Republic Economic NEWSLETTER

September 2017 | Vol.25, No.4 | ISSN 1027-5215

SHRINKING PAINS

...BUT THINGS COULD BE WORSE

OVERVIEW

In May, during the 2016/2017 Mid-Year Review, it was announced that central government's projected revenue was revised upward by $0.6 billion due to an expected increase in income taxes from petroleum companies. It is difficult to imagine this projection coming to fruition based on a number of developments both within and outside of the energy sector. Revenue from asset sales will be less than budgeted and despite a few positive developments in the non-energy sector, the challenges besetting the overall economy remained unchanged. Additionally, the inter-island ferry crisis has further hampered economic growth, particularly in Tobago. In light of all this, Republic Bank estimates that the economy contracted by 2 percent in the second quarter relative to the first. With the Central Statistical Office (CSO) reporting that the unemployment rate fell to 3.6 percent in the fourth quarter of 2016, the rate is likely to have increased to 4.2 percent in the April-June period. Inflationary pressures remain low, with prices unchanged (inflation rate of 0 percent) in the second quarter relative to the first. While the cocktail of longstanding and new challenges indicate that economic conditions remain difficult, the few positives that occurred in the period under review suggest that things could have been worse.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

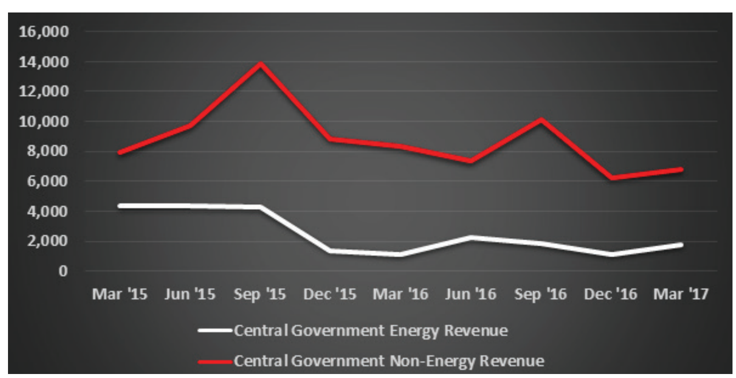
INDICATOR	2016	2016.2	2017.2 p/e
Real GDP (% change)	-2.3	-3.3*	-2.0
Retail Prices (% change)	3.1	1.2	0
Unemployment Rate (%)	4	4.4	4.2
Fiscal Surplus/ Deficit ($M)	-8,986	-3,074.60	Deficit
Bank Deposits (% change)	4.25	0.7	-1.1
Private Sector Bank Credit (% change)	4.1	0.5	0.5
Net Foreign Reserves (US$M)	12,204.0	12,129.8	11,542.5
Exchange Rate (TT$/US$)	6.62 / 6.67	6.60 / 6.65	6.72/ 6.78
Stock Market Comp. Price Index	1,209.50	1,135.60	1,209.20
Oil Price (WTI) (US$ per barrel)	43.33	45.46	48.15
Gas Price (Henry Hub) (US$ per mmbtu)	2.51	2.14	3.08

Source:
Central Bank of Trinidad and Tobago, TTSE, EIA
p - Provisional data
e - Republic Bank Limited estimate
* - Estimate based on CBTT's Index of Economic Activity

