Global consumption of natural gas is projected to double by 2030, edging it past coal to become the second most exploited source of energy in the world (EIA 2004). Gas has gained popularity due to its relatively clean and efficient combustion when compared to both coal and oil. Growth in demand is expected to be greatest in the United States, Western Europe, China, Brazil and India, primarily for generation of electrical power to be used by heavy industry and residences (Barnes et al 2006). As fate would have it, the vast majority of natural gas reserves are located in areas distant from these purchasing markets, and to further complicate matters, often in territories of states considered politically unstable by Western standards. Therefore, the past several decades have born witness to considerable technological and geopolitical acrobatics as multinational corporations and state governments worked to provide or secure access to this increasingly valuable resource.

Countries with gas fields are finding it more lucrative to extract and monetize their reserves. One such state is Trinidad and Tobago (hereafter Trinidad), which has succeeded in overhauling its economy largely around its gas sector in twenty years. The boom in natural gas exploration and development has helped the twin-island nation transform itself into a major player on the Western Hemisphere gas scene. A key factor in Trinidad’s recent economic growth has been revenue earned from the export of liquefied natural gas (LNG).
Trinidad shifted the dynamics of the Atlantic Basin gas trade when the first carrier of LNG left its Point Fortin production facility bound for Boston in April 1999. The world’s largest natural gas importer, the United States, was at that time seeking additional feeds to supplement slumping domestic and Canadian pipeline supplies. Spain, being peripheral to Europe’s pipeline system, was also seeking to diversify its imports and chose to support the Atlantic LNG venture. LNG projects in Algeria, Venezuela and Nigeria were Trinidad’s main competitors; however, political and technical challenges had stalled their expansion processes (Shepard and Ball 2006). As a result, Trinidad assumed a privileged position in an increasingly charged domain of Caribbean and Atlantic energy geopolitics.

This paper will analyze the political and economic discourses that have emerged with Trinidad’s natural gas projects, both internationally and among Trinidadians. I begin by reviewing the history of natural gas development on the island, with a particular eye towards recent economic patterns and the significance of foreign direct investment (FDI). Then I examine Trinidad’s current petro-geopolitics, focusing specifically on relations with the Venezuela, Jamaica and the United States. I conclude with some questions on the local impacts of natural gas operations by discussing corporate social responsibility and inspecting the success of industrial “local content requirements” in Trinidad.

**History of an Industry**

Trinidad’s economy has been deeply reliant upon hydrocarbons for over a century. Oil was first discovered on the island in 1886, and has been extracted since 1907 (Geological Society of Trinidad & Tobago 2005). Gas was either flared or used solely
for oil recovery until 1958, when Federation Chemicals engineered a process by which
gas could be employed for ammonia production (Shepherd and Ball 2006). In the 50’s
and 60’s, Trinidad, like many other non-Hispanic Caribbean nations, adopted the
strategies of the St. Lucian economist and Nobel Prize winner Arthur Lewis, who
stressed that industrialization and diversification were essential for economic
development. Lewis outlined a model for industry growth based on foreign capital
investment, meant explicitly as an alternative to dependence on agricultural exports. The
purpose of the strategy was to dismantle the plantation economy and alleviate the rising
unemployment it had generated by attracting foreign private investment to support an
export-focused manufacturing sector (Serbin 1990).

In Trinidad, this development process was highlighted as a key objective of Eric
Williams’ People’s National Movement (PNM) government by the mid 60’s, particularly
in light of statements made by Britain in 1965 that they would give up the system of
Commonwealth preferential arrangements, by going into the European Common Market.
In other words, subsidies for agricultural products such as sugar, citrus and cacao would
be cut, resulting in devastation for these industries (Braveboy-Wagner 1989). In fact this
move did not occur for another several decades, yet Williams decided to take the juncture
as an opportunity to reduce Trinidad’s dependence on Britain by aggressively
diversifying the economy. While this initiative had wide-ranging effects, it manifested
most significantly as an expansion of industries that could capitalize upon the island’s oil
and natural gas reserves. A host of multinational corporations such as Alcoa and
Honeywell established large-scale industrial complexes that fed off natural gas to
produce aluminum, ammonia, methanol, iron and steel.
By the early 70’s, it had become clear that passive reliance on outside investment would not serve the country well economically. Much of the industry Trinidad had attracted through tax breaks and other incentives was capital-intensive rather than labor-intensive, resulting in minimal job-creation and monetary spillover. Unemployment reached 17 percent in 1970, and the country bore a large fiscal deficit (Shepherd and Ball 2006). Barclay (2004) also notes, “the government made little attempt to augment the modest managerial and technological capabilities of domestic firms”. She argues that Williams’ administration neglected developing local institutions in its rush to create an environment where foreign capital could flourish. With a well-organized, at times violent Black Power movement added to this milieu, Trinidad found itself on the brink of a socio-economic crisis of massive proportions.

