some limited advertising directed at potential clients for music and video production should be carried out. The ads should profile the general services on offer in Trinidad and Tobago and provide information on how to contact individual service providers (perhaps by referencing the website). Potential publications include Televisual ([www.televisual.com](http://www.televisual.com)), SocaVibe Magazine ([www.socavibe.com](http://www.socavibe.com)), Soca News ([www.socanews.com](http://www.socanews.com)) and The Source Magazine ([www.thesource.com](http://www.thesource.com)). The Source is a hip-hop magazine but it has a broad readership and would reach a wider audience than ads in soca-themed publications. Attempts should also be made to increase exposure of local producers through media coverage. Carnival provides a good opportunity to do this.

Rationale: Potential clients for music and video production services may not come across the website, which is a passive marketing tool. Ads in publications



and increased media coverage are more active ways of promoting the services on offer in Trinidad and Tobago.

Actions Required	Resources Required
Hire graphic designer to develop advertisements; TDC to lead	US\$3,000
Place advertisements in selected publications; TDC to lead	US\$15,000 per annum
TDC to liaise with media to get articles/pieces on local producers published/aired	20 person days per annum

4. Familiarisation trips. Existing expertise in conducting tourism familiarisation trips should be drawn on to organise similar visits for potential consumers in the CSME and the US. Producers of music, videos and events management companies should be targeted as they will provide as access point to a wider client base without the expense of mass marketing.

Rationale: Showcasing the range of firms and skilled producers available in Trinidad and Tobago may convince individuals in the music, video and events businesses to use them. A few of the trips should focus on potential consumers from the CSME and a few on potential clients from the US. The US is a very large market and established producers and recording companies produce music in large volumes. They, along with CSME customers, may not be aware of the capability and unique sound on offer in Trinidad and Tobago and a few trips may allow for some penetration into these market. While the potential for exporting video production services and events staging services to the US is not high, the trips involving US consumers who have an interest in these fields should visit pertinent local service providers.

Actions Required	Resources Required
TDC to organise and lead familiarisation trips of 5 days to visit a range of service providers. These trips will require funding for international airfare, 4 nights accommodation and 5 days of per diems.	US\$50,000 + 50 person days per annum

## 8.6.2 Direct Marketing

The purpose of these activities are to create export opportunities for firms.

1. Marketing trips abroad. Identifying target customers and carrying out missions abroad is another means of generating export opportunities. Again the focus should be on music and video producers and events management companies as they can then channel production and staging work to Trinidad and Tobago.

Rationale: Marketing trips will allow firms to make valuable contacts in the US and CSME markets and will also provide a source of information on how they select partners to work with.

Actions Required	Resources Required
TDC to develop list of potential customers, perhaps	30 person days



Strategic Marketing Plan for the Promotion of Professional Services Exports

through consultation with well-established artists and producers (both local and in the diaspora)	
TDC to organise missions of service providers to visit contacts	Privately funded by delegation members + 20 person days (10 days for each of 2 trips)

### 8.6.3 Enabling Environment

Many of the service providers in this already fragmented industry are very small operations and for the marketing strategy to work, an industry working group to oversee its implementation must be formed. The industry working group should draw together the Ministry of Community Development, Culture and Gender Affairs; the National Carnival Commission; the Recording Industry Association of Trinidad and Tobago; PanTrinbago; the Trinidad and Tobago Unified Calypsonians Organisation; the National Chutney Foundation of Trinidad and Tobago; the Rapso Movement of Trinidad and Tobago; the National Drama Association of Trinidad and Tobago; the TDC and representatives of music and video production studios. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Access to finance:** Details of what is required are set out in Action Plan below.
  - **Local Partnerships:** Because providers lack scale, they may need to forge partnerships with other firms to improve and expand their product offering. This would allow them to compete more effectively for exports. As an additional benefit, the exchange of information and consolidation of views could also be used to more effectively lobby the Government for industry reform. The industry working group could provide a forum for firms to meet and explore partnering opportunities.
  - **Skills:** Music and video production and events staging are increasingly technologically-driven. To compete in export markets, Trinidad and Tobago needs to have a labour force that is well-versed in the latest techniques and applications. This means that the industry working group must liaise with training institutions to ensure that education programmes provide the necessary skill training.