ENERGY SECTOR

After increasing through 2016, oil prices appear to have peaked in the first quarter of 2017 at US$51.64 per barrel (p/b), with the average WTI price falling to US$48.15 p/b in the April to June period. Prices fell further in July (US$46.63 p/b) before rallying to US$48.04 p/b in August. Gas prices however have continued to inch up, with the average Henry Hub spot price increasing by seven cents to US$3.08 per million British thermal units (mmBtu). In mid-April BP Trinidad and Tobago (bpTT) began operations at the Trinidad Onshore Compression (TROC) project. TROC is expected to improve gas production capacity by increasing production from low-pressure wells in bpTT's existing acreage in the Columbus Basin. When fully on stream it will have the potential to deliver approximately 200 million standard cubic feet of gas per day (mmscf/d). Any increase in gas production will be welcomed, as this aspect of the domestic energy sector continues to struggle. Gas output averaged 3,207 mmscf/d in the second quarter, a 3.3 percent decline from the first quarter and 5 percent less than the same 2016 period. Oil production also fell from the first to the second quarter (3.2 percent), however, the average of 71,962 barrels per day, was 0.8 percent higher than the 2016 equivalent. LNG output fell by 10 percent, while interestingly, there were solid increases in ammonia and methanol production of 9.2 percent and 7.5 percent, respectively. These increases will definitely provide some support for revenue, because although ammonia prices have been down by 7.4 percent for the first seven months of this year, methanol prices have surged by almost 54 percent. Exploration activity slowed, with both indicators, rig days and depth drilled, showing appreciable declines from the first quarter of 12.1 percent and 19 percent, respectively.

Chart 1: Government Revenue (TT$Mn)



Source: Central Bank of Trinidad and Tobago

NON-ENERGY SECTOR

Notwithstanding the apparent influence of seasonality, the downward trend for both energy and non-energy revenue is clearly visible in Chart 1 above. Encouragingly, revenue values for March 2017,

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while quite low by historical standards, represent increases over the previous quarter. Based on lower price and production levels, it is doubtful energy sector revenue increased in the second quarter. However, some proxy indicators suggest that non-energy sector revenue may have picked up between April and June. Construction activity, likely increased in the quarter, with a 10.7 percent increase in cement sales over the quarter one figure. The average figure of 46,113 tonnes however, was still 4.1 percent lower than that of the corresponding 2016 quarter. Similarly, vehicle sales, one of the more visible components of the distribution sector, were 13.1 percent lower than in quarter two of 2016, however the monthly average of 1,126 units was a 5.5 percent improvement on the first quarter of this year.

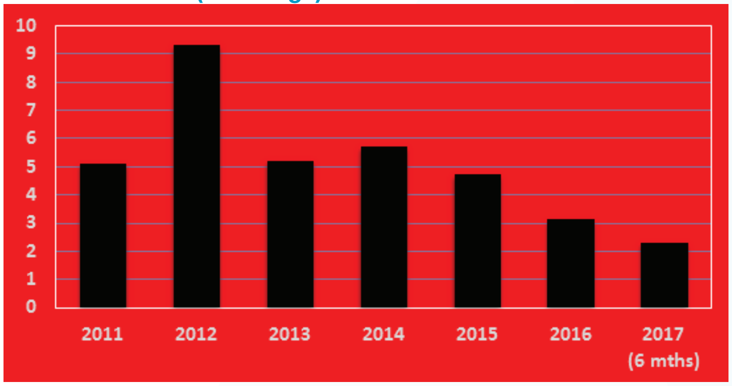
FISCAL POSITION

The balance for the second quarter of the fiscal year (January – March) was a deficit of $4,436.5 million. This resulted in a deficit of $6,904.5 million for the first half of the 2016-2017 fiscal year. Statistics show that for this period, central government's revenue was 19.4 percent lower than that of the first half of the 2015-2016 fiscal year. Based on trends and developments presented earlier, the fiscal balance for the April-June period is almost certain to be a deficit.

MONETARY POLICY

Already low inflation moderated further as the second quarter progressed. Core inflation (year-on-year) inched down from 1.8 percent in April to 1.7 percent in June, while food price inflation fell from 1.8 percent to just 0.5 percent over the same period. Overall average prices were just 1.7 percent higher in the second quarter this year than the same period in 2016. The inflation rate for the first half of 2017 was 2.3 percent (Chart 2). Private sector credit increased by just 0.5 percent from the first to the second quarter, but was 3.5 percent higher than a year ago. Consumer credit fell by 0.6 percent in the quarter but remained 3.4 percent higher than in June 2016. In tandem with a 1.1 percent decline in deposits and notable share offerings, liquidity fell significantly in the quarter, with commercial banks' excess reserves falling by almost 36 percent to average $2.75 billion in June. Despite another 0.25 percent increase in the US benchmark interest rate in June, the Central Bank's Monetary Policy Committee (MPC) at its July meeting, opted to keep the 'Repo' rate at 4.75 percent, because of the prevailing low inflation trend and the need to support domestic economic activity.