The Arab oil embargo of 1973-74 could not have come at a more opportune time for Trinidad. In 1972, the price of oil was roughly $3.00 per barrel, and by the end of 1974 its trading value had quadrupled to nearly $12.00 per barrel (Williams 2005). New discoveries of crude off Trinidad’s east coast paralleled the huge price spike, resulting in substantial profits for the national coffers. Williams’ government chose to roll this windfall capital into large-scale social and economic infrastructural development projects. One such venture was the construction of Point Lisas Industrial Estate, a 1000-ha complex situated on a bay 25 miles south of Port of Spain. Point Lisas, with its deep-water port and specialized machinery for bulk handling of methanol, ammonia, urea and iron, was designed specifically to house industries dependent on natural gas (Barclay 2004). Also during this period, Trinidad’s government adopted a more active managerial stance over its oil and gas reserves, exemplified by its acquisition of Shell’s operations in
1974 (Shepherd and Ball 2006). While it did not officially nationalize the industry, the government established a clear agenda to ensure greater control over both oil and gas production through increased administration *vis a vis* so-called “Third Way” policies, which tacked between Trinidad’s liberal economic platform and Cuba’s communist arrangement. Towards this end, the National Gas Company was established in 1975 and given the charge of overseeing all aspects of gas trade within the country (Williams 2002).

Trinidad and Tobago rode the wave of surging oil prices through the 1970’s to the early 80’s and experienced unprecedented economic growth, seeing its GDP rise from US$1.3 billion in 1973 to US $8.1 billion in 1982 (World Bank 2003). However, the global market could not then function with oil costs near $35.00 a barrel, and a worldwide recession ensued. Government white papers from 1981 show that Trinidad, concerned about signs that the oil sector was declining, began renewing their commitment to favor natural gas “as a premium energy resource and as a potential generator of foreign exchange”(Williams 2002:23). Nevertheless, they were not spared the downturn, and entered a period of recession from 1983 to 1989. Part of Trinidad’s woes stemmed from the failure of its gas-based projects to realize their fiscal objectives. According to Farrell (1987), the investment decisions in this sector had been based on forecasts that proved naïve. Ammonia and methanol prices had remained low, causing these plants to fall well short of their financial expectations. The steel plant also stalled during the early 80’s, plagued by a host of problems including technical and managerial ineptitude, gas supply breaks and anti-dumping fees imposed by U.S. importers. Stumbling gas projects and the collapse of oil prices in 1985 undermined a Trinadian
economy that saw unemployment rise from 9.9 percent in 1982 to 22 percent in 1990 (Shepherd and Ball 2006).

In 1989, with its external debt at US$2.5 billion, Trinidad and Tobago’s government was forced to seek aid from international lending agencies (Barclay 2004). The loan conditions indicated that Trinidad must implement a series of stabilization and structural adjustment programs. As a result, the government was compelled to shift radically away from its Third Way policies of state economic involvement and towards the statutes of the Washington Consensus, including liberalized trade and foreign exchange, divested state assets and foreign investment incentives. The state in effect yielded the job of economic development to the multinational private sector while it adopted a regulatory capacity. This transition is outlined in a Green Paper on energy policy published by the government in November 1992, with the key points summarized by Shepherd and Ball:

- Shift to natural gas to monetize the island’s most plentiful resource
- Promote competition within the energy industry to maximize the government’s take and to attract new business to Trinidad and Tobago with the country’s abundant supplies of natural gas
- Privatize local industry to promote efficiency and repay national debt (2006:275).