## 9 Action Plan

The marketing strategies elaborated above provide guidance on the actions to be taken to promote exports in each of the six sub-sectors. In this chapter, we outline how the country may take forward the initiative to promote professional service exports as a whole. It focuses on issues of how to obtain buy-in and to co-ordinate the actions of the many actors involved across the public and private sectors, how to address enabling environment constraints that affect all the six sectors and the specific roles and responsibilities of the agencies and organisations involved in implementation.

### 9.1 Obtaining Buy- In

In the process of undertaking the research required to prepare this document in Trinidad and Tobago, it became clear to us that one of the key constraints to developing an enabling environment for the promotion of exports of professional services was a lack of appreciation amongst policy makers and the private sector of the scale of opportunity that these sectors represent and the capabilities of the country to succeed in them. The oil and gas industry, downstream processing and manufacturing are likely to command far greater attention than professional services.

Moreover, in the case of health and education, there is a need to change mindsets within policy makers that have regarded these industries as public services provided solely for the purpose of the local populace. Policy makers need to regard these as industries in their own right which have tremendous export potential. They need to appreciate that the twin goals of serving the domestic population and exporting are complementary, not contradictory.

The lack of importance and traditional mindsets are changing with key ministries such as Trade and Industry paying far greater attention to professional services. However, much more needs to be done in this regard. The wide circulation of this document in the public and private sectors should help to start the process.

The successful implementation of the marketing strategies described above will depend upon the enterprise and skills and investments made by the private sector. However, kick starting the growth of new or underdeveloped sectors, especially when the private sector is weak, calls for leadership from the public sector. We suggest the following actions that will signal the intent of government to provide such leadership:

1. When this document has been discussed, amended as necessary and hopefully endorsed, a policy statement should be issued by the Minister of Trade and Industry endorsing its findings. The policy statement should set out cabinet level commitment to developing professional service exports and implementing the contents of the document.
2. Obtaining media coverage of the policy statement and the opportunities these sectors provide should be the responsibility of the BDC.
3. As the process of implementation unfolds, the BDC, which already includes Engineering Services in its list of focus sectors, should start to feature other professional services.



4. As progress is made, it should be reported through the press so that the private sector can see that its efforts are being acknowledged by policy makers and the public.

## 9.2 Co-ordination & Oversight

The marketing strategies set out above reveal that to deliver the enabling environment for the export of professional services, partnerships, built on dialogue to facilitate effective cooperation, will be needed in all six industries. The partnerships should, ideally, encompass three types of co-operation:

- *Public-Public Partnerships:* This would bring together the Ministries and government agencies involved in each industry to ensure that there is consistency in the development and implementation of policy towards the industry.
- *Public-Private Partnerships:* To ensure that the public and private sectors are mutually accountable for the delivery of the export strategies, there is a need to mutually agree performance targets, the actions needed to achieve them and the means of monitoring performance to learn lessons that will help policy formulation and implementation in the future.
- *Private-Private Partnerships:* There is a need to bring together representatives of the different types of businesses in each sector to ensure that the private sector can articulate its policy recommendations consistently and coherently to the public sector, that there are effective mechanisms in place to share the cost of services that would benefit the industry as a whole and that there is a regular flow of information to alert businesses of market trends, new opportunities, the capabilities of businesses in the sector and possible ways to cooperate in exploiting market opportunities.

As suggested in the marketing strategies, an effective way of forging such partnerships is to establish industry working groups. Empowering these industry working groups is essential if they are not to become 'talk shops' that will die through inaction. We suggest therefore that these groups be recognised as special task forces appointed by the cabinet and charged with the responsibility to exercise oversight and co-ordinate the implementation of the marketing strategies for their sectors. They need not be formally constituted and the BDC can act as their secretariat. Nor do they need to have control over public funds: the public resources required can be provided through the appropriate government agency; BDC or the TDC. This will avoid the need to establish new organisational structures with attendant administrative overheads and bureaucracy.