Chart 2: Inflation (% change)



Source: Central Bank of Trinidad and Tobago

CAPITAL MARKET

The quarter saw increased capital market activity, with two additional public offerings (APOs) taking place. The First Citizen's Bank APO which began in March and ended April 7th, saw only 66 percent of the 48,495,665 shares offered, sold. The Trinidad and Tobago National Gas Limited APO which ran from June 5th to 28th saw all of the 40,248,000 shares on offer sold, with the APO oversubscribed by a factor of 1.77. Despite these developments, the Stock Market Composite Price Index fell by 2 percent to end June at 1,209.2.

RESERVES

Conditions continued to be tight in the foreign exchange market. Over the period January-June 2017, authorised dealers' sales of foreign exchange were lower by 6 percent compared to the same period in 2016. Also, purchases of foreign exchange by authorised dealers from the public were 22.6 percent lower. This country's foreign reserves, as represented by the net foreign position, fell from US$11,939.2 million in March to US$11,542.50 million in June.

OUTLOOK

Notwithstanding minor fluctuations, global energy prices are unlikely to change significantly over the next six months. Domestically, the increased thrust by smaller producers is unlikely to bring about further increases in output, and this country's oil production level could stay in the low 70,000 b/d region over the short term. Further, with increased focus sure to be placed on the accurate measuring and reporting of oil sales and inventories, it is not inconceivable that oil production figures could trend down. Similarly, the impact of TROC on gas output may be small in comparison to the problems (visible and hidden) facing this subsector. With the state unable to provide any significant economic stimulus and many consumers cutting back on expenditure, the non-energy sector will continue to face difficult times. While some sectors and sub-sectors may fare better than others, conditions will generally remain challenging in the short term.

The socio-political environment will continue to be contentious going forward as citizens' discontent with crime, corruption and economic conditions is unlikely to abate soon. Looking at things dispassionately, much of the current turbulence (not crime) can be attributed to 'shrinking pains', a period of disruption, frustration, loss, learning and opportunity as one transitions from a period of plentiful resources to one of less. This pain is not without learning, not without gain. At a personal and national level, lean times teach us to be more efficient, less wasteful, better stewards of our resources. Would the problems at the port have come to light in times of plenty? Would the allegations of improper accounting for oil sold, have seen the light of day in a scenario where Petrotrin was flush with cash? How many corrupt or inefficient practices have persisted largely because money was no problem?

With revenue almost certain to be below expectations, the theme over the next six months will be **trying to do the same things with less**. While this country has been spared the additional challenge of weather-related devastation, a number of regional states have not. As individuals and as a nation we may be in fact called to do even more with less, as help is rendered to our neighbours. Far from being inconvenient or ill-timed, some may argue that not only is this necessary for our Caribbean brethren, it is necessary for us. Helping others not only takes your mind off of your own troubles but also helps put them in perspective. Helping others while grappling with your own circumstances is seldom easy or convenient; but that's L.I.F.E. Stay tuned.

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Assessing the Damage

OVERVIEW

While the Caribbean is still assessing the full extent of the damage caused by Hurricanes Irma, Jose and Maria, we are obliged to revisit a recurring problem that has snake bitten the region. Initial estimates put total damage from Hurricane Irma at US$10 billion but the real concern, is the cost to rebuild the economy. In 1989, Hurricane Hugo affected five (5) Caribbean countries, inflicting damage equivalent to 98.4 percent of GDP and likewise, Hurricane Ivan rampaged through ten (10) islands to amass damage worth up to 28.5 percent of GDP *(IMF Working Paper – Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean)*. These and other examples (Refer to Table 1) all serve as a harsh reminder of the region's susceptibility to natural disasters.