Multinational corporations responded to these favorable conditions immediately, and in the early 1990’s foreign direct investment jumped to nearly US $1billion (Barclay 2004).

One of the initiatives through which Trinidad and foreign investors sought to monetize gas reserves was a liquefaction facility. Three previous attempts at LNG projects on the island had failed—one in the early 1970’s with Amoco, another in the early 80’s with Tenneco and Amoco once again in 1990 (Shepherd and Ball 2006). A relatively small Boston-based company named Cabot LNG approached the government of Trinidad and Tobago in 1992 to renew the discussion on developing an LNG export terminal. Cabot owned the Everett LNG receiving facility north of Boston, and was
eager to secure a new source of gas to supply the expanding New England market. Pipelines into the northeastern U.S. were minimal, and the Algerians only shipped LNG during peak winter months when prices spiked. The Trinidad and Tobago National Gas Company chose to promote Cabot’s project, and together with Amoco and British Gas, they signed a memorandum of understanding in late 1992. By 1995, these partners, now joined by the Spanish oil and gas firm Repsol, had formed a joint venture company named Atlantic LNG to operate the export project (Shepherd and Ball 2006). Construction of train 1 began in the town of Point Fortin on Trinidad’s southwest coast in 1996, and the first carrier vessel arrived in Boston late April of 1999. A two-train expansion project began in 2000, with train 2 coming online in August 2002 and train 3 in May 2003. Construction of train 4 commenced in 2003 and it shipped its first load January 2006. Train 4 is currently the world’s largest operating liquefaction terminal, with a capacity of 5.2 million metric tons per annum (Atlantic LNG 2007).

Trinidad and Tobago’s Prime Minister, Patrick Manning, has been a vocal proponent of LNG export throughout his tenure, dismissing critics who lobby for greater allocation of gas reserves to domestic, employment-intensive projects. Perhaps in response to this argument, Manning’s administration created a host of incentives to attract chemical producers to the island, and the effort has paid off—as of 2002, Trinidad and Tobago led the world in exports of both ammonia and methanol (Williams 2002). Foreign corporations are also utilizing natural gas feedstock to produce butane, propane, urea, butyl ether, steel billets and direct reduced iron (Barclay 2004). This rapid development of the gas-fired heavy industrial and petrochemical sector persists presently, and has helped expand the national GDP by 20 percent since 2005 (James 2007). However,
Trinidad and Tobago’s failure to diversify industrially and its dependence on foreign earnings have raised pressing concerns among analysts over the nation’s rising inflation rates and its economic resilience.

**Caribbean Basin Gas Geopolitics**

As natural gas, and LNG in particular, gained market value these past fifteen years, Trinidad and Tobago found itself enmeshed in a dynamic set of political and commercial relations, both regionally and internationally. Its traditional wariness of imperialist advances from neighboring Venezuela and the United States led to cautious diplomacy with these governments over oil and gas projects. However, Trinidad’s drive to monetize its gas reserves all but required that it engage with the two biggest players in the Western hemisphere energy game. Of no less importance to Trinidad is its association with Jamaica and other fellow CARICOM member states, who account for roughly 40 percent of Trinidad’s total exports annually (Lewis 2002). These relations are also contested around issues of oil and gas, as Trinidad and Tobago attempts to provide CARICOM nations with preferential pricing agreements while also satisfying the production demands of its multinational corporate partners. Venezuela is attempting to undermine Trinidad and Tobago’s privileged economic role in the Caribbean through its PetroCaribe initiative, which allows its participants to pay 60 percent of costs upfront for petroleum products while financing the rest with long term, low interest loans. Currently most CARICOM countries, with the notable exception of Trinidad and Barbados, have signed on to PetroCaribe.

*Venezuela*
Relations between Trinidad and Venezuela are deeply nuanced, and framed by a checkered history. The two nations, separated only by seven miles across the Columbus Channel, have alternately abetted and destabilized each other’s energy projects since Trinidad’s independence in 1962. Their diplomatic affairs have also been influenced by long-standing differences and tensions between Latin American and English-speaking Caribbean countries. Trinidad and Jamaica’s request to join the Organization of American States (OAS) was not met favorably by the Latin American members, who openly distrusted the former colonies’ continued ties to Great Britain (Serbin 1990). After four years of debate and deliberation, Trinidad was granted accession in 1967. Rather than easing sensitivities between Latin and Anglophone Caribbean states, the OAS may have further differentiated them, particularly when blocs formed as other newly independent nations joined. The line was drawn even more clearly in 1973 when the English-speaking Caribbean states created CARICOM and excluded the Latin American islands.

