

**THE WORLD BANK GROUP ARCHIVES**

**PUBLIC DISCLOSURE AUTHORIZED**

Folder Title: Contacts with member countries: Trinidad and Tobago - Correspondence 01

Folder ID: 1771206

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 28, 2013

To cite materials from this archival folder, please follow the following format:  
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK  
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or  
The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

**PUBLIC DISCLOSURE AUTHORIZED**

McNamara Papers

The World Bank Group  
**Archives**



1771206

A1993-012 Other #: 18

209354B

Contacts with member countries: Trinidad and Tobago - Correspondence 01

Contract  
Trinidad and Tobago (1973-1975)

Folder 147

**DECLASSIFIED**

WBG Archives

**DECLASSIFIED**

WBG Archives



TRINIDAD & TOBAGO

TRINIDAD AND TOBAGO

1. 3/22/73 George Chambers, Minister of Finance
- 3/26/73 George Chambers, Minister of Finance  
(Lunch with Mr. P-P Schweitzer)
2. 7/5-7/73 RMcN Notes (*Filed in L McK office*).
3. 7/6/73 George Chambers, Minister of Finance  
(Port of Brinsley Barrow, Minister of Housing & Min of Planning and Dev.  
Spain) Lionel M. Robinson, Minister of Agriculture, Lands & Fisheries  
Carlton Gomes, Minister of Education and Culture  
MEMCONS Overand Padmore, Minister of Public Utilities  
of Trip Kamaluddin Mohammed, Minister of Health & Local Govt

Eric Eustace Williams, Prime Minister

Philip Rochford, Chairman, National Commercial Bank  
C. de Souza, Royal Bank of Trinidad  
D. Devertuil, former Pres of the Chamber of Industries and Commerce  
G. Fuller, Federation Chemicals  
B. Procope, Chairman of the Workers' Bank  
M. de Souza, Chairman, T&T Development Finance Corp.

Dr. Andrews, Superintendent of: a Family Planning Clinic,  
in Port-of-Spain General Hospital

Dr. Max Awon, Chairman, Family Planning and Population Council

Mr. Antonio Patriota, Regional Rep, UNDP

Governor General's Dinner (Tentative List of Guests)

Sir Ellis Clarke, Governor-General

In addition to Messrs. Williams, Chambers, Mohammed, Robinson,  
Barrow, Padmore, C. Gomes, D. de Souza, Rochford,  
Devertuil, Procope, G. Fuller, M. de Souza, listed above:

Francis Prevatt, Minister of Petroleum  
Karl Hudson-Phillips, Attorney General  
Erroll Mahabir, Minister of Industry & Commerce  
Victor Bruce, Governor, Central Bank  
D. Alleyne, Perm Secy to PM  
E. Moore, Economic Adviser to PM  
F. Barsotti, Perm Secy, Ministry of Planning & Chairman, Caroni Ltd.  
F. Rampersad, Perm Secy, Ministry of Finance  
Prof. K. Julien, Chairman, Urban Redevelopment Council  
I. Williams, Chairman, National Housing Authority  
Sir Isaac Hyatali, Chief Justice  
C. Devaux, Director, Barclays Bank  
G. Gaither, President, AMOCO Trinidad  
P. Bates, Managing Director, Shell  
G. Stibbs, General Manager, Texaco  
B. Primus, Chairman, Trinidad-Tesoro  
Mr. N. Critchlow, President, T&T Labour Congress



4. 7/15/74 Dinner hosted by Eric Williams, Prime Minister  
(New York)
- 6/12-13/75 G. M. Chambers, Minister of Finance and of Planning  
(Paris-Dev. and Development  
Cte.)
- 12/19/75 Ambassador Victor C. McIntyre
- 1/6-10/76 F. C. Prevatt, Minister of Finance  
(Dev.Cte.,  
Kingston)
5. 2/10/76 Ambassador Victor C. McIntyre





MEMORANDUM FOR THE RECORD

Visit of Mr. Chambers, Finance Minister of Trinidad and Tobago, March 22, 1973

---

Present: Messrs. McNamara, Chambers, Mendels

The Minister said that he hoped that Mr. McNamara would be able to visit the Caribbean, and specifically Trinidad and Tobago, in the near future, perhaps before the Nairobi Meeting. Mr. McNamara said that unfortunately this would not be possible.

Mr. McNamara said that he was distressed to hear a few days earlier that the Caroni Sugar project in Trinidad and Tobago had been postponed at the request of the Government. The Minister said that this was a question of political problems and convenient timing of the project. Mr. McNamara stressed that, if the Government were interested in the project, it should go ahead for Bank Board approval. Otherwise we might as well drop it and work on something else. In either case, the Bank would understand the Government's action. He felt that the project is a good one, both in terms of the favorable outlook for sugar markets and for the great number of people who will be employed under the project.

The Minister of Finance said that he expected to hear from his Government that evening and be able to state a firm position the following day in a meeting with Mr. Wiese.

AL  
March 23, 1973

President has seen





3

## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: July 24, 1973

FROM: Shiv S. Kapur, Division Chief, LACII

SUBJECT: Mr. McNamara's Visit to Trinidad and Tobago, July 5-7, 1973

1. Mr. McNamara visited Trinidad on July 6, arriving there from Jamaica in the night of July 5 and leaving for Washington early in the morning of July 7. He was accompanied by Messrs. Clark, Ljungh and Kapur. The objective of his visit was to hold discussions with the government on matters of mutual interest, including certain issues of economic policy and the Bank's present and prospective role in the country's development. An itinerary of the visit, which included a field trip to Bank financed schools, family planning clinic and urban redevelopment area in the east Port-of-Spain, is attached as Annex I.

2. The structure of this note does not follow the strict chronology of Mr. McNamara's engagements in Trinidad. In order to highlight the various themes of his discussions, the record concerns itself first with his meetings with the Ministers, followed by the two meetings with the Prime Minister. It then goes on to note the points emerging from the discussions with the representatives of bankers and industrialists in the evening of July 6, as well as the impressions of the field trip undertaken earlier in the day. The meeting with the Regional Resident Representative of the UNDP, although this was the first order of business in Port-of-Spain, is covered at the end of this note. For ease of reference, the conclusions and points for action are first set down below.

3. Conclusions and Points for Action

(i) Mr. McNamara assured the government of our support for its program of rural development. In response to the government's request, he also stated that the Bank would be willing to consider special maturities and grace periods for suitable loans in this sector (Paragraph 7).

(ii) The Bank would not finance middle income housing and would prefer to limit its involvement in the housing sector to sites and services projects. In reply to a question from the Minister of Finance, however, Mr. McNamara expressed our readiness to consider the funding of an agency in urban redevelopment (Paragraph 8).

(iii) In the sector of education and training, the Bank would continue to assist with technical and vocational education and would also help provide more places for the 14+ age group in vocational education. However, we shall await more details of the National Youth Service program before deciding if the Bank is in a position to finance its training component (Paragraph 9). Mr. McNamara expressed a strong feeling that something should be done to curb the constant emigration of trained people from Trinidad and Tobago and the unnecessary burden that this places on the country's economy.



July 24, 1973

(iv) The Bank would not for the present finance health services as such nor, in reference to our ongoing family planning project in Trinidad and Tobago, would we finance cost overruns (Paragraph 10).

(v) We would await the details of the revised port project from the government. However, whether in the development of ports or in the telecommunications project which we have lately appraised, the Bank will insist on the proper pricing of public utilities. We would not finance these projects unless appropriate rates for the services are assured (Paragraph 11).

(vi) The government intends to renew its proposal for the Point Lisas port project. The project will include an employment-creating industrial estate component, and we will be in touch with the government to obtain further details (Paragraph 11).

(vii) Apropos of the income distribution question, Mr. McNamara informed the Prime Minister that a study is being made in the Bank of a number of developing countries in this connection. We will send to the Prime Minister such material as may be of some use in formulating policies pertinent to Trinidad and Tobago (Paragraph 14).