Table 1: Damage to Caribbean Islands (2010 Constant US$ Millions)

Country	Storm	Year	Damage	Damage (% of GDP)
Montserrat	Hugo	1989	377	434.1
St. Kitts and Nevis	Georges	1998	1,027	220.5
Cayman Islands	Ivan	2004	3,896	128.9
Grenada	Ivan	2004	1,010	148.4

With the affected countries still dealing with the aftermath of Irma, Jose and Maria, the region must seek long-term solutions to mitigate the debilitating effects of these environmental shocks. However, prior to these catastrophic events, all was not well in paradise and the performance of the region was best described as a mixed bag.

BARBADOS

The Barbados economy experienced moderate growth in the first quarter and this trend continued into the second quarter, leading to an economic expansion of 2.2 percent in the first half of 2017. This growth was mainly fuelled by the tradeables sector, which grew by 6.3 percent. Tourism activity was spurred by long-stay arrivals and cruise passenger arrivals, which increased by 7.5 percent and 24 percent, respectively. On the downside, UK arrivals registered no growth and the average length-of-stay contracted by 1.6 percent. Growth in the non-tradeables sector was aided by heightened activity in the construction sector, which was mainly due to the ongoing Sandals Royal expansion. Fiscal consolidation efforts continued and the government was successful in reducing the fiscal deficit by 9 percent during the second quarter of fiscal 2017. Improved collections of corporate taxes as well as the implementation of VAT and the National Social Responsibility Levy (NSRL) helped bolster the government's fiscal position. However, the foreign reserves position worsened, as it fell to below 10 weeks of import cover as at June, 2017. External debt service obligations and delays in obtaining foreign investment inflows were the main reasons for this decline. Going forward, the government may have problems in finding the ideal 'fiscal management formula' that avoids multilateral assistance and public discontent altogether, while improving the nation's fiscal and debt positions.

GRENADA

Healthy tourism activity was maintained in the second quarter of this year. In the first four months of 2017 there was a 1.6 percent increase in arrivals and this trend continued for the remainder of the second quarter. The latest information from the Grenada Tourism Authority (GTA) revealed that there was a 5 percent increase in stay-over visitors for the first half of 2017 compared to the corresponding period of 2016. This commendable performance was mainly due to improved marketing efforts and other GTA initiatives. Germany starred amongst the source markets, with a 33 percent increase in arrivals. The Caribbean (7 percent), Canada (9 percent) and the US (10 percent) also contributed to the growth in arrivals for the Caribbean island. Tourism is expected to continue to spur growth for the rest of the year well into 2018 and the sector should receive a decent boost with the opening of the Silversands luxury resort on Grand Anse Beach in March, 2018. Construction sector activity could pick up in the later part of 2017 with the commencement of phase two of the Chinese housing project. This project will include the construction of units in six districts and should stimulate employment. Looking ahead, the agriculture sector could benefit from Caribbean Development Bank (CDB) funding aimed at improving compliance within the fresh fruit and vegetable sector. Vietnam, the Netherlands and the World Bank have also signed a trilateral Memorandum of Understanding (MoU) to help improve food safety in Grenada.

GUYANA

After a mixed performance in the first quarter of this year, economic activity improved slightly in the second quarter and as a result, Guyana recorded real GDP growth of 2.2 percent in the first half of 2017. Increases in rice production, manufactured goods and other crops were the main reasons for this expansion. With the cancellation of the rice-for-oil agreement with Venezuela, Guyana has made positive strides in finding new markets and consequently, rice output increased by 31.6 percent in the first six months of this year. Rice shipments have already been exported to Panama and Mexico for this year thus far and Cuba was scheduled to receive its first shipment of paddy from Guyana in September 2017. Although the mining sector contracted by 4 percent, experts at the Guyana Gold Board (GGB) have indicated that with a yield of 367,861 ounces as at July 31, 2017, the gold industry is well on course to meeting its annual target of

700,000 ounces. The sugar industry continued to encounter challenges due to unfavourable international prices, industrial unrest and operational inefficiencies. Subsequently, the industry suffered a contraction of 12.4 percent for the first half of 2017. While Guyana is in the process of drafting an action plan to help regulate its future petroleum industry, the news keeps getting better. In August, 2017, ExxonMobil discovered more offshore oil in the Payara reservoir, bringing the company's total oil discovery to approximately 500 million barrels of oil.