To enable effective co-ordination of these working groups and oversight over the development of professional service exports, we recommend the formation of a small task force reporting to cabinet. The composition of the task force on professional service exports should comprise:

- The ministries of: Trade and Industry (chair); Labour and Small and Micro Enterprise Development; Tourism; Public Administration and Information; Education; and Science, Technology and Tertiary Education. The first four ministries have an important stake in the development of professional service exports whilst the education ministries are vital to ensure that skill constraints do not hamper their growth;





- Representatives of the TTCSI and the Trinidad and Tobago Chamber of Industry and Commerce to provide private sector perspectives.

The BDC could act as the secretariat of the task force. Apart from oversight of the industry working groups, the task force could play the following roles:

1. Ensure that there are sufficient public resources forthcoming to enable each industry working group to implement its marketing strategy.
2. Bring to bear the authority of Cabinet in overcoming difficulties experienced by the industry working groups in bringing about enabling environment reforms,
3. Appoint agents to oversee the process of bringing about generic enabling environment reforms described below.
4. Monitor the development of professional service exports, informing the industry groups of progress and helping them to respond to new export opportunities as they emerge.

To monitor progress in developing professional service exports, the task force will need access to reliable statistics. This is problematic at present. Unlike goods, there are no border points at which the export of services may be recorded. The four modes through which services may be exported – cross border supply (mode 1), consumption abroad (mode 2), through commercial presence (mode 3) and the presence of natural persons (mode 4) – together with the use of ICT to deliver mode 1 services – make such recording extremely difficult.

Precedence set by well-established services such as tourism is also not helpful in this regard. The tourism industry opted for consumer surveys using questionnaires administered to tourists at the point of entry to or exit from the country. These do not provide an accurate picture of receipts, frequently overstating tourism expenditure compared with actual receipts. Tourists may include costs that do not accrue to the country. For instance, whilst the tourist may report the full cost of a package holiday, the country may not receive the cost of the airfare and only some 40% of the amount spent on accommodation. The discrepancies between tourism receipts reported by tourist boards and central banks are a continuous bone of contention.

The only meaningful way of capturing the performance of service exports is through receipts of foreign earnings by the central bank. Currently, the Central Bank of Trinidad and Tobago records service receipts at a fairly aggregate level (BMP-5). It should be possible to work with the Bank to arrive at a disaggregated classification that will provide more meaningful data for monitoring purposes. Thus, it should be possible to track performance of all six sectors if not individual sub-sectors within them. We suggest that the BDC work with the Bank to establish what is feasible.

### 9.3 Enabling Environment Reforms

Each of the industry working groups has an agenda of industry-specific enabling reforms that it should be tasked to bring about. There are, however, a set of generic enabling environment reforms that the task force on professional service exports will need to oversee. The most important of these reforms are:

1. **Promoting Entrepreneurship.** The Ministry of Education and the Ministry of Science, Technology and Tertiary Education need to introduce opportunities for entrepreneurship in professional services into the careers guidance provided in schools and in vocational training establishments such as the COSTAATT. The



BDC needs to promote entrepreneurship in these services as part of the counselling it provides potential and existing entrepreneurs and through its interaction with private sector organisations such as the TTCSI and the Trinidad and Tobago Chamber of Industry and Commerce.