4. In his comments on the economy, Mr. McNamara called the Trinidadians' attention to the present situation in the country of over-priced labor and underpriced capital. He emphasized the need for appropriate incomes, exchange rate and interest policies so as to keep the domestic and external price levels in line. He warned against the dangers of elitism in wage policies which ends up with the underprivileged many subsidizing the privileged few. He also expressed the desire for government actions which would help ensure that the education and training that the Bank finances stay within the country and are used for its benefit.

Meeting with Ministers on July 6 at 10.00 hours

5. On the government's side the meeting was led by Finance Minister Chambers and was attended by key Cabinet Ministers, including the Planning and Development and Housing Minister Barrow; Agriculture, Lands and Fisheries Minister Robinson; Education and Culture Minister Gomes; Public Utilities Minister Overand; and Health and Local Government Minister Mohammed. The meeting opened with an exposition by the Minister of Finance of Trinidad and Tobago's problems and the objectives of the policies and programs being followed by the government. In the absence of IDA financing - which Trinidad considers that it should receive for social infrastructure projects - a claim was made for increased Bank support for the country's investment program. Individual sectors, and the Bank role therein, were then discussed by the Ministers concerned.



July 24, 1973

6. Among the most pressing problems facing the country, the Minister of Finance mentioned the high level of unemployment which persists despite Trinidad's substantial per capita income. It was the government's basic thesis that in a dualistic petroleum-dominated small economy like Trinidad's, the per capita income taken by itself can be terribly deceiving. The Minister of Finance was therefore at some pains to bring out the large role played by the External sector in the country's economy. He mentioned the impact of external prices on living standards, the population mix (60 percent of the total being 25 years of age and under) which promotes restlessness among the youth, the continuing rural-urban drift and the acute shortage of housing all of which combine to build up social pressures. This is the final year of the third development plan (the fourth Five-Year Plan, 1974-78, is expected to be ready by the end of the year), and the government is conducting an evaluation of its success and failures so as to derive lessons for the future. It is, however, clear that while a good deal has been achieved, Trinidad and Tobago's development effort has failed to touch the people in the positive manner that it should have. The next plan will seek remedies for some of the problems mentioned by the Minister. The overriding objectives of that plan will be rural development and steps to distribute the benefits of development more equitably among the people.

7. In connection with the need for rural development, the Minister of Agriculture mentioned the continuing movement away from rural areas in the northeast and the increasing concentration of people in the western part of the country. At the same time, Trinidad and Tobago's food imports bill continues to be high, and presently accounts for 15-20 percent of its total merchandise imports. It is the purpose of the government's rural development program to moderate the population drift, generate employment and improve the quality of life in the countryside, and reduce the dependence on imported foodstuffs. The government plans the development of St. Andrews and St. Patrick areas in Trinidad and of parts of Tobago; it would provide fishing and agriculture as a base, resuscitate the traditional crops of cocoa, coconut and coffee, establish storage and marketing facilities, promote cooperative enterprises and extend social infrastructure. A rural development project is also proposed in the Caroni area. (We have since received an outline proposal for our review.) The Minister requested Bank assistance for both projects on specially favorable terms. Mr. McNamara responded by offering full support for the government's integrated rural development program. A project in the northeast and southeast Trinidad and in Tobago is already being prepared for possible Bank financing. We could also consider special maturities and grace periods for our loans for rural development, if this is found justified.

8. The Minister of Planning emphasized urban redevelopment of Port-of-Spain and the development of Scarborough in Tobago. He mentioned some figures bearing on the situation in Port-of-Spain. One-third of the



July 24, 1973

city's population, he said, are immigrants from other Caribbean islands; 26 percent of the work force is unemployed; and 25 percent of the families are squatters. Some 95 percent of the land is however vested in about ten owners. Community services are poor, the housing needs are high, and social pressures can become intense. In response to questioning from Mr. McNamara, we were informed that the average cost of a housing unit is estimated at TT\$7,000; the government would use largely Crown Lands for low income housing, although land may also have to be acquired from private owners at about TT\$10,000 an acre. The government's thinking on urban redevelopment includes self-help by squatters, and questions of tenure security are being looked into. Mr. McNamara stated that the problem is to produce cheap housing, and that is why we are emphasizing sites and services projects in our lending. We would not wish to finance middle income housing. In reply to a question from the Minister of Finance, however, Mr. McNamara stated that the Bank would be willing to consider funding an agency in urban redevelopment provided proper plans and cost estimates are forthcoming (also see note on the Field Trip). As to Scarborough, he did not know how its development fitted in with the financing needs of the country's priorities and development program. We in the Bank would finance only priority needs. (We have included a sites and services project for Port-of-Spain in our lending program for FY75 and will be in touch with the government in this connection.)

9. The Minister of Education gave a brief exposition of Trinidad and Tobago's educational reform program. (The program's objective is to improve the relevance and efficiency of the educational system. We have already made two loans in FY69 and FY73 in support of the program which extends over 15 years, from 1968 to 1983.) It is the objective of the plan to provide 100 percent primary level places, 90 percent junior secondary level, and 35-40 percent senior secondary level places by its completion. The population distribution and rising aspirations among the youth underline the need for improving and enlarging the educational system. In its recent report on employment in Trinidad and Tobago, the Bank has recommended that the school age be extended to 16 years thus creating the need for additional places. At the same time, the recurring expenditure on education has gone up substantially. The Minister therefore requested Bank assistance, especially in providing vocational and technical education for the 14+ age group. Questioned on the brain drain problem, the Minister stated that there is a constant outflow of trained people; contracts are used to restrain migration, but these are more often than not breached. He could see an alleviation of the problem only if the immigration policies of the receiving countries (mainly U.S., U.K. and Canada) are sensitive to the skills mix of the immigrants in relation to Trinidad and Tobago's own needs. He wondered if the Bank could provide any assistance in this connection. Mr. McNamara expressed the Bank's awareness of the loss to Trinidadian economy caused by emigration, and stated that the Bank would assist with technical and vocational education and would help provide more places for the 14+ age group. On the related



July 24, 1973

question of the National Youth Service mentioned later by the Minister of Finance, we were promised details by mail. It appears that the plan visualizes the establishment of youth camps to impart discipline and training and prepare the participants for small businesses. Two-year training camps are foreseen and four of them are said to have been already established. A placement service will be provided by the Ministry of Planning on completion of training. Mr. McNamara expressed an interest in the Bank receiving the profiles of youth before and after their attendance in the camps. If properly organized, he thought the youth service could be very useful.

10. In discussing the country's health and family planning requirements, the Minister of Health called attention to the present overloaded health facilities, especially in major hospitals, and the urgent need for the renovation of district hospitals. He emphasized the need for integrating family planning with the general health service facilities, mentioned the problem of cost overruns, and said that a nutrition program has not yet been developed pending the report of the Caribbean Conference on the subject. The post-partum family planning program being implemented by the government was also touched upon. While expressing our continuing support for the family planning program (a second project is included in our lending program for FY77), Mr. McNamara stated that the Bank does not at present finance health services as such; some financing for this purpose is provided only when it is needed in connection with extending family planning activities. The Bank also is not in a position to finance cost overruns.

11. The Minister of Public Utilities referred to the port and telecommunications projects. Traffic has recently developed to a pattern and at a pace much beyond that foreseen at the time when the port project was appraised by the Bank. There has been a tremendous acceleration of traffic and this, combined with rapid containerization, calls for a completely new project design. He requested that the Bank might arrange a mission to identify a revised project. With the LNG project likely to go forward shortly, he also requested Bank assistance for setting up port facilities and an industrial estate at Point Lisas. The project has been preliminarily considered, off and on, by the Bank in the past, but has been never seriously investigated pending the availability of natural gas on which the industrial estate will be predicated. On the question of rates increases - which have seriously delayed the original port project - the Minister expressed the view that a broad range of increases in the pricing of utilities in a short period of time can have serious social repercussions. Trinidad and Tobago faces a very real problem of inflation and the pricing of utilities would have a direct bearing on this. While, therefore, recognizing the need for appropriate pricing, he urged flexibility in Bank policy to permit what he termed "timely economic development."