CUBA

The Cuban economy rebounded in the first half of 2017 with real GDP growth of 1.1 percent compared to a contraction of 0.9 percent in the same period of 2016. Tourism, construction, transport and communications were the main drivers of growth. The 29 percent year-on-year growth in visitor arrivals was mainly attributed to growth in arrivals from the UK, Germany, Spain, France and Italy. Having reached 2.5 million visitors at this halfway point, Cuba was probably on course to achieve its 2017 arrivals target of 4.2 million, but the devastating effects of Hurricane Irma could provide some setbacks for the tourism sector. There are lingering reports of severe damage to some of the key tourist destinations and the agriculture sector was also dealt a heavy blow, as several banana, rice and sugar cane farms were destroyed by the hurricane. While the government is now seeking to rebuild before the busy winter period, recent policy changes made by US President, Donald Trump, could potentially restrict US travel to Cuba. US arrivals are also expected to be curtailed by Southwest Airlines' decision to discontinue some of its flight services to Cuba due to low passenger numbers. In the short-term, the economy could face challenges from the shortage of foreign currency for imports and reduced shipments of subsidised oil from Venezuela. Government finances would also be constrained, as meeting debt obligations and rebuilding infrastructure are now high priorities. Looking ahead, the mining sector could experience some growth, as a new lead and zinc mine is set to begin production in October, 2017. Lead and zinc prices are projected to be favourable until 2021 and this new mine is expected to register an annual yield of 50,000 tonnes of lead concentrate and 100,000 tonnes of zinc concentrate.

SURINAME

Suriname is seeking to attain fiscal sustainability with financial assistance via a US$40 million investment loan from the Inter-American Development Bank (IDB). For the first half of this year, the government recorded a fiscal deficit of 3 percent of GDP and the current administration is optimistic that the IDB loan could set them on the path towards lowering the fiscal deficit to 2.5 percent of GDP by 2018. Achieving this target would be no easy task and as such the current administration is planning to sell some state-owned assets to strengthen its fiscal position. On May 16th, 2017, it was made official that Suriname had indeed cancelled its two-year, US$478 million Stand-By Arrangement (SBA) with the IMF. The abandonment of the programme was probably inevitable, as the IMF criticised the Bouterse government's lacklustre approach towards implementing the necessary fiscal policy reforms. Furthermore, growing public discontent over the strict policy measures and the surging inflation rate probably gave the administration enough impetus to discontinue the IMF programme. On the bright side, inflation fell to around 23 percent (year-on-year) as at May, 2017 after peaking at around 80 percent (year-on-year) in October, 2016. However, the decision to sacrifice long-term economic sustainability for short-term gains could prove costly and this was exemplified in August, 2017, when 40,000 public servants were given an additional cost-of-living allowance with their monthly salaries.

REGION

Jamaica continued to make positive strides under its financial and economic programme, which is supported by the IMF's precautionary SBA. As at the end of June, 2017, all performance criteria were met and the economy seems to be rebounding with tourism, manufacturing and construction being the main drivers of growth. In the second quarter of 2017, a slight economic expansion of 0.3 percent, was mainly fuelled by services (1.2 percent), construction (1.5 percent), manufacturing (2.4 percent) and hotels and restaurants (8 percent).

Most of the Organisation of Eastern Caribbean States (OECS) member states recorded growth in tourist arrivals during the first half of this year. St. Lucia, Anguilla and Dominica were the top performers with growth of 5.7 percent, 6.3 percent and 14.3 percent, respectively. However, these gains have all but dissipated for some of the OECS countries due to the devastation left by Hurricanes Irma, Jose and Maria.

