

EB/CQuota/Trinidad and Tobago/68/1

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INFORMATION

January 9, 1968

To: Members of the Committee on Increase
in Quota - Trinidad and Tobago

From: The Committee Secretary

Subject: Trinidad and Tobago - Request for Increase in Quota

The attached report and recommendation by the staff with regard to the request of Trinidad and Tobago for an increase in quota is circulated for consideration by the Committee at an early meeting.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads
Division Chiefs
IBRD (2)

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INTERNATIONAL MONETARY FUND

Trinidad and Tobago - Request for Increase in Quota

Prepared by the Western Hemisphere Department and the
Treasurer's Department

(In consultation with the Legal Department)

Approved by Jorge Del Canto and Oscar L. Altman

January 9, 1968

In a communication dated December 2, 1967 (EBD/67/188) Trinidad and Tobago has requested that its present quota of \$25 million be increased to \$44 million and has stated its intention to request a related increase in its subscription to the capital of the International Bank for Reconstruction and Development.

Trinidad and Tobago became a member of the Fund on September 16, 1963 with an initial quota of \$20 million, of which 2.7 per cent was paid in gold. In accordance with Board of Governors Resolution No. 20-6, on Increases in Quotas of Members--Fourth Quinquennial Review, adopted March 31, 1965, Trinidad and Tobago consented to an increase in its quota to \$25 million. The payments on the increase in quota of \$1.25 million in gold and \$3.75 million in currency were completed on March 28, 1966. Trinidad and Tobago's total gold subscription is equivalent to \$1.8 million, representing 7.2 per cent of its present quota.

Trinidad and Tobago has availed itself of the transitional arrangements under Article XIV of the Fund Agreement. The initial par value for the Trinidad and Tobago dollar of TT dollar 1.71429 per U.S. dollar was agreed with the Fund on February 10, 1965. On the proposal of the Government of Trinidad and Tobago, in which the Fund concurred on November 22, 1967, the par value was changed to TT dollars 2.00 per U.S. dollar. Trinidad and Tobago has not drawn on the Fund and the Fund's holdings of Trinidad and Tobago currency are at 92.8 per cent of quota.

Trinidad and Tobago's request for a quota increase from \$25 million to \$44 million is made on the basis of paragraph 3 of the Decision on "Compensatory Financing of Export Fluctuations" (Executive Board Decision No. 1477-(63/8), February 27, 1963). This request has been considered in the light of (1) the statistical data compiled in connection with the possibility of increasing smaller quotas (SM/63/3, January 17, 1963; SM/63/36, April 8, 1963; EB/CQuota/64/3, November 9, 1964; and EB/CQuota/65/6, February 9, 1965); (2) the structure of Fund quotas in the range relevant to Trinidad and Tobago; and (3) recent economic developments in Trinidad and Tobago and the characteristics of the Trinidad and Tobago economy.

I. Quota Calculations and Gold Subscription Facility

A paper on "Potential Quota Adjustments Under the Compensatory Financing Decision" (EB/CQuota/65/6, February 9, 1965) was circulated to the Executive Directors (Committee of the Whole on Review of Quotas).

In this paper the potential quota adjustment under the Compensatory Financing Decision and the potential adjusted quota, based upon calculations shown in the memorandum "Data Bearing on Member Quotas" (EB/CQuota/64/3, November 9, 1964), were set out for those members with quotas under \$60 million which, at that time, had not had increases in quotas under that decision. the following data were shown for Trinidad and Tobago (in millions of U.S. dollars):

Present quota	20.0
Potential quota adjustment under Compensatory Financing Decision	15.0
Potential adjusted quota	35.0
Potential adjusted quota plus 25 per cent	44.0

It will be recalled that the Report of the Executive Directors accompanying the Resolutions submitted to the Board of Governors on "Increases in Quotas of Members--Fourth Quinquennial Review" states:

"3. The increases in quotas under the attached Resolutions are without prejudice to the adjustment of quotas that members can request under the Fund's Decision on 'Compensatory Financing of Export Fluctuations' (Executive Board Decision No. 1477-(63/8), February 27, 1963). In this connection, Executive Board Decision No. 1529-(63/33), June 14, 1963 will continue to be applicable."

In view of this, the sequence in which a member takes up increases in quotas under the Decision on "Compensatory Financing of Export Fluctuations" and the First Resolution of the Board of Governors on "Increases in Quotas of Members--Fourth Quinquennial Review" should not affect its position either as to the amount of its quota or the facilities available to alleviate any undue payments difficulties that it might encounter through a reduction of its reserves by the payment of the 25 per cent gold subscription.

II. Trinidad and Tobago's Quota in Comparison with Other Members

Table 1 shows data on the population, national income, reserves, foreign trade, current account, and variability of exports and current receipts for Trinidad and Tobago and nine selected member countries with quotas within a range of \$30 million to \$57 million.