12. Before responding on the issue of rate increases, Mr. McNamara asked if the government wishes the Bank to finance the telecommunications project; he understood that supplier financing for this purpose is available and as a lender of last resort the Bank would not wish to be involved unless special circumstances were to justify this. The Minister of Finance



July 24, 1973

confirmed that the government is keen on Bank financing for the Telephone Company: this would not only provide the benefits of international competitive bidding and cheaper prices of equipment but the Bank's association is also considered invaluable by the government in the financial, technical and operational improvements that need to be carried out. As to the rates of public utilities, Mr. McNamara made it very clear that we would not support a project unless appropriate rates were introduced to carry the project's own costs and to finance further expansion. The only issue, he said, is who is going to pay for the utilities: they have to be paid for anyway, and a proper tariff policy is a step in the direction of equitable distribution. He did not see why in a country with skewed income distribution, a majority who do not benefit from facilities like telephones should be subsidizing the elite few who do. Hence our insistence on correct pricing. The timing of the increases can of course be a matter for discussion with the Bank.

Meetings with Prime Minister on July 6 at 12.30 and 19.00 hours

13. The first of the two meetings with the Prime Minister took place over lunch with the Finance Minister and myself also being present; the second meeting, at the Prime Minister's residence was attended only by the Prime Minister, Mr. McNamara and myself. The discussion at both meetings ranged over certain broad themes. These included prices and incomes policies, the problems of education and training in Trinidad's particular situation, the question of localization of industries, and the prospects for agricultural development and for regional integration. The discussion also touched upon the political underpinnings and the parameters of social discipline for the enforcement of certain economic policies.

14. Mr. McNamara pursued the question of an incomes policy both to promote employment and economic diversification as well as to ensure a more equitable distribution of the benefits of growth. He referred to the wage pressures originating in the high-productivity petroleum industry and how these might be moderated by a government which has strong political affiliations with the trade unions. As things stand, a working-class elite has emerged and is probably contributing to aggravate the already skewed income distribution. He wondered how wide is the voting base and what proportion of electorate does vote to promote such subsidization of elite groups by the underprivileged. Referring to the system of national consultations - of which Mr. McNamara expressed his appreciation - he wondered whether the participative political process could not be used to educate the people generally about the implications of the present situation and if the party machinery might be used to achieve the same end. In his response, the Prime Minister was somewhat pessimistic of the



July 24, 1973

efficacy of the participative process. He gave one the impression that a fair part of this participation and consultation on major issues had a ritualistic aspect; the government is, in effect, somewhat helpless in the face of sectarian and trade union interests despite the existence of a clearly strong political organization. While, therefore, the government is considering the formulation of national wage and price guidelines, it would be unrealistic to expect that strong and decisive action will be forthcoming in the near future. In commenting on the role of the Industrial Court, the new Industrial Relations Act of 1972 is, according to the Prime Minister, intended to introduce flexibility and avoid head-on wage confrontations and strikes which were becoming frequent under the previous Industrial Stabilization Act. The new legislation outlaws strikes in essential services; the definition of these essential services is apparently quite wide, and the Prime Minister mentioned school bus services as an example of the kind of activities they would cover. Reverting to the income distribution question, Mr. McNamara mentioned the studies of the problem presently being made in the Bank. At the Prime Minister's request, he agreed to have some material sent to him which might be useful to the government in formulating its own policies in this field.

15. The Prime Minister's essential point appeared to be the "soft state" syndrome. Whether in the area of economic policy making with the cooperation of the people or in commenting on the products of the present educational system, he underlined the multiracial character of the Trinidadian society and what he described as "individualism" in the attitudes of groups and individuals who comprise it. The present educational system he saw as producing a power elite of lawyers and other groups who have little relevance to the social and economic realities in the country. There is a bias in favor of academic education and growing restlessness and new social mores contribute to the problem of indiscipline at the university; the plethora of denominational educational institutions adds to the problems and cost of dealing effectively with the deficiencies of the present system. Mr. McNamara raised the question of the steady erosion of scarce talent through emigration out of the country, and whether the government had given any thought to remedying this situation. The Prime Minister expressed opposition to doing anything drastic. At the same time, the government has tried to hold people down through contracts, but these have been constantly breached. The only hope is by influencing the immigration policies of the receiving countries; the government hopes to make necessary contacts in this connection very shortly. In the meantime, the government is introducing the National Youth Service to inculcate discipline, strengthen the motivation for work and provide training to the 14+ age groups before they leave secondary schools. In this connection it was mentioned to the Prime Minister that in India certain states had adopted a policy of not awarding degrees to students in certain professions until they had completed one or two years of minimum service in rural areas. The Prime Minister expressed an interest in receiving more details of such experiments and their results.



July 24, 1973

16. The Prime Minister came out strongly in favor of regional integration in the Caribbean. He expressed full awareness of the benefits that a regional arrangement might confer on these small economies and said that most of Trinidad and Tobago's trade increases recently had been with CARIFTA countries. He expressed satisfaction at the signing of the Common Market agreement on July 4 and stated that Trinidad and Tobago looked forward to developing a close relationship with the Associated States which have for the moment stayed out of the Market. He was also conscious of the new realities emerging from the British entry into the European Economic Community and said that Trinidad has already taken certain steps to protect its sugar interests.

17. Two other points of importance were briefly touched upon at these meetings. The first concerned the localization of industry in the country, while the second expressed the government's strong interest in developing agriculture. While foreign private investment in the future will be affected by the harmonization of fiscal incentives in the Caribbean countries, Trinidad and Tobago would continue to welcome such investment on appropriate terms. The Prime Minister commended the attitudes of the foreign banks and companies operating in Trinidad and visualized no problem in continuing to work with them amicably even while pursuing the country's basic objective of progressive localization of key sectors and industries. In agriculture, the Prime Minister expressed his concern at the continuing movement of people away from land. He was assured by Mr. McNamara of the Bank's support in the government's efforts to develop agriculture and improve the quality of life in rural areas so as to dampen the rural-urban drift.

Meeting with Bankers and Industrialists on July 6 at 1700 hours

18. The meeting was attended by Philip Rochford, Chairman, National Commercial Bank; C. de Souza, Royal Bank of Trinidad; D. Devertuil, former President of the Chamber of Industries and Commerce; G. Fuller, Federation Chemicals; B. Procope, banking, insurance, automobile assembly, Port Authority and Chairman of the Workers' Bank; and M. de Souza, Chairman, TTDFC.

19. In laying down the ground rules for the discussion, Mr. McNamara stated that his main interest was in learning from the group as to how they saw the problems of the country and the solutions that might be feasible. Of the problems he mentioned unemployment as the foremost and, at a later stage in the discussion, pointed to the capital intensive nature of the recent industrial growth, the high and uncompetitive wage rates prevailing in important sections of the economy, and the low interest rates which discourage savings. The resulting situation is one of overpriced labor, underpriced capital and domestic product price levels which are out of line with external prices.