OUTLOOK

In the previous issue of the Republic Economic Newsletter Caribbean Update - Navigating the State of Flux, we projected that the gap between the tourism-based economies and the commodity exporters will narrow. In light of the recent environmental shocks, this projection may turn out to be quite accurate. While the commodity-dependent economies are expected to slowly recover, the recent hurricane devastation would put a serious damper on short-term growth prospects for tourism-based countries. It is highly likely that these islands would record lower-than-expected tourist arrivals for the latter part of 2017. Agriculture, which contributes to GDP and employment for most of these islands, could also record lower growth this year, as many crops were destroyed by floods. Currently, these islands are now seeking to rebuild their infrastructure and popular tourist sites. As a result, a fair number of tourism projects and other growth initiatives could be put on hold to accommodate the rebuilding phase… which in reality, could take years.

SAFEGUARDING Caribbean Tourism

When we reflect on the importance of the tourism sector to the Caribbean, the focus is usually almost entirely placed on the numbers. Variables such as the sector's growth and its contribution to employment and government revenue tend to take centre-stage and this is understandable, after all, these numbers to a large extent determine the health of the regional economy. Nevertheless, there is another important factor to consider; a nexus between tourism and the people of the Caribbean which transcends the numbers. In particular, the sector can be seen as a considerable part of the identity of the region's people. Warmth, beauty and uniqueness are adjectives that could just as easily be ascribed to the physical environment in the region as they could its people.

"...it is critical that steps are taken to enhance the long term viability of the tourism industry..."

The proverbial icing on the cake though is the rich culture in each jurisdiction, which adds significant appeal and context to the visitor experience. This very culture is the identity of the people being expressed in audible, visual and artistic ways and which simultaneously feeds off and is required to maintain, the physical environment. Regardless of how tourism is viewed, one fact is unavoidable; the sector is too important to the region for any effort to be spared in taking steps to safeguard and enhance its continued development.

The significance of the sector is indeed reflected in the numbers. According to the World Travel & Tourism Council's Economic Impact 2017 Caribbean Report, the sector accounted for 15 percent of Caribbean GDP in 2016. The report also revealed that tourism provided 13 percent of all jobs, 21 percent of export revenue and 12 percent of investment spending during the year. Further, the Caribbean as a region is more dependent on the sector than any other region in the global economy, ranking first among all other regions in terms of tourism's share of GDP, employment, export revenue and investment (Table 1). It should therefore be a cause for concern that the Caribbean's share of the global tourism market seems to be falling. In an IMF working paper titled *"Revisiting Tourism Flows to the Caribbean: What is Driving Arrivals?"* it was revealed that the region's market share fell to 2 percent in 2013 from 2.5 percent in 2000. However, Belize, the Dominican Republic, and Jamaica have been notable exceptions in this regard. Within the Caribbean, CARICOM's share of regional tourism fell from 34 percent in 1990 to 26 percent in 2015. On this basis alone, it is critical that steps are taken to enhance the long term viability of the tourism industry, especially given the rapidly changing global environment and the many challenges confronting the sector. In this note, we discuss a few initiatives that could play a major role in allowing the Caribbean tourism industry to keep pace with its competitors.

Table 1: Relative Contribution of Tourism - Regional Rankings

Contribution to Total GDP (2016)

Rank	Region	% Share
1	Caribbean	14.9
2	Oceania	12.2
3	South East Asia	11.8
4	European Union	10.2

Contribution to Employment (2016)

Rank	Region	% Share
1	Caribbean	13.4
2	Oceania	13.2
3	European Union	11.6
4	North America	11.0

Contribution to Total Exports (2016)

Rank	Region	% Share
1	Caribbean	20.7
2	Oceania	12.5
3	North Africa	10.7
4	South East Asia	8.6

Contribution to Total Investment (2016)

Rank	Region	% Share
1	Caribbean	12.3
2	North Africa	7.3
3	Middle East	7.2
4	South East Asia	6.8

In a world of ubiquitous change, it is difficult for businesses to effectively compete, or at the very least survive without consistently tracking the competitive landscape. Whether they recognise it or not, businesses are facing an ever increasing need to include competitive intelligence as part of their operations. This truth also holds for the Caribbean tourism industry. Competitive intelligence relates to the act of gathering, analysing and distributing information about products, customers, competitors and the business environment. This type of monitoring could present a wealth of information to Caribbean tourism practitioners and would facilitate the monitoring of such things as market share, the effects of disrupters (technology, Airbnb, Uber etc.) and price competitiveness, to name a few. The reality though, is that competitive intelligence is not widely practiced in the Caribbean for various reasons, not least of which is the absence of timely data. Perhaps the way forward in this regard may be some type of partnership with regional tertiary education institutions to perform research services or an expansion of the information services provided by the Caribbean Tourism Organisation. The point here is not to identify the best way to satisfy the sector's information needs, but to say that the tourism business in the region must be data driven.