**2. Improving Access to Finance.** There are two types of finance at issue:

- Firstly, the Central Bank needs to work with the commercial banks to improve access to debt finance. There are usually sound reasons why the commercial banks are reluctant to lend to small businesses, especially those who may find it difficult to provide collateral or charges over fixed assets. The major issues of collateral requirements, high transaction costs of loan appraisal and monitoring in relation to the value of the loan, obtaining information on credit worthiness and how to appraise business plans developed by professional service exporters, need to be addressed systematically through co-operation between the commercial banks and the Central Bank. There are a number of potential solutions provided by precedence set in other countries. The two sides will need to see which are appropriate for Trinidad and Tobago.
- Secondly, there is the issue of venture capital which is especially pertinent in the case of the sectors such as ICT where uncertainty over gestation periods caused by the need to turn knowledge into a product make debt finance inappropriate. Other knowledge-based industries suffer the same uncertainty to a greater or lesser degree and providing venture capital for SMEs suffers particular constraints. The Government has recognised this and has established facilities such as the Small and Micro Enterprise Development Fund and the Venture Capital Incentive Programme to provide venture capital to small businesses. These facilities have, so far, not played a significant role in financing professional service businesses. The BDC and the Ministry of Labour and Small and Micro Enterprise Development need to investigate the cause and, working with the fund managers, provide solutions to the issue.

**3. Improving the Quality of Incentives and Access to Them.** Traditionally, the export incentives available in Trinidad and Tobago have been targeted at the oil and gas industry and the manufacturing sector, with tourism having its own set of incentives. Services have been given increased attention in recent years, but the incentives on offer have been adapted from existing regimes for other products instead of having been designed specifically for the services sector. There is a need to re-examine the services incentive regime (for exports and investment) and tailor the offering to specific industries. This particularly important in areas where FDI is required. The Ministry of Trade and Industry, the BDC and the TTCSI need to consider the introduction of new incentives. The available incentives have been underutilised and the main cause appears to be unfamiliarity with what can be accessed and how. The BDC needs to launch an awareness and facilitation programme to remedy this, and the programme should also make it clear that new incentives are being designed.

#### **9.4 The Role of BDC**

The recommendation to form industry working groups is designed to ensure that the key stakeholders are able to coordinate and cooperate in taking forward the strategies for their individual industries and, in particular, to establish an enabling environment. There is a need for an agency of government to serve as the



secretariat for the industry partnership groups and to assist the Cabinet sub-committee in monitoring progress of individual industry strategies. We recommend that BDC be charged with these functions.

In the wake of TIDCO's closure, the BDC is also the government agency best placed to take forward the strategic actions of providing market support to Trinidad and Tobago's industries and businesses and to promote FDI in health and wellness, education, ICT, engineering-related services and in the finance and accounting sub-sector of the BDS industry. The Teck's focus on light manufacturing and industrial parks makes it unsuitable for taking the lead on professional services. And while the Ministry of Trade and Industry has responsibility for many trade promotion activities, its role as a regulator of trade makes it undesirable that it should carry out both functions in the long-term. The BDC should take the place of TIDCO and this may require developing its capability to provide market support to local businesses, organise missions abroad and arrange participation in trade fairs. These are useful tools that will also have a role to play in providing marketing support to local exporters of professional services. In addition, in order to provide professional service industries with the visibility they require, the BDC will need to add generic marketing of Trinidad and Tobago as a source of professional services to its range of marketing support tools. In this regard, it has much to learn from the TDC.

In many respects, the process of decision making that foreign buyers make on sourcing professional services is akin to the two-stage process involved in choosing a holiday: buyers start by short-listing countries that may potentially meet their needs and then consider which service providers best meet them. Hence, buyers frequently think of the UK for ELT, India for ICT and so on. The BDC will need to follow the example set by the TDC in making potential buyers aware of the capabilities of Trinidad and Tobago's industries so that they include them in their list of prospective sources of supply. They may then be assisted in finding the appropriate suppliers in Trinidad and Tobago that are able to meet their needs.

The BDC will likely require support from the Ministry of Trade and Industry to provide export marketing support and target specific foreign investors. The Ministry should support the BDC's efforts with a view to building its capacity so that it can eventually take ownership over these duties. The role of providing support to industry working groups will provide the opportunity to integrate the two functions – export and investment promotion – in support of the export strategy for individual industries. To make effective the integration of the functions, it would be useful to give the industry working groups the authority to direct, guide and monitor the work of staff from the BDC. This should be facilitated by appointing a single point of contact within the BDC. That person should serve as the secretariat of the working group and should be assigned a team of colleagues in that they can call on.