20. The views expressed by the bankers and industrialists' representatives reflected a wide divergence, not only on the diagnosis of the



July 24, 1973

present economic situation and its needs but also in their emphasis on the solutions that might be adopted. After some editing, these views are summarized as follows:

(i) efforts have lately been made to reduce excess liquidity in the banking system. Reserve requirements have been increased, the expansion of credit slowed down, and the rates for instalment credit increased. While the appropriate machinery for mobilizing long-term capital in the country has not existed in the past, efforts are now being made to develop a capital market, and expert advice for its institutionalization has been obtained;

(ii) the banking system is undergoing certain basic changes. Reasonable terms are being offered for the localization of banks (six foreign owned commercial banks are under government directive to incorporate in Trinidad and Tobago and, through public issues, to offer majority participation to Trinidadians). The local issue of the Royal Bank of Trinidad and Tobago was heavily oversubscribed. It was however felt by Mr. Rochford that a greater regulation of the banking industry might be useful and should be imposed. There is, he thought, no shortage of resources; what is needed is the strengthening of institutions;

(iii) Mr. Rochford also thought the time for marginal changes is over; unless far-reaching steps are now taken to remedy the unemployment problem, there might be a social and political explosion. He felt there is great readiness now among the people to accept basic changes and that local entrepreneurship can be developed if it is properly encouraged. Essential steps to promote employment included infrastructure works, the generation of additional long-term investment funds, reform of the educational system and provision of basic training and motivation for employment, and the development of agriculture;

(iv) agriculture was viewed as the backbone of the economy. The Agricultural Development Bank has lately organized itself to administer supervised credit and to attend to the needs of small farmers. IDB is planning some loans for small farmers and for fisheries. It should be the objective of agricultural development to improve rural incomes and to provide social infrastructure. A rural development project was suggested, which is already under preparation for possible Bank financing;

(v) the dichotomy in wage rates between agriculture and the modern sector was underlined. Petroleum wages have a demonstration effect on the rest of the economy and, according to Mr. Devertuil, the wage increases in the last couple of years have been "frightening." He stressed the need for national wage and price guidelines; he felt that wages at the top must not be allowed to move away any further, both in the private and the public sectors;



July 24, 1973

(vi) on education, training and motivation for employment, the deficiencies of the present academically-oriented educational system were appreciated and the problem of the emigration of trained people was emphasized. It was thought necessary that basic training, especially for the construction industry, be provided and that people be reeducated in social values;

(vii) finally, a plea was made for special treatment by the Bank of small, dualistic economies like those of Trinidad and Tobago. Mr. de Souza of the TTDFC also requested Bank assistance for promoting screw-driver type industries which would provide additional employment.

21. In his concluding remarks, Mr. McNamara stated that we want to do all that we can to help Trinidad and Tobago in achieving its employment and output objectives. We have already substantially increased our lending to the country in the last five years and would hope to enlarge our participation in the future. We would also be willing to help in any steps that are taken to see that the education and training that we finance stays in the country for its own benefit and is not exported to developed countries. However, the dualistic character of the economy remains a basic problem and the present mix of high protection, low interest rates, low domestic savings and an overvalued exchange rate Mr. McNamara considered a prescription for disaster. He thought it essential that wage making in the high-productivity petroleum sector be viewed in terms of its impact on wage structures as a whole, and not be treated as external to the economy. As to the reform and re-orientation of the educational system towards more technical and vocational training, the Bank is already financing projects for this purpose and will maintain its support in the future.

Field Trip on July 6 at 14.45 hours

22. The field trip took Mr. McNamara to Bank financed schools, the urban redevelopment area in east Port-of-Spain, and a family planning clinic. Mr. McNamara was accompanied on the trip by the Ministers of Planning and Development and Housing, Education and Agriculture, and Health and Local Government. An itinerary of the trip appears as Annex II. The southeast Port-of-Spain secondary school is situated in the Prime Minister's constituency and is being extended by demolishing an old market. When completed, this will provide a senior comprehensive school to accommodate over 1,200 children. The buildings of the second school that we visited, the Baratavia Junior Secondary School, have already been completed and comprise a very attractive complex. Although the school is designed to operate on a two-shift system, only one shift has so far been introduced. The equipment for vocational training appears to have been intelligently selected and we saw evidence of its active and interested use. The school is intended to meet the needs of children from the urban



July 24, 1973

redevelopment area and will have a total enrolment of 640 children. The family planning clinic that we visited is one of 59 such clinics in the country and provides post-partum and post-abortal education as well as maternal and child-health activities. Mr. McNamara had a useful exchange of views with the Superintendent, Dr. Andrews, and was informed of the deficiencies in the educational and home visitor aspects of the program. The latter are being followed up with the government. We were also given a Population Abstract for 1960-70 and a note on Family Planning and Population Council by its Chairman, Dr. Max Awon. I have passed on both these documents to the Population Projects Department.

Meeting with Mr. Antonio Patriota, Regional Representative  
of the UNDP on July 6 at 09.15 hours

23. Mr. McNamara had a broad exchange of views with Mr. Patriota, intended partly to get an idea of the thrust of UNDP activities in the country and partly to get a feel of the general situation from a locally resident but objective source. Mr. Patriota mentioned the size of the UNDP program in the Caribbean for the coming five years (\$25 million), of which \$5 million would be allocated for Trinidad and Tobago. Two of the ongoing UNDP projects he thought deserved special mention. One was the project to support the Caribbean Industrial Research Institute which was established jointly with UNIDO assistance in 1969 and provides applied research and consultancy services on contract. (It was the view of our last economic mission that this institution has excellent potential not only for the industrial sector in Trinidad and Tobago, but also for providing similar services to other countries in the Caribbean. We might at some stage, therefore, consider financing some of its activities as part of our involvement in the industrial sector.) The second project of special significance is one for administrative improvement which was initiated in January 1972 and would provide for the services of eight expatriate experts. Not much progress has however been made on the second project for want of decision on these experts by the government. Mr. Patriota commented especially on the government's apparent inability to take quick decisions. Even when the government is persuaded of the need for expatriate experts, it takes unconscionably long in completing the formalities for the grant of work permits with the result that projects do not make sufficiently quick progress. The UNDP is also engaged in developing an agricultural map of the country and, jointly with Unesco, is now considering a project for the establishment of a marine research institute. More generally, Mr. Patriota thought that the family planning program has run into a crisis and that the reasons, once again, are the government's incapacity to take quick decisions (the government has been delaying decisions on engaging management and advisory consultants for the Bank project. We have taken up the matter strongly with the Minister

July 24, 1973

and have just received agreement to the appointment of management consultants. There has also been an overall decline in the number of acceptors which is engaging the attention of the Population Projects Department).

24. Mr. McNamara also questioned Mr. Patriota about the role of the private sector and its reactions to the government's policy of steady enlargement of the public sector in the economy as well as to a possible exchange rate adjustment. Mr. Patriota thought the private sector cooperated as a whole, with the exception of a few dissident elements. It would, however, he thought, be opposed to any currency devaluation in view of the high import content of Trinidadian industry whose cost will promptly go up. Devaluation might also aggravate the wage pressures which have been triggered by the recent acceleration in price increases.

#### Attachments

cc: Messrs. Alter, Baum, Wiese (LACII), Knox (LAC), Clark (External Relations), Avramovic (LAC), Ljungh (Office of President), Ross (LACII), Clift (LACII), Struben o/r (LACII), Abbate (LACII), Richter (LACII), Landau o/r (LACII).

SSKapur:ean



ITINERARYVisit to Jamaica and Trinidad and Tobago, July 3-7, 1973A. Jamaica

July 3 Tuesday	1505	Depart Washington (National)
	1715	Arrive Miami
	1845	Depart Miami
	1915	Arrive Kingston Dinner Private
July 4 Wednesday	0745	Depart hotel for Up Park Camp Airport
	0815	Depart Up Park and overfly central and southern parts of the country
	0915	Arrive Holland Sugar Estate. Field trip
	1100	Depart Holland Sugar Estate, overfly western and northern Jamaica.
	1145	Arrive Montego Bay. Luncheon at Calabash Restaurant hosted by Minister of Agriculture
	1330	Depart Montego Bay
	1415	Arrive Kingston
	1530	Meeting with Ministers at Cabinet Office, Ministry of Finance.
	1930	Dinner (stag) with Minister of Finance at his residence. (Guest list attached).
July 5 Thursday	0800	Field trip: sites and services project, low income housing and transshipment port site.
	1100	Meeting with Leaders of the Opposition #
	1145	Meeting with University of West Indies # representatives.
	1315	Meet and lunch with Prime Minister Manley and Minister of Finance (PM's residence - guest list attached).
	1725	Depart Kingston.
	2315	Arrive Port-of-Spain.