Jacqueline Braveboy-Wagner (1989:48) characterizes Venezuela’s policies towards the Anglophone Caribbean during the 1960’s and 70’s as a “manifest destiny” initiative. Venezuela envisioned the decline of British colonialism as creating a power vacuum in the region, and it was their intention to counteract both Cuban and American influence through attractive commercial and financing programs. After the 1973 oil crisis, the Carlos Andres Perez government intensified their regional involvement by directing substantial economic assistance to the Caribbean through the Venezuelan Investment Fund. Beneficiary countries had contingencies placed on loans requiring that they participate in a series of development and energy cooperation projects, and use funds to
purchase Venezuelan goods (Serbin 1990). In 1975, Trinidadian Prime Minister Eric Williams “sounded the alarm of Venezuelan economic and territorial imperialism, only to see his warnings dismissed by Caribbean leaders anxious to profit from Venezuelan largesse” (Braveboy-Wagner 1989:48). It is worth noting the remarkable parallels between this conflict and the current tensions, more than thirty years later, surrounding Hugo Chavez’s PetroCaribe initiative, on which Trinidadian Prime Minister Patrick Manning recently cautioned fellow CARICOM member states by saying, “It is a question of cutting your own throat if you are not careful” (Observer 2006).

Despite these sensitivities, the neighboring countries have been flirting with a natural gas partnership since the late 1990’s. Venezuela has been unsuccessfully attempting to build an LNG facility for over fifteen years, and while President Chavez remains confident that a functioning Guiria LNG plant is imminent, he has expressed interest in monetizing Venezuelan gas at Trinidad’s Atlantic LNG facility during the interim period (Williams 2003). The two governments have agreed to move towards the unitization of gas fields that straddle their marine borders, in particular the major Loran and Kapok fields that each hold estimated reserves of 6 trillion cubic feet (James 2007). Talks over this unitization, first initiated in 2002, have proceeded slowly and stalled regularly over disputes on quantities of gas on both sides of the border. Nevertheless, Prime Minister Manning and President Chavez signed the first offshore unitization agreement in the Western Hemisphere on March 20, 2007 (Javeed 2007). While the signing of this agreement is quite remarkable, its execution would be nothing short of miraculous. As recently as 2002, Benardo Alvarez, Venezuela’s vice-minister of energy, announced that
“Venezuela is unwilling to allow its gas to be used to support the future expansion of the Atlantic LNG plant at Point Fortin, Trinidad” (Oil & Gas 2002).

Diplomatic maneuvers aside, Venezuela is clearly reticent to assist Trinidad with its gas projects. However, due to the constraints of its nationalized energy sector, Venezuela has been unable to secure and sustain the foreign participation that is necessary to bring a multi-billion dollar, technically demanding LNG facility online. In 1990, Royal Dutch Shell, Exxon and Mitsubishi were invited by the Venezuelan government to participate in the Cristobal Colon LNG project. However, perhaps in concession to the opponents of a multinational corporate presence, the new LNG joint venture was offered access to gas fields that were remote and challenging to develop (Shepherd and Ball 2006). After a contentious period of debate and struggle, the project ultimately folded in 1997. According to Minister Alvarez, the Venezuelan LNG project is 20 years behind, and “playing catch up with Trinidad and Tobago” (Oil and Gas 2002). Therefore, at the present moment, Venezuela is left with the choice of either leaving gas fields stranded, or aiding its key (potential) LNG competitor by monetizing gas with Atlantic LNG in Trinidad. This issue of unitization will be of central importance for relations between Trinidad and Venezuela in the coming years, and will likely set fundamental precedents for the geopolitics of energy in the Caribbean Basin.