## **9.5 The Role of Caribbean Export**

The BDC and the Ministry of Trade and Industry will need help in fulfilling its role and function. Whilst the two organisations between them have experience in promoting exports and investment in the manufacturing sectors, both are comparatively new to the field of professional service exports. Staff will need guidance on:

1. How to service the industry working groups and the cabinet task force to ensure that they remain effective in discharging their role and function.



2. Possible solutions to overcoming generic and industry specific enabling environment constraints that have proved effective elsewhere.
3. How to promote exports and investment in the six sectors.
4. The sources of data and reliable sources of expertise in these industries and their target markets.
5. Knowledge of what other Caribbean countries are attempting with respect to professional service exports so that BDC does not, inadvertently, step on their toes or indulge in competitive practices that may start a race to the bottom as far as export promotion support or investment incentives are concerned.

As other Caribbean countries attempt to increase their own professional service exports, they will also need the same guidance as their TPOs are equally unfamiliar with professional service exports. There is an important role, therefore, for CE to play to work at the CARIFORUM level to provide guidance and co-ordinate. The co-ordination role could be minimal, restricted to letting each other know what others are doing and avoiding a race to the bottom.

There are also substantial cost savings to be had by centralising data bases and tracking potential candidates for foreign investment. Hence, instead of each country paying for research to identify potential investors and marketing intermediaries, tracking their responses, keeping abreast of industry trends and new opportunities and so on, these functions could be centralised at CE.

However, to ensure that there is no resource gap, Trinidad and Tobago will need to work with its member partners to ensure that CE has the resources it needs to play the roles of providing expert guidance and acting as a central resource base effectively. At present, CE does not have the required resources. They may be made available to the organisation in one of two ways:

1. A special membership levy that is ring fenced for the promotion of professional service exports.
2. An application to the European Development Fund supported by all members.

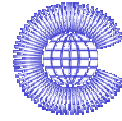
## 9.6 Resource Requirements

The total public resource requirements across the six sectors are as follows:

**Table 15: Public Resource Requirements**

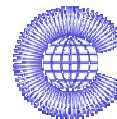
Sector	BDC Expenditure per annum (US\$)	BDC staff (person days)	TDC Expenditure per annum (US\$)	TDC Staff (person days)
Health	147,000	325	10,000	35
Education	41,000	390	4,000	35
BDS	33,000	325	-	-
ICT	-*	165	-	-
Construction	100,000	210	-	-
Entertainment	-	-	82,000	145
<b>Total</b>	<b>321,000</b>	<b>1,315</b>	<b>96,000</b>	<b>215</b>

\*Cost of activities (US\$60,000) have been assigned to the ICTSTT



Strategic Marketing Plan for the Promotion of Professional  
Services Exports

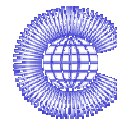
These indicative budgets will need to be reviewed and amended by the industry working groups when they have been formed and by the agencies themselves. It should be the responsibility of the Ministry of Trade and Industry to ensure that, when firm budgets are available, that the required resources are made available.