B. Trinidad and Tobago

July 6 Friday	0915	Meeting with Regional Resident Representative of the UNDP*
	1000	Meeting with Ministers led by Minister of Finance*
	1230	Meet and lunch with the Prime Minister and Minister of Finance (at Trinidad Hilton Hotel)
	1445	Depart field trip to Bank-financed schools, family planning clinic and urban redevelopment area in east Port-of-Spain

# Meeting in Mr. McNamara's suite, Kingston Sheraton Hotel.

\* Meetings at Trinidad Hilton Hotel, Blue Emperor Room.



B. Trinidad and Tobago (continued)

	1700	Meeting with bankers and industrialists *
	1900	Private meeting with Prime Minister (PM's residence).
	2000	Dinner with Governor General (informal - guest list attached).
July 7 Saturday	0900	Depart Port-of-Spain.

\* Meeting at Trinidad Hilton hotel, Mr. McNamara's suite

ITINERARY FOR FIELD TRIP, JULY 6

The field trip covers:

- (i) the South-East Port-of-Spain Secondary School;
- (ii) the Urban Redevelopment Project;
- (iii) the Barataria Junior Secondary School; and
- (iv) the Family Planning Clinic, General Hospital, Port-of-Spain.

(i) South-East Port-of-Spain Secondary School

The South-East Port-of-Spain Secondary School is situated in the Prime Minister's Constituency. It has a school population of 550.

Extensions to the building are now being carried out, on completion of which, the school will be converted into a Senior Comprehensive School to accommodate 1,260 children.

The school, which is situated in an area which has been traditionally depressed, is intended to ensure that educational facilities of a high standard are available to the less-privileged children in the same way that the more-privileged children are able to enjoy.

It is expected that the provision of these facilities will strongly motivate the population towards greater self-improvement.

(ii) The Urban Redevelopment Project

The Urban Redevelopment Project is intended to improve the area which is a depressed one and has been traditionally. The full project stretches from the East of Port-of-Spain to the Groisee, three miles away.

It is significant that despite the very poor conditions that prevail in the area, it provided the birthplace for the steelband movement in this country.

(iii) Barataria Junior Secondary School

The Barataria Junior Secondary School is one of eleven Junior Secondary Schools which are already in operation in various parts of the territory, following Government's decision to restructure the educational system in the country.



The school operates on a two-shift system, the first shift covering the period 7.30 a.m. to 12.15 p.m. and the second shift covering the period 12.30 p.m. to 5.15 p.m. It has a total population of 640 children, with 320 children on each of the two shifts.

The staff comprises 1 Principal, 2 Vice-Principals and 23 Teachers. The Principal is Mr. Talbot Paul.

This school, as also, the South-East Port-of-Spain School, is intended to meet the needs of the children from the Urban Redevelopment area.

(iv) Family Planning Clinic, General Hospital, Port-of-Spain

The Family Planning Clinic, situated at the General Hospital, Port-of-Spain, is one of 59 such clinics which are in operation throughout the territory.

The clinic provides post-partum and post-abortal education, as well as maternal and child-health activities. It also provides services in cancer-screening as well as venereal disease surveillance. The various methods of contraception are discussed with the patients.

T47

PROPOSED GUEST LIST FOR GOVERNOR GENERAL'S DINNER

MINISTERS

- Hon. E. Williams - Prime Minister
- Hon. F. Prevatt - Minister of Petroleum & Mines
- Hon. G. Chambers - Minister of Finance
- Hon. K. Hudson-Phillips - Attorney General & Minister for  
Legal Affairs
- Hon. K. Mohammed - Minister of Health
- Hon. E. Mahabir - Minister of Industry & Commerce
- Hon. L.M. Robinson - Minister of Agriculture, Lands &  
Fisheries
- Hon. B. Barrow - Minister of Planning & Development  
and Housing
- Hon. O. Padmore - Minister of Public Utilities
- Hon. C. Gomes - Minister of Education & Culture

OFFICIALS

- Mr. V. Bruce - Governor, Central Bank
- Mr. D. Alleyne - Permanent Secretary to the Prime  
Minister & Head of the Civil Service
- Mr. E. Moore - Economic Adviser to Prime Minister
- Mr. F. Barsotti - Permanent Secretary, Ministry of  
Planning & Development and Chairman,  
Caroni Ltd.
- Mr. F. Rampersad - Permanent Secretary, Ministry of Finance
- Professor K. Julien - Chairman, Urban Redevelopment Council
- Mr. I. Williams - Chairman, National Housing Authority
  
- Mr. B. Demeksa - World Bank - Executive Director
- Mr. S. Nicol-Cole - I.M.F. - Executive Director

JUDICIARY

- Sir Isaac Hyatali - Chief Justice



PRIVATE SECTOR

- |                    |   |  |
|--------------------|---|--|
| Mr. C. De Souza    | - | Managing Director, Royal Bank of<br>Trinidad & Tobago Ltd.         |
| Mr. P. Rochford    | - | Manager/Director, National Commercial<br>Bank                      |
| Mr. D. de Verteuil | - | Chairman, Stephens & Ross Ltd.<br>(Private Industry)               |
| Mr. B. Procope     | - | Chairman, Workers' Bank (also Port<br>Authority, Private Industry) |
| Mr. G. Fuller      | - | Vice President, Federation Chemicals                               |
| Mr. C. Devaux      | - | Director, Barclays Bank  |
| Mr. M. de Souza    | - | Managing Director, Maritime Life<br>Insurance Company              |
| Mr. G. Gaither     | - | President, AMOCO (Trinidad)  |
| Mr. P. Bates       | - | Managing Director, Shell   |
| Mr. G. Stibbs      | - | General Manager, Texaco  |
| Mr. B. Primus      | - | Chairman, Trinidad-Tesoro  |
| Mr. N. Critchlow   | - | President, Trinidad & Tobago Labour<br>Congress                    |





OFFICE MEMORANDUM *OK*

TO: Mr. Robert S. McNamara (through Mr. J. B. Knapp) DATE: July 11, 1974

FROM: Gerald Alter *GA*SUBJECT: Trinidad and Tobago - Proposed Regional Aluminum Smelter Complex -  
Your Dinner Appointment with the Prime Minister, July 15 in New YorkBackground

1. In the aftermath of the recent increase in oil prices, Trinidad and Tobago, with oil production already surpassing 65 million barrels a year, has acquired the prospect of oil exports amounting to US\$700-800 million a year in 1975 and 1976 and, very likely, in the subsequent years; of these receipts, more than two-thirds will accrue to the Treasury as taxes and royalties. The government has since been pursuing energetically over a broad front policies to attract industries to the island and to extend its economic and political influence among the countries of the Commonwealth Caribbean. With participation by foreign investors, it will set up (or expand) plants to produce petrochemicals, fertilizers and other energy-based products. A detailed list of the prospective investments is given in Annex I. The government has also been negotiating with foreign oil companies equity participation (TEXACO) or complete take-over (Shell) of their oil refining, production and marketing facilities in Trinidad. Three exploratory missions were sent by Trinidad and Tobago earlier this year to the Middle East, Europe, Japan, Mainland China, and Latin America, seeking opportunities for economic cooperation to lead to jointly-financed investments in Trinidad and Tobago.

2. The government has also been making efforts to weld closer economic ties with other Commonwealth Caribbean countries. After the collapse of the Trinidad and Tobago-supported political federation in the Caribbean more than a decade ago, Dr. Eric Williams and other Commonwealth Caribbean leaders have now shifted their emphasis to economic integration. The Caribbean Free Trade Area (CARIFTA) has recently been converted into a tighter Caribbean Common Market (CARICOM). Trinidad and Tobago agreed to make loans to other Commonwealth Caribbean countries to help them improve their worsening balance-of-payments positions as a result of the fuel crisis. It is expected that these loans will amount to US\$70-80 million during the 18-month period ending December 31, 1975. Jamaica (US\$28 million) and Guyana (US\$20 million) will be the major beneficiaries; we understand that the loans to Jamaica and Guyana are repayable over approximately five years, with relatively low interest (7-8% per annum). The U.K.-dependent or associated territories will benefit from a trust fund (US\$5 million) which Trinidad and Tobago will establish within the Caribbean Development Bank (CDB) for relending to these territories.