Jamaica

At least since their independence in 1962, Trinidad and Tobago and Jamaica’s divergent paths towards decolonization have patterned the two nations’ energy politics. Arguably, both states vie to assume the role of intermediary power in the Anglophone Caribbean, with Jamaica being the largest island and Trinidad traditionally being the
wealthiest. Modern relations date back to the West Indies Federation, which was imposed in 1958 by the British who were intent on minimizing the burden of colonial responsibility. Braveboy-Wagner (1989:39) notes that the Federation was torn asunder by “intense disagreements” between Jamaica and Trinidad over the correct balance between nationalism and regionalism that should be struck. Jamaica privileged the former, and accordingly left the federation to seek independence. Trinidad declined to join a Federation minus Jamaica, and it dissolved as Trinidad also obtained independent status. Trinidad’s frustration at Jamaica’s departure from the Federation, “bred a legacy of wariness and distrust, as well as a counter-productive sense of competition” towards Jamaica (Braveboy-Wagner 1989:54). While there have been many examples of multilateral agreement between Trinidad and Jamaica, this bitter sentiment continues to impact diplomacy and terms of commercial exchange between the two states.

Jamaica first initiated discussions with Trinidad regarding an LNG agreement in 1993. The Jamaicans are interested in powering their bauxite refineries and electrical plants with gas, which are currently oil-fueled. In the original memorandum of understanding (MOU), Trinidad committed to supplying 158 million cubic feet per day to a 1.5 million ton regasification terminal that would be build in Jamaica. The state-owned gas companies of each nation agreed to create a joint venture firm to manage the project, with Jamaica taking a 60 percent stake and Trinidad 40 percent (James 2007). However, terms of the deal have subsequently faltered. Jamaica insists that under the auspices of the CARICOM Single Market and Economy (CSME), Trinidad is obligated to provide Jamaica with “national treatment” by selling LNG at the same price its own National Gas Company buys natural gas. In 2006, Trinidadian Prime Minister Manning assured the
Jamaicans that a mutually acceptable pricing arrangement would be settled upon for the long-term LNG provision scheduled to commence in 2009 (Bryan 2007). Trinidad maintains, however, that the Caribbean gas price must bear some relation to Henry Hub (the US natural gas benchmark), while Jamaica is holding out for pricing based on a domestic mechanism.

Recent statements by Trinidad’s government have raised the charged discourse with Jamaica over gas projects to a fever pitch. In March of 2007, the National Gas Company of Trinidad and Tobago announced that it would not be able to supply Jamaica with LNG by 2009 as planned, due to its own domestic demands (Bryan 2007). The response from Kingston has been hostile, with threats of a “trade war” issuing from the Jamaican manufacturer and commercial community, in order to compensate for the resultant trade disadvantage. Commentators in Trinidad have also keyed in upon its government’s unrealistic promises to Jamaica and vocalized questions about the actual status of Trinidad’s natural gas reserves. Prime Minister Manning, however, publicly contends that the Loran Manatee field, which Trinidad has agreed to unitize with Venezuela, will yield gas for the Jamaica project (Javeed 2007). He maintains that Trinidad will uphold the Jamaica deal upon completion of a planned Train 5 in Point Fortin, which will draw gas from Loran, and is anticipated to go online in 2010. Jamaica, however, has already entered into discussions with Venezuela regarding the feasibility of adding LNG to its PetroCaribe initiative (Bryan 2007). While this option remains questionable due to Venezuela’s lack of an LNG facility, the case study underscores the volatility of the energy politics between these three nations.

*The United States*
As the primary purchaser of Trinidad and Tobago’s LNG, the United States plays an influential role in the nation’s energy affairs. However, Trinidad has recently shown interest in diversifying its markets as other buyers outbid prices paid by the U.S. According to Prime Minister Manning, “We have decided that we are not placing all our eggs in one basket” (James 2007). Trinidad is discussing LNG deals with Brazil, Mexico, Britain, South Korea and Japan, among others. Friction between Washington and Port of Spain has risen not only due to this potential shift in supply agreements, but also over Trinidad’s negotiations with Venezuela on multilateral LNG projects. A Washington official who chose to remain anonymous recently cautioned in a trade journal that, “Trinidad and Tobago has to take into account the current tension in relations between Venezuela and the U.S. Making a firm arrangement with Caracas on this (LNG) is not very attractive at this time” (James 2005:15). As the U.S. looks increasingly to LNG for its energy needs, diplomacy with Trinidad has become more directed and pressing as Washington works to shore up vital trade contracts while also countering moves by the Chavez administration to further extend its influence in the region.