## 10 Appendix I – List of Presentation Attendees

Name	Position	Company/Organisation
Carl Francis	Deputy Permanent Secretary	Ministry of Trade and Industry
Susan Singh-Seerattan	Senior Economist	Ministry of Trade and Industry
Trudy Lewis		Ministry of Trade and Industry
Veona Maloney	Manager, Core Services	Caribbean Export Development Agency
Tonika Sealy	Technical Advisor – New Sectors	Caribbean Export Development Agency
Sigler Jack	Schools Supervisor	Ministry of Education
Emerson Rigault	Schools Supervisor	Ministry of Education
Kriselle Bahaw	International Programs Assistant	Ministry of Science Technology and Tertiary Education
Shani Valdez	Research Assistant	Ministry of Science Technology and Tertiary Education
Natthoya Baptiste	International Programme Officer	Ministry of Science Technology and Tertiary Education
Danielle Williams Hinds		Institute of Internal Auditors
Minam Wilson-Edwards		T&T Group of Professionals
Paul Holder		Ministry of Legal Affairs
Angela Lee Loy		Institute of Chartered Accounts of T&T
William Latchman		Caribbean Association of Consultants
Rabandra Jaggernauth		Information Technology Professionals Society
Derek Commisong	Registrar/Secretary	Board of Engineering of Trinidad & Tobago
Rhonda Sooklalsingh	Economist	Ministry of Works and Transport
Mark Franco	Chairman	Board of Architecture of Trinidad and Tobago
Francis Weekes	Ship Surveyor	Maritime Services Division of the Ministry of Works and Transport
Mark Francois	President	Association of Professional Engineers of Trinidad & Tobago
Roger Anthony	Project Manager	Ministry of Works and Transport
Dav Ernan Kowlessar	Trade Consultant	Trinidad & Tobago Contractors Association
Dr. Thackwray (Dax) Driver	Chief Executive Officer	South Trinidad Chamber of Industry and Commerce
Davlin Thomas	President	National Drama Association of Trinidad & Tobago
Lutalo Masimba	President	Copyright Organisation of Trinidad & Tobago
Camille Sears-Carter Wells	Manager, Business and Sector Services Unit	Trinidad & Tobago Chamber of Industry and Commerce
Sherwin Long	Reporter	Trinidad Guardian/Sunday Guardian





Strategic Marketing Plan for the Promotion of Professional  
Services Exports

Name	Position	Company/Organisation
Eduardo Ali	Education Adviser – Tertiary Education	Ministry of Science, Technology and Tertiary Education
Caroline Beharry	Managing Director	ASB Consulting Ltd./IT Society of Trinidad and Tobago
Ria Carrera-Toney	Research Analyst	Trinidad & Tobago Chamber of Industry and Commerce
Bernadette Charles	Research Officer	Ministry of Tourism
Hollis Charles	Director – Marketing	The Caribbean Consulting Group Limited
Sharlene Gittens-Francis	Project Analyst	E Teck
Norris Herbert	Assistant Director, Trade Promotion and Development	Ministry of Trade and Industry
Carol Ayoung	CEO	Caribbean Association of Industry and Commerce
Dinah Hippdyle	Trade Policy Officer	Caribbean Association of Industry and Commerce
Ian Ivey	Network Director	Next Corporation Limited
Christine Johnson	Vice President	National Drama Association of Trinidad & Tobago
Patrick Kanyimbo	Trade Policy Analyst	Ministry of Trade and Industry
Marlon Kennedy	Camera Personnel	CNMG
Roslyn Khan Cummings	Deputy Permanent Secretary	Ministry of Community Development, Culture & Gender Affairs
Jocelyn Lee Young	Registrar	NIHERST
Clifford Lewis	Senior Statistician	Central Statistics Office
Derrick Lewis	Director	Island People Entertainment
Stephen Maharaj	Corporation Secretary	Coosal's Construction
Lawrence Placide	Director	Trinidad & Tobago Chamber of Industry and Commerce
Rita Portillo	Permanent Secretary	Ministry of Science, Technology and Tertiary Education
La Shaun Prescott	Industry Specialist	Ministry of Trade and Industry
Edmund Troy Ramcharan	Head of Corporate Services	Ministry of Science, Technology and Tertiary Education
Vidiah Ramkhelawan	Assistant Director, Technical Corporation Unit	Ministry of Planning and Development
Winston Riley	President	Joint Consultative Council (Construction)
Marcelle St. Bernard	Broadcaster/Educator	Government Information Services
Ayesha Wharton	Foreign Service Officer	Ministry of Foreign Affairs
Natalie Paul Harry		BDC
Davy Sinanan		BDC