The Aluminum Smelter Complex

3. In a meeting in Port-of-Spain last month, the Prime Ministers of Trinidad and Tobago, Jamaica and Guyana agreed to establish a jointly-owned



"Regional Aluminum Complex", to be realized in two phases. The first phase, estimated to cost US\$1,000-500 million, will include an aluminum smelter of approximately 200,000 (short) tons to be established by 1979 at Point Lisas in Trinidad. The three governments will have approximately equal shares in it and will share production costs as well as the output. Trinidad and Tobago will be responsible for the supply of power (natural gas) and the other two governments, in equal shares, for the supply of alumina for the aluminum smelter. Jamaica will own the alumina production facilities to be established in Jamaica for this purpose; Guyana will offer to the Trinidad and Tobago government equity participation in its alumina production facilities to be established in Guyana (there is now in progress an IBRD-executed UNDP feasibility study to determine the most suitable sites for a hydroelectric power plant which may serve alumina smelting and other purposes). For the second phase of development, a second aluminum smelter of no less than 200,000 (short) tons will be established in Guyana, of which Guyana will hold 52% of the equity and the remainder will be shared equally by the Trinidad and Tobago and Jamaican governments. Power supply for the smelter will be assured by Guyana.

4. The three Prime Ministers have set up a "Joint Venture Group" to coordinate and direct the preparatory work for the realization of the first phase of the scheme, including detailed planning and decisions on various technical, financial and commercial aspects of the project. This group will report to the three Prime Ministers. It is expected that a large part of the project will be financed from external loans, including suppliers' credits. In his letter of June 24, 1974 to you, Dr. Eric Williams has stated that the Prime Ministers of Jamaica and Guyana have asked him to "start all the necessary discussions as early as possible" with the Bank, the U.N., OAS and IDB, with a view to obtaining financial and technical assistance for the realization of the scheme. We understand that, just before your meeting with him on July 15, Dr. Williams and Mr. Chambers, his Finance Minister, will be visiting Europe to have discussions on possible financing for the smelter and other investments in Trinidad and Tobago.

#### The "Project" Issues

5. The necessary feasibility studies and other preparatory work for the aluminum smelter may take probably a year or longer. There are a number of key issues on which we do not have information and it is important that particular attention should be given to them at an early stage:

(a) Market Study: The proposed project will be one of several major aluminum smelter schemes which are now being developed. To ascertain the demand prospects, the Joint Venture Group must retain consultants (such as Parsons-Jurden of the U.S., or McLellan and Partners of the U.K.) to carry out a worldwide marketing study for aluminum. This study should include preparation of a world supply and demand comparison, with particular emphasis on the competition which can be expected from the proposed major smelter projects in the Amazonas region of Brazil, Costa Rica, Surinam, Venezuela, Guinea and Australia.



(b) Marketing of Output: The Press Release issued by the three governments (copy attached) states that each government will be responsible for making its own arrangements for disposal of its share of the product. In our view, the Joint Venture Group will be better advised to arrange for a marketing partner or agent to handle the sale and distribution of the aluminum metal. Considering the existing world marketing links in aluminum, such marketing assistance can probably be rendered more effectively by one of the major aluminum companies. However, the three governments may not be politically inclined to accept any of the existing North American aluminum companies now active in the Caribbean. According to the Press Release, they will exclude "any person or corporate person outside of the region" as an equity participant. Alternatively, the Joint Venture Group may hire a suitable marketing firm (such as AMETALCO of Germany or Phillips Brothers of U.S.) to handle the marketing of aluminum metal for them. The consultants hired for the market study, as referred above, could subsequently assist the Joint Venture Group in selecting a marketing partner or agent and concluding a marketing agreement with it.

(c) Institutional Aspects and Operating Assistance: The Press Release issued by the three Prime Ministers does not indicate what type of institutional arrangements (e.g. a single corporation or separate but inter-related several corporations) would be established to operate the project. It refers, however, to employment, to the maximum extent feasible, of nationals and contractors of the three countries during the planning, construction and operation stages of the proposed project. We consider it essential that the project entity (or entities) to be established should have training and operating assistance by a suitable firm. Again, such assistance may probably be rendered more effectively by one of the major aluminum companies, although other firms may also be suitable for this purpose. The Joint Venture Group's consultants may assist in the selection of such a firm. The same company which will act as marketing partner or agent can conveniently render training and operations assistance.

(d) Cost of Power: The cost of production of aluminum will normally have a high fixed cost element, the cost of power representing one of the most important variable cost factors. The Government of Trinidad and Tobago, or the Joint Venture Group, should carry out a feasibility study to ascertain at what cost power generated from Trinidad's reserves of natural gas could be supplied to the smelter. The Government of Trinidad and Tobago is now in the process of awarding a contract (approximate value: US\$25 million) for a pipeline for shipping natural gas from east coast off-shore fields to a newly developed industrial site (Point Lisas) on the west coast. Trinidad's natural gas reserves, estimated at 14 trillion cu. ft., appear more than adequate to ensure ample power supply for the life of the smelter (say, 20 years) and for other uses to which the gas will be put. However, this needs to be confirmed by further study, taking into account alternative uses (fertilizer feedstock, direct reduction of iron ore, liquefaction, etc.,) to ensure that the gas will be allocated to the most economic end-uses.



(e) Capital Cost and Debt/Equity Ratio: An estimated fixed-asset cost of US\$250 million for the proposed Trinidad smelter does not seem out of line, although given the recent increase in equipment costs, it may be prudent to take US\$300 million for discussion purposes. Pre-operating expenses, interest during construction and working capital can be expected to add at least another US\$100 million. The foreign exchange component may be as high as 80%. These figures do not include the cost of providing the infrastructure such as the port, power generation plant and township on which we do not have information. In addition, Jamaica and Guyana will have to establish new plants in their countries to supply alumina for the aluminum smelter in Trinidad. Their costs, probably in excess of US\$100 million each, are additional to these estimates. Provision has also to be made for shipping facilities for alumina from Jamaica and Guyana to Trinidad. The Press Release offers no information on the proposed debt/equity ratio in financing of the smelter project; we understand that the Trinidad and Tobago government is thinking in terms of a 70/30 ratio which may be on the low side for equity contribution to this project.

(f) Bauxite Supply: In physical terms, there should be adequate supplies of bauxite in Guyana and Jamaica to meet the needs of the proposed regional smelter complex. According to the Press Release, "the two regional smelters contemplated would have first claims vis-a-vis any extra regional requirement, on regional supplies of alumina, gas and power." Guyana probably is in a position to implement this agreement without serious legal entanglements as it now owns the biggest bauxite company in the country (GUYBAU, formerly owned by ALCAN) and negotiations are in progress for some time for the government takeover of the smaller foreign-owned company (Reynolds). Jamaica, however, has to negotiate with North American bauxite companies for access to bauxite lands which are at present owned by them. In the aftermath of the Jamaican government's recent imposition of a production tax on bauxite, which some of the companies involved have brought to ICSID for arbitration, the companies have indicated their willingness to negotiate several issues, including the sale of bauxite lands to the government subject to an agreement for guaranteed supply of ore for the companies. The negotiations are expected to take place next month. Inasmuch as the smelter in Trinidad will not operate before 1979, the chances are that there will be an agreement by that time between the government and the foreign-owned companies on this issue.