The current relations between Trinidad and the US are situated within a history punctuated by several main developments. The Caribbean Basin did not emerge as a sub-region distinct from Latin America in U.S. hemispheric policy until the Carter administration. In 1976, President Carter outlined a new approach to U.S.-Caribbean relations based on a respect for the sovereignty of each nation, a strong commitment to human rights and renewed support for economic development in the region (Serbin 1990). Trinidadian Prime Minister Eric Williams enjoyed a good relationship with U.S.
ambassador Phillip Habib during this period, and much of the bitterness carried over from U.S. military presence on the island during the Cold War appeared to be dissipating (Maingot and Lozano 2005).

Yet a dramatic shift occurred towards the end of Carter’s term as increasing Cuban militarization, the Sandinista revolution and a successful communist coup in Grenada led to a more aggressive U.S. regional stance. Under President Reagan’s leadership, the U.S. intensified security activity in the Caribbean as part of its strategy to contain the Soviet threat. Trinidad responded by once again distancing itself from the U.S. and adopting an isolationist, Third World position in regional affairs, including its stance on the People’s Revolutionary Government in Grenada (Braveboy-Wagner 1989). By advocating nonintervention in the Grenada case, Trinidad effectively alienated itself from the other CARICOM nations and lost favor with the U.S. government. As Serbin notes:

The internal crisis unleashed within the government of the New Jewel Movement in Grenada and the subsequent military occupation was probably the best opportunity that could have presented itself to the Reagan administration for reaffirming U.S. hegemony in the region, an action incurring relatively low military costs, but paying high political and psychological dividends. The occupation of Grenada allowed the United States to neutralize leftist sectors in the region, to isolate Cuba in the island Caribbean, and to promote certain governments, such as those of Jamaica and Barbados, which at the time identified openly with U.S. policy (1990:60).

Shortly after the Grenada invasion, Trinidadian Prime Minister George Chambers initiated a radical paradigm shift by realigning the economy around foreign investment, accepting an IMF development package and announcing that, “the fête is over and the country must go back to work” (Maingot and Lozano 2005:50). Needless to say, by embracing neoliberal economic policies, Trinidad and Tobago did much to improve its standing with the United States. This new integrated alignment crystallized further when Trinidad signed NAFTA in 1997.
For the past several decades, political and economic relations between the United States and Trinidad have revolved primarily around natural gas products. While trade in ammonia, methanol and fertilizers continues to be significant, the focus is increasingly on Trinidad’s LNG exports. In 2006, the United States imported roughly 580 billion cubic feet of LNG, 67.6 percent of which came from Trinidad (Egypt, Nigeria and Algeria provided the rest) (Gaul and Platt 2007). As its domestic production levels off and demand increases, the U.S. expects to compensate with LNG imports. According to Michael Zenker of the Cambridge Energy Research Associates, “The North American markets are now dependent on the growth of liquefied natural gas. If we don’t get LNG, we don’t have a plan B” (Burr 2005:29). The Bush administration has supported the initiative by subsidizing and streamlining the regulatory process for the construction of new re-gasification terminals, the majority of which are sited along the Gulf Coast (Gold 2005).

Ironically, the existing U.S. terminals are only importing roughly half the volume of LNG they can handle. Why? The Americans are being aggressively outbid by Asian and European buyers. As the industry consultant James Jensen notes, “there was a self-indulgent, myopic belief that if the U.S. builds a terminal, everyone wants to supply us. And that is what has been wrong” (Gold 2005:C1). Rather, overseas competition has created a global LNG shortage, resulting in the rise of “spot-market” trading. Spot-market refers to single cargo deals between a buyer and seller, in contrast to long-term contractual agreements. Trinidad has been quick to enter the volatile, but highly profitable spot-market trade in LNG, often to the detriment of the U.S. market. As Gaul and Platt illustrate, “LNG netbacks to Trinidad and Tobago for cargoes shipped to Spain
and the United Kingdom in September 2006 were $9.17 and $5.32, respectively, compared with $3.71 for shipments to the United States at the Lake Charles terminal” (2007:6). Trinidad is also looking towards South Korea and Japan, which both rely on LNG for over 90 percent of their natural gas supply, and have shown willingness to outbid U.S. buyers.