The information provided by competitive intelligence can contribute greatly to risk management, which is another critical element for enhancing the viability of the region's tourism sector. The tourism sector can be a very vulnerable one and as a consequence, it is necessary to take steps to control key risks, including but not limited to economic, political, natural disasters, climatic and health. For instance, to cushion the impact of weak economic conditions in source markets, several destinations in the Caribbean have developed promotional initiatives to draw visitors from new regions and thereby diversify their markets. This is an encouraging development, but an intensification of efforts may be required in order to achieve the desired result. The devastation caused by Hurricanes Irma, Jose and Maria provides a cruel reminder of two other risks the industry must actively seek to mitigate, namely, the effects of natural disasters and climate change. While natural disasters cannot be avoided, decisions to augment insurance coverage and review building codes across the region could provide some resilience. A united regional tourism sector lobby would be a good initiative to grant the Caribbean a louder voice in matters related to the harmful effects of global warming on the region.

Another requisite for the region is to ensure that housed within its borders, is an appropriate environment for not just tourism, but business in general. It must never be forgotten that investment goes where it feels welcomed. Accordingly, the onus is on us to ensure that an appropriate level of infrastructure (including IT) is available. Equally important, is the need for a suitable legislative environment with adequate and efficient support institutions such as registries, where there is no excessive red tape or delays for simple transactions. Of course, the need for all of this to take place in a safe setting cannot be overstated. In the area of security, (including IT security) the region has to make some major improvements. One troubling development is the continued fall of most countries in the region on the World Bank's 2017 Ease of Doing Business Ranking, with those countries rated low in areas such as the time required to start a business and to gain construction permits. A similar trend has been experienced on the 2016/17 Global Competitive Index Ranking, with poor work ethic, inefficient government bureaucracy, security and corruption listed among the major problem areas. On the positive side, Jamaica's ranking has improved steadily on both indices in recent years.

In addition to the suitable environment, sufficient attention must also be paid to the structure of the regional tourism industry, in particular, its relationship with other domestic sectors. To serve their customers (visitors), tourism practitioners depend heavily on imported goods. This results in a significant amount of foreign exchange leakage, which the region could ill afford. Although by nature the Caribbean and by extension, tourism will always need to import to survive, there are opportunities to reduce the level of dependence. If a commitment is made to establish more direct and deep linkages between tourism and other domestic sectors, three important goals may be accomplished. Firstly, this will stoke activity in regional industries such as agriculture, entertainment, IT and manufacturing and thereby help to diversify the economy. Secondly, there may be a boost to the reserves of foreign currency, which is critical to the Caribbean. Finally it will allow the region to move up the value chain in the tourism sector.

Given evidence of falling market share, it is an opportune time to focus on efficiency and service. The IMF working paper identified above, indicated that the nominal cost of a holiday in the Caribbean was higher than other sun, sea and sand destinations. This means that the region has to place a greater level of emphasis on non-price variables to effectively compete and a good place to start is service. In addition to properly trained staff, the aim must always be to offer top quality, complete, integrated service. Practitioners should constantly consider what general conveniences or services guests would appreciate, which are not already in place. While doing this, remember that in business wastage is akin to sin.

In conclusion, we should aim to create a tourism sector for today's and tomorrow's world, since it is not only the financial wellbeing of the region at stake, but also a major part of its identity. To this end, the use of appropriate techniques such as competitive intelligence and risk management, combined with the right environment, structure and a focus on service could prove invaluable. Although the tools identified will likely have to be combined with other valuable initiatives, they can go a long way in safeguarding the region's tourism sector on their own.