#### The "Country" Issues

6. In a broader perspective, the agreement to set up a major aluminum smelter complex is a historic step by the leaders of the three biggest countries in the Commonwealth Caribbean towards the goal of economic integration. It is particularly significant considering foreign domination, lack of initiative and insular jealousies which characterized the economic history of the area. The proposed project is a bold and ambitious venture to allow the three Caribbean countries to reap bigger benefits from their natural resources. Depending on the financial arrangements made for the financing of the scheme, in the long run it could strengthen considerably the balance-of-payments positions and government revenues of the three countries, in particular Guyana and Jamaica. The project would also give Jamaica and Guyana a stronger voice in the bauxite-producing countries' councils (IBA), particularly if Surinam joins the scheme in the future (Surinam is now scheduled to become independent in 1975). Parting with the



practice of private enterprise, the project would be developed by the three governments which have recently been leaning increasingly towards state-owned enterprises. Like other Commonwealth Caribbean countries, Jamaica, Guyana and Trinidad and Tobago all suffer from high unemployment and underemployment. A project of this magnitude would create employment during the construction period and would help the three countries to sustain a faster rate of economic growth in the long run, although it is not likely to absorb large numbers of unemployed during its operation unless it leads to a large number of side industries. We understand that the Trinidad and Tobago government hopes that aluminum processing industries will be established in the island.

7. The proposed scheme is quite ambitious as related to the resources of the three shareholder governments. Its success will be closely related to:

- (i) the world demand for aluminum and competitiveness of the new supply;
- (ii) the quality of project management;
- (iii) the attitudes of international aluminum companies; and
- (iv) continued cooperation and good relations among the three shareholder governments.

In all probability, a considerable part of the project costs will have to be raised externally and this raises the question of creditworthiness of the three shareholder governments for this purpose.

8. In terms of creditworthiness for raising external loans, the three countries' positions are quite different. In the Bank's terminology, Guyana is a "hard-blend" IDA country, severely affected by the increase in oil prices. It would be difficult for it to contribute out of its own budget any sizeable amounts towards the costs of the proposed new alumina plant in Guyana and of increased power supply unless some other projects are deferred. It appears that Trinidad and Tobago will take a large part of the equity of the alumina plant, and Guyana will have to borrow externally (probably from the Bank) to obtain the necessary power supply. Jamaica, also hit by the higher oil prices, is in a better position than Guyana at present because its economy is more broadly-based and developed. In addition, the production tax on bauxite, if it can be maintained at the present level, will be more than adequate to compensate for the increased cost of oil imports. Guyana, on the other hand, has to use a significant portion of her bauxite earnings to make compensation payments to ALCAN, the Guyana assets of which were expropriated several years ago. Jamaica, in contrast, can use a significant portion of its receipts from bauxite companies (approximately US\$170 million a year) for financing the proposed new alumina plant in Jamaica. As a part of a proposed new oil refinery, Jamaica expects to be able to construct power generating facilities, using heavy residual fuels of the refinery, which can serve the bauxite plant. While contacts are being made with several investor groups on this scheme, its realization has not yet been assured. We have no detailed information on how the costs of the aluminum smelter to be built in Trinidad will be met by the three governments; it is probable that one-third or more of



the total cost will be covered by the equity contributions (para. 5(e)), and the bulk of the remainder may be borrowed externally, largely from suppliers of equipment. Trinidad and Tobago, of course, should have no difficulty in providing its share of the equity out of the oil revenues. The three governments would probably set up a corporation or corporations with powers to raise loans with the guarantee of the governments involved. In all probability, marketability of the output and profitability of the enterprise, to which references are made in paragraphs 5 and 6 above, will be of crucial importance in determining the amount and terms of any external financing.

#### The Bank's Role

9. The Bank, as a major source of external aid for Jamaica, Guyana and Trinidad and Tobago, has to follow closely the progress of the scheme as it will have profound effects on the economies of all three countries and on their future economic relations with the outside world. The Bank can be particularly effective in providing guidance in fields of feasibility studies, institutional set up and helping the project entity (or entities) to forge effective relations with international bauxite companies; the Bank may also consider relatively modest lending (say, US\$25-50 million) which would probably be necessary to enable us to exercise a significant beneficial influence. Such lending would raise questions as to: (i) whether the existing Bank/IDA lending programs for Guyana, Jamaica and Trinidad and Tobago should be reconsidered and reduced to compensate for any lending for the proposed aluminum smelter, (ii) whether the Bank would seek "offset" arrangements for such lending, (iii) how the Bank would coordinate its activities with other aid agencies such as IDB, Ex-Im Bank, European creditors, etc. Before commenting on these points, the following summaries on the status of the Bank's relations with Trinidad and Tobago, Jamaica and Guyana are in order.

10. Trinidad and Tobago: The Bank's lending posture vis-a-vis Trinidad and Tobago was discussed last month on the basis of a new CPP prepared by the LAC Programs II Department (copy attached as Annex II). A modest lending program of US\$30 million was approved for the FY75-79 period, during which the Bank lending operations in Trinidad and Tobago are expected to be phased out. It was forecast in the CPP that, after allowing for debt repayment, aid to other Commonwealth Caribbean countries, investments in IBRD and IDB bonds and domestic capital formation sufficient to allow a real economic growth of 8% per year, the Trinidad and Tobago Treasury would accumulate reserves at a rate of US\$130 million per year, to build a reserve position of about US\$900 million by 1980. It was agreed at the CPP meeting that "henceforth, for any commitment of Bank funds in Trinidad and Tobago, the government should agree to purchase at least an equal amount of Bank bonds ("complete offset"). Maturity and interest rate of the Bank loans should be tied to the average terms of these bond purchases. Agreement on the amount, term, and interest rate of the first Bank bond issue in Trinidad and Tobago should be reached with the government before the Bank loan for the second Trinidad and Tobago Development Finance Company (TTDFC) project is presented to the Board."



11. The Trinidad and Tobago officials (whom a Bank economist visited last week) have questioned the Bank's judgement regarding the rate of reserve accumulation. They consider the Bank's price forecasts for oil too optimistic; they also point to their heavy commitments for projects such as the regional aluminum smelter complex (US\$400-500 million) and other major petroleum and natural gas based projects which they estimate to cost some US\$2 billion. They disagreed with the Bank's insistence for a "complete offset", particularly as related to the maturity of their investment in IBRD bonds. In contrast with this, Trinidad and Tobago's foreign exchange reserves are currently accumulating at a rate significantly higher than expected only two months ago and they are unlikely to be less than US\$250 million by the end of 1974, despite considerable lending abroad. This reflects the success of the government's policy to contain the bulk of the additional petroleum revenues and to prevent them from spreading throughout the economy. As yet, there has been no massive increase in the import of consumer goods, although pressures are likely to build up next year. Moreover, it will be at best two or three years before significant construction activity can begin regarding the execution of projects listed in Annex I. On the other hand, we now agree that the rate of growth in Trinidad and Tobago's oil output will be somewhat less than we had forecast earlier (to reach 80 million barrels per year by the late seventies, rather than 90 million barrels). On balance, with provision for the use of some suppliers' credits in the financing of some major investment projects and with usual leads and lags in project execution, we continue to expect that Trinidad and Tobago's reserves will not be much less than US\$900 million by 1980. Nevertheless, I have considerable sympathy for the hesitance on the part of the Trinidad and Tobago government to rely on our forecasts particularly as regards international petroleum prices and, in addition to implementing their ambitious investment program, to make investments in IBRD bonds for periods of 10 or more years and run the risk of aggravating potential future liquidity problems.

12. The issues regarding IBRD lending which we shall discuss further with the Trinidad and Tobago government officials are:

- (a) a gradual phase-out of the Bank lending program in Trinidad and Tobago during the remainder of the current decade;
- (b) the Bank, in general, will not finance more than one-third of the total costs of projects in Trinidad and Tobago; and
- (c) satisfactory arrangements for a "complete offset" as condition of continued Bank lending in Trinidad and Tobago.

We expect that the government will reluctantly accept our position regarding (a) and (b) above, but will resist investing in IBRD bonds for terms beyond five years. Taking into account the special circumstances of the country and within the concept of "complete offset", I am inclined to offer some flexibility. Firstly, I propose that we limit our understanding with the



government to a period ending December 31, 1975, with the idea of further discussions a year from now. Secondly, I propose that we give to the Trinidad and Tobago government the choice of:

- (a) either investing in IBRD bonds in an amount at least equal to Bank lending, maturity and interest rate of such investment to match the average term of the Bank loans, or
- (b) investing in IBRD bonds in an amount at least twice as high as the amount of Bank lending, but the maturity (the balloon maturity) to be a half of the average term of the Bank loans, interest rate remaining the same.