The U.S. government’s deep concern over terrorist attacks has also impacted its LNG import project. LNG tankers and storage facilities have long been fretted over as potential terror targets. In 2004, Candyce Kelshal, of Bluewater Defence and Security Ltd., published “Radical Islam and LNG in Trinidad and Tobago”, which outlines the potential security risks the U.S. faces through its connections to Atlantic LNG. The report focuses on a militant sect of Black Muslims, the Jamaat-al-Muslimeen, which in 1990 staged a coup wherein the prime minister and members of Parliament were taken hostage. The coup was put down, but not before riots and looting had sacked much of the capital, Port-of-Spain (Maingot and Lozano 2005). Nearly all of the militants were offered amnesty and set free. This is an important challenge to LNG projects, one that will require a further study all its own.

The Local Experience of Natural Gas Projects

The costs and benefits of Trinidad’s natural gas production for its citizens remains a contentious, while often muffled, debate. Government and industry spokespersons laud the positive impact gas projects have had on employment and public services, while community members and advocacy groups protest environmental and health hazards they associate with gas facilities (Williams 2003). A pressing question concerns the degree to which largely multi-national corporate gas-based enterprises produce benevolent
spillovers that support domestic economies and livelihoods. On the other hand, how are
the toxic spillovers (i.e. pollution & forced relocations) that invariably result from large-
scale gas and chemical projects mitigated against by state and corporate policies?
Scholars have paid very little attention to the localized experience of the oil and gas
industry anywhere, much less in the particular case of Trinidad and Tobago. This section
attempts to situate the Trinidad example within a broader analysis of the local impacts of
and responses to hydrocarbon production.

In late 2001, Trinidadian Prime Minister Williams initiated a new plan for
“sustainable gas development”, which stressed utilizing energy sector growth as a
catalyst for investing in local capabilities and promoting wealth at the grass-roots level.
The Prime Minister insisted that his government was, “not being superficially about
ensuring the attainment of minimal local content quotas in energy operations. Far from
it, we are encouraging a collaborative approach between our partners to assist locals to
take on more value-added roles, management, and ownership in our economy” (Williams
2002:22). While Prime Minister Williams’ initiative was greeted with optimism by civic
leaders and in the national press, its actual implementation would face serious challenges.
First, most natural gas production projects simply do not create a large number of jobs.
While a substantial amount of labor is required for the construction phase, LNG plants,
offshore gas developments and chemical facilities are not significant generators of
employment when operating (Shepherd and Ball 2006). Furthermore, due to the effects
of modernization, the global trend in the oil and gas industry is towards a consolidated
number of higher-paying and coveted industrial and service sector jobs. As Ross (2001)
notes, these industries tend to be “enclaves” which yield minimal linkages, or employment opportunities, and provide few non-state multiplier effects.

In order to overcome such challenges and ensure that oil and gas projects have domestic linkages, a host government must institute aggressive policies and legislation to bring about their stated objectives. Trinidad has historically pulled up short of these directed actions. Barclay notes that the oil boom of the 1970’s was a “golden opportunity for Trinidad and Tobago to use the foreign investor to enhance its indigenous technological capabilities” (2004:489). Yet by failing to formulate and implement selective intervention policies towards foreign corporations, the Trinidadian government was unable to tie sustained domestic development programs to the oil and gas sector. By the late 70’s and early 80’s, Trinidad had initiated an export-oriented, gas-intensive strategy for economic growth, providing additional opportunities for directed policy to support indigenous capacity building. Once again, the administration failed to capitalize.

The evidence suggests that the planners were well aware of technology policy problems such as the need for locals to acquire the technical skills to operate the facilities. Yet no policies were devised to develop such skills. Neither the local university nor the local technical and vocational institutes offered training programs for this industry. Little attempt was made to define the areas in which local capability could be built over the long term and the specific technologies that foreign firms could contribute (Barclay 2004:491).

