

Future Research Agenda

In the near future, I would like to:

- 1) extend my foreign aid work to examine at fiscal issues in aid recipient countries; and
- 2) examine economic performance in countries with non-renewable resources.

Motivation for my research interest in non-renewable resource countries

Trinidad and Tobago recently discovered large reserves of oil and natural gas and is the second highest recipient of direct foreign investment in the Western Hemisphere after Canada. The United States imports more than 50.0% of its ammonia, 71.0% of its methanol and 71.0% of its LNG requirements from Trinidad and Tobago. Energy (crude oil, natural gas and petrochemicals) exports for 2006 accounted for 30.0% of total exports with the energy sector accounting for approximately 45.0% of real GDP in 2006. It is estimated that the energy sector will continue to drive growth notwithstanding the efforts of the government to diversify the economy. GDP has doubled during the period 2001-2006 and the resource availability has already served to make Trinidad and Tobago the financial capital of the Caribbean region. In order to build on this foundation, the country is now establishing a regulatory framework and infrastructure for an international financial center – to continue the process of diversification away from the energy sector. Moreover, the development agenda and the public policy objective to improve the quality of life of the citizens of the country in the long term, raise some fiscal challenges.

Some questions include: Is Trinidad and Tobago making the ‘right’ types of public expenditures with revenues earned from the energy sector? How should public expenditure be financed? What is the optimal composition of those expenditures? How should the resource tax revenue be allocated? Does a stabilization fund address concerns for intergenerational equity? Given these intermittent fiscal revenue injections, how should a fair and efficient taxation system be structured? How do large inflows of foreign revenue affect other types of domestic activities? How should the government budget balance be structured so as to accommodate price volatility in the energy sector? What is the effect of these intermittent flows on the domestic price level and exchange rate?

The scenario I present raises the kinds of research questions that I would like to address within my broader research agenda of fiscal policy and growth and development in small

open countries. I believe that this research is relevant to any country with one natural resource, such as Trinidad and Tobago, that provides a major source for tax revenue and drives production, growth, and socio-economic development. For countries such as Trinidad and Tobago, economic stability and sustainability lies not only in the plan for the utilization of the resource through private sector initiatives, but also from the Government's side, in terms of how the revenues from the taxation those resources are allocated.