As we expect to be able to lend to Trinidad and Tobago about US\$15-20 million prior to December 31, 1975, the amount of investment in IBRD bonds by Trinidad and Tobago would be not less than US\$15 million under (a), and no less than US\$30 million under (b) above. This formula, or a slightly modified version of it, may enable us to reach agreement with the government on this issue.

13. Jamaica: Our relations with the Jamaicans are good. The government is pleased with the expanding volume of the Bank activity in the country. We are concerned about the continuing high rate of inflation (20% in 1973) and the government's difficulties in introducing an effective incomes policy. As far as the proposed regional aluminum smelter complex is concerned, the Jamaicans will probably wish to consider their position in the light of Dr. Williams' report regarding his initial contacts with various aid agencies including the Bank. We have a fairly balanced FY75-79 lending program for Jamaica, involving a total amount of US\$110 million and they may not wish to substitute borrowing for their alumina plant or the Trinidad and Tobago aluminum smelter if this borrowing becomes alternative to borrowing for some of the projects in the Bank's FY1975-79 lending program. On the other hand, the Jamaicans may well welcome the Bank's financial support for the scheme if it comes in addition to the funds already earmarked for Jamaica. They may also welcome the Bank's role in organizing the scheme on a sound basis.

14. Guyana: We also have good relations with Guyana. We are preparing a special CPP on Guyana for review by the Management on August 7. The CPP will recommend a 5-year lending program of US\$61.0 million, but will make any lending dependent upon the initiation of further austerity measures to ensure a minimum rate of future economic growth. But in any event, Guyana will probably have to rely on Trinidad and Tobago's credit or on the security of the project to be able to contribute its share of the project costs. As in the case of Jamaica, we have not heard from the Guyanese authorities about their intention of borrowing from the Bank for the proposed alumina plant or the aluminum smelter.





TRINIDAD AND TOBAGO

List of Public Investment Projects under Consideration (in US\$)

1. Construction of Aluminum Smelter  
(Based on alumina from Guyana and Jamaica and natural gas from Trinidad and Tobago)  
Costs of 200,000 ton capacity smelter - \$250 million  
ancillary facilities - \$125 million  
Total \$375 million  
Total with ancillary costs and interest during construction: \$400-500 million  
  
[ additional alumina facilities in Guyana may cost in excess of \$100 million;  
same in Jamaica ]
2. Acquisition of Shell (in 1974)  
Refinery, production and marketing facilities. Negotiations ongoing (Shell asking \$120 million and Trinidad and Tobago offering \$25 million); will probably result in about \$50 million cash payment.
3. Participation (51%) in Texaco (in 1974/75)  
Refinery, production and marketing facilities  
Probably: \$38 million equity payment probably  
\$87 million debt over the period 1974-78  
\$125 million
4. Construction of 2 Petrochemical Plants (in 1975/76)  
(51% government; jointly with Texaco)  
a) polyester, plastics, resins for paint (15,000 tons p.a.)  
b) linear alkyl benzene (20,000 tons p.a.)  
Total costs \$50 million, of which government:  
equity \$7.5 million  
debt \$17.5 million
5. Construction of 3 Petrochemical Plants (in 1976/78)  
(51% government; jointly with Texaco)  
2 plants to produce nylon  
1 plant to produce ingredients for stock feed  
Total costs \$120 million, of which government:  
equity \$18 million  
debt \$42 million
6. Construction of 3 Ammonia Plants  
(51% government; jointly with Grace Chemicals of US)  
1 plant to start operations in 1977  
2 other plants to start operations around 1979  
Total costs \$240 million, of which government:  
equity \$36 million  
debt \$84 million



7. Construction of Natural Gas Pipeline (in 1975)  
Total costs \$25 million
  
8. Additional T&TEC (Power) Facilities (in 1975-78)  
Total costs \$50 million for additional 200 MW  
generating facilities, fueled by natural gas (present facilities 350 MW)
  
9. Systematic Development of Petrochemicals  
10 year project with Northern Petrochemicals of US  
Total costs \$800 million of which government:  
    equity      \$120 million  
    debt        \$280 million
  
10. Construction of Steel Plant (in 1975-77)  
using pelletized iron from Brazil or Peru.  
Total costs \$140 million of which government:  
    equity      \$21 million  
    debt        \$49 million
  
11. Construction of Furfural, Cement, and some other plants

5



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 10, 1976

FROM: Adalbert Krieger

SUBJECT: TRINIDAD AND TOBAGO: Visit of Ambassador of Trinidad and Tobago to  
Mr. McNamara, 5:30 p.m., Tuesday, February 10

1. I understand that the Ambassador of Trinidad and Tobago in Washington, Mr. Victor McIntyre, will visit you today at 5:30 p.m. and that the purpose of his visit is to deliver to you a letter from the Government. We expect that the subject of the letter will relate to the question of procurement by the Trinidad and Tobago Telephone Company Limited (TELCO) of central office equipment under the Bank loan to the Company.

2. I believe that you are aware that the Bank and TELCO have been in discussion for some months about TELCO's proposed award of a contract for certain telephone exchange and related equipment for which US\$7.9 million is allocated in the Bank loan. Briefly, TELCO wishes to award the contract to North Electric (USA), as the lowest evaluated bid, whilst the Bank takes the position that, following the procedures laid down in the Bank's procurement guidelines, the lowest evaluated bid was received from Sumitomo Shoji America (Japan); in TELCO's opinion, however, the latter bid was non-responsive. The Bank's views on this matter were conveyed to the Chairman of TELCO in an aide memoire under cover of my letter dated December 19, 1975 (Annex A). Following despatch of this letter Mr. Reynolds, US Alternate Executive Director, discussed the matter with Mr. Knapp and subsequently sent Mr. Knapp a memorandum dated January 9 (Annex B) requesting the Bank to reconsider its position. The Bank has so far not sent a reply to Mr. Reynolds' memorandum since a response was awaited from Trinidad and Tobago to the Bank's aide memoire. It was our understanding from discussions with Ministry of Finance officials that the government rather than the company would be sending a reply to the Bank. However, I received a letter dated January 29 direct from TELCO enclosing an aide memoire commenting on the Bank's position. It appears that TELCO may have sent this reply to the Bank without informing the government that it was so doing. A preliminary review of the TELCO aide memoire does not indicate anything which would lead us to believe that the Bank should alter its position that Sumitomo's offer should be considered the lowest evaluated bid. However, we are currently carrying out a more detailed study of TELCO's paper. The Bank has not replied to TELCO's aide memoire (Annex C) since we were awaiting receipt of the expected reply from the government.

3. If, as assumed, the letter which the Ambassador is conveying to you relates to the TELCO issue we shall, of course, review it carefully to see whether there are any new points which would lead the Bank to modify the position it has hitherto taken. Subject to the outcome of this review we

would then convey our conclusions to the government and the company. As indicated in my letter of December 19 to the company we should, of course, be very willing to have further discussions with the company and the government in Trinidad and Tobago if the government or the company thinks this would be useful. In this connection we indicated that Mr. Knox was prepared to visit Trinidad to discuss the issue. However, this offer has not yet been taken up. You should be aware that a small Bank mission, led by Mr. Wiese, will be in Trinidad this week from February 11 - 14 to discuss the Bank's future lending program to Trinidad and Tobago, although it is not the mission's intention to enter into any discussion about the merits of the TELCO procurement issue.

Attachments

c/w & cc: Mr. Wessels

cc: Messrs. Knapp (o/r)  
Baum  
Broches  
Wiese (o/r)  
Knox  
Skillings  
Wyss  
Doud  
Calika (o/r)  
Vasudevan  
De Lima  
Ruberl  
Sassoon  
Hams  
Dickenson  
Clift  
Venkatraman (o/r)