When, in 1989, Trinidad moved towards structural adjustment programs, liberalized trade and exchange markets, the government’s power to establish domestic linkages with transnational oil and gas projects further eroded.

During the past decade, Trinidad has begun imposing ‘local content requirements’ on foreign-owned companies operating in its natural gas industry. While the government definition of local content remains unclear, this policy is intended to at minimum ensure, on a contract-by-contract basis, that a specified percentage of labor and service is
domestic. Critics assert, however, that corporate compliance with these requirements is inconsistent at best, due to the lack of any state agency tasked with monitoring adherence. For example, one of the reported conditions for developing the first Atlantic LNG train was that $100 million be spent by foreign firms on the services of local companies. Policy makers recently estimated that local content in reality achieved approximately $25-33 million (Barclay 2005). It is worth noting that industry representatives make the reasonable claim that local service providers are in many cases not globally competitive, or fail to have necessary training. Partially in response, Trinidad’s government has asked both foreign and local firms to make financial contributions to aide national human resource development. These monies support technical training institutes designed specifically to prepare people for work in the energy sector. Yet the state did not establish a cohesive, legally binding system for securing this funding. As a result, some transnational firms have come to view these contributions as a tax, and since the obligation is not constituted by an act of parliament, they refuse to pay (Barclay 2005).

The aims, along with the structural weaknesses, of Trinidad’s content requirement and corporate contribution programs bear a striking resemblance to those of the corporate social responsibility (CSR) movement. According to the World Business Council for Sustainable Development, CSR is “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of its workers as well as the local community and society at large”. CSR gained momentum during the 1990’s due to the critical attention an increasingly effective global human rights advocacy network was able to draw towards a series of corporate disasters. Facing public relations backlashes and boycotts, oil and gas companies in particular moved
quickly to draft codes of conduct which outlined their dedication to issues such as community development and environmental responsibility. Yet from the start, CSR was, as Watts notes, considered by corporations to be “an explicit endorsement of voluntary approaches rather than mandatory regulation” (2005:394). Therefore, as the oil slicks dissipated after a tanker spill or as the memory of Ken Saro-Wiwa in Nigeria began to fade, transnational corporations were able to view CSR as a voluntary add-on to their business portfolio. Without mandatory regulations aggressively monitored by the host state, initiatives such as Trinidad’s content and contribution programs, and CSR agreements the world over, will remain frail statutes intermittently upheld at the whims of company executives.

**The Siren Song of Boom and Bust**

It is clear that natural gas has provided Trinidad and Tobago with a much-needed economic boost, visible from its rising national GDP, capital improvement projects and fleet of new sports cars in Port of Spain. In the realm of energy geopolitics, Trinidad has assumed a privileged position for a country of its size. Yet questions have emerged about the development path it has chosen. In a dramatic turn from its statist approach during the 1970’s, Trinidad’s government has stepped back from its active, interventionist role in the nation’s economic affairs. Rather, with a style much akin to the one prescribed by the World Bank and IMF, the government has adopted a facilitating stance, largely entrusting the economic development of the country to foreign firms. The problem here is that the overriding concern of corporations is net gain, which will inevitably be privileged over the long-term capacity building of its host nation. Trinidad’s inability to implement corporate intervention policies has resulted in its citizens possessing only
static technological capabilities, the underdevelopment of local downstream and supporting firms, and weak domestic training institutions (Barclay 2004). It could be said that Trinidad is falling headlong into the boom and bust trap all over again. Rather than investing in the domestic production apparatus and laying the foundation for new economic diversity, Trinidad’s government appears to be relying on natural gas and foreign exchange to keep the country secure.

Not all Trinidadians feel secure tying their future to natural gas. Experts claim that the host of proposed gas-fed projects, including two new LNG terminals, a steel mill and a fertilizer plant, will run well ahead of available supplies (James 2007). Residents are also mounting protests against the adverse environmental and health affects they associate with the multitude of chemical and industrial operations on the island (Williams 2003, Ragoonath 2003, Fernandes 2006). Very little is known about how the costs and benefits of natural gas production are distributed across socio-economic, racial and geographic categories in Trinidad. Field research must be conducted in order to adequately address these critical issues.
References