It will be seen in the table that a quota of \$44 million for Trinidad and Tobago would fit reasonably well in this range of Fund quotas. Although Trinidad and Tobago's variability of exports and current receipts are low compared to other countries in this group, it ranks first in per capita income, foreign trade, and current payments and receipts. Trinidad and Tobago's foreign reserves are at the bottom of the list.

III. Recent Economic Developments

Recent developments were last described in detail in the staff report on the 1967 Article XIV Consultation (SM/67/73, June 9, 1967). From the late 1950's through 1962 Trinidad and Tobago experienced a period of rapid growth associated with a steady expansion of the petroleum industry. Thereafter, the leveling off of crude oil production, the stagnation of investment and the deterioration in the country's terms of trade resulted in a sharp decline in the growth of GDP at current prices--from 11 per cent in 1955-62 to 3.4 per cent in 1963-65. Signs of recovery appeared in 1966, when crude oil production showed an unexpectedly large increase and GDP rose by $7\frac{1}{2}$ per cent. The renewed growth in crude oil production has continued into 1967, with production for the first ten months of the year running nearly 17 per cent above last year's levels. This large increase in oil production is reflected in exports, which for the first half of 1967 were more than 20 per cent above the comparable period in 1966.

Fiscal and balance of payments developments have to a certain degree paralleled the ups and downs of the oil sector, which accounts for more than half of exports and provides a smaller, though still significant, share of government receipts. Since 1961 there has been some deterioration in the Central Government's budgetary performance, evidenced by a decline in the current budget surplus to 0.6 per cent of GDP in 1966. The over-all budget deficit also was higher during this period, and amounted to 2.5 per cent of GDP in 1966. With respect to the balance of payments, deficits were recorded in the 1964-66 period; these deficits in the main represented a drawdown of commercial bank deposits held overseas and a consequent expansion in lending to the private sector in Trinidad and Tobago. While details of the budgetary and balance of payments performance for 1967 are not yet available, it is expected that the results will reflect the improved situation of the oil sector. Monetary data show that the foreign reserves of the Central Bank fell in the first half of the year, but recovered somewhat thereafter.

Table 1. Population, National Income, Per Capita Income, Reserves, Foreign Trade, Current Receipts and Payments of Trinidad and Tobago and Selected Member Countries with Quotas of \$30-60 Million

(Per capita income in U.S. dollars; other values in millions of U.S. dollars; and population in millions)

	Fund Quotas	Popu- lation 1962	National Income 1962	Per Capita Income 1962	Reserves End of 1962	Imports Average	Exports 1952-62 Average	Foreign Trade	Variabi- lity of Exports 1950-62 ^{1/}	Current Payments Average	Current Receipts 1950-62	Current Payments and Receipts	Variabi- lity of Current Receipts 1950-62 ^{1/}
Sudan	57	12.5	1,146 ^{2/}	92	144	202	181	383	26	232	207	439	28
Uruguay	53 ^{3/}	2.6	1,276	491	211	199	139	338	28	235	184	419	28
Trinidad and Tobago	44 ^{3/}	0.9	454	504	34	298	298	596	8	382 ^{4/}	408 ^{4/}	790	10
Viet-Nam	39	14.9	1,324 ^{4/}	82	153	243	69	312	14	279	108	387	18
Syria	38	4.8	834	174	43	212	127	339	11	219	196	415	11
Tunisia	35	4.3	638 ^{5/}	148	62	185	123	313	12	244	214	458	15
Kenya	32	2.6	615 ^{6/}	72	44 ^{7/}	185	111	296	8	237 ^{4/}	152 ^{4/}	389	10
Uganda	32	7.0	391 ^{8/}	56	44 ^{7/}	73	120	193	12	94 ^{4/}	164 ^{4/}	258	15
Burma	30 ^{8/}	23.3	1,147 ^{9/}	49	159	225	226	451	15	266	257	523	18
Jamaica	30	1.7	630	371	74	205	155	360	10	286	261	547	13

Sources: International Monetary Fund, "Data Bearing on Member Quotas" (EB/CQuota/64/3, November 9, 1964), "Potential Quota Adjustments under the Compensatory Financing Decision" (EB/CQuota/65/6, February 9, 1965), International Financial Statistics; United Nations, Monthly Bulletin of Statistics.

- 1/ Variability is defined as one standard deviation of exports (or current receipts) from their five-year moving average.
- 2/ Year ended June 30, 1963.
- 3/ Requested.
- 4/ Estimate.
- 5/ 85 per cent of 1962 GDP at constant 1957 market prices.
- 6/ 90 per cent of 1962 GDP at factor cost.
- 7/ End of June 1962 figure supplied by area department.
- 8/ Potentially eligible for a quota of \$42 million.
- 9/ Year ended September 30, 1962.

IV. Recommended Action

It is recommended that the request of Trinidad and Tobago for a quota increase to \$44 million be approved in accordance with paragraph 3 of the Decision on "Compensatory Financing of Export Fluctuations", Executive Board Decision No. 1477-(63/8), adopted February 27, 1963, and for the purpose of Executive Board Decision No. 1529-(63/33), adopted June 14, 1963.

