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VISA 25398

Date: 29/06.2000



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The Republic of Trinidad and Tobago

9.75 per cent. Notes due July 1, 2020

The 9.75 per cent. Notes due 2020 (the "Notes") of the Republic of Trinidad and Tobago (the "Republic" or "Trinidad and Tobago") are the direct, general and unconditional obligations of the Republic. The Notes will constitute a charge upon and be payable out of the Consolidated Fund (as defined herein) of the Republic and shall at all times rank pari passu without any preference among themselves and at least equally with all other present and future obligations of the Republic which constitute charges upon the Consolidated Fund.

Interest on the Notes is payable in arrears on July 1 and January 1 in each year commencing on January 1, 2001. Payments on the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic to the extent described under "Taxation". Unless previously purchased and canceled, the Notes will be redeemed at their principal amount on July 1, 2020.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Notes offered or sold outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended ("Regulation S"), will be represented by a single unrestricted, permanent global Note in registered form without interest coupons (the "Unrestricted Registered Global Note"), which will be deposited with Citibank, N.A., London Branch (the "Registrar"), as custodian for The Depository Trust Company ("DTC"), and registered in the name of a nominee of DTC for credit to the accounts of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Until and including the 40th day after the later of the date of the commencement of the offering and June 29, 2000 (the "Closing Date"), beneficial interests in the Unrestricted Registered Global Note may be held only through Euroclear and Clearstream, Luxembourg. Notes offered, sold or resold within the United States to "qualified institutional buyers" (as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A")) will be represented by a single restricted, permanent global Note in registered form without interest coupons (the "Restricted Registered Global Note" and, together with the Unrestricted Registered Global Note, the "Registered Global Notes"), which will be deposited with the Registrar, as custodian for DTC, and registered in the name of a nominee of DTC. Each Note will be issued in denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof. All Notes will be issued in registered form and may not under any circumstances be exchanged for Notes in bearer form. Beneficial interests in Registered Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including Euroclear and Clearstream, Luxembourg. Definitive registered notes ("Definitive Registered Notes") will only be issued in exchange for beneficial interests in the Registered Global Notes in certain limited circumstances as described herein. See "Delivery of the Notes and Transfer Restrictions" and "Clearing and Settlement".

Price: 96.974 per cent.

plus accrued interest, if any, from June 29, 2000.

The Notes are offered by the Manager (as defined herein) when, as and if issued by the Republic, delivered to and accepted by the Manager and subject to its right to reject orders in whole or in part. It is expected that delivery of the Notes in book-entry form will be made through the facilities of Euroclear, Clearstream, Luxembourg and DTC, on or about the Closing Date.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except to "qualified institutional buyers" in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For certain restrictions on resales, see "Transfer Restrictions".

Credit Suisse First Boston

The date of this Offering Circular is June 27, 2000.

The Republic, having made all reasonable inquiries, confirms that this Offering Circular contains all information with respect to the Republic and the Notes which is material in the context of the issue and offering of the Notes, that the information contained in this Offering Circular is in every material respect true and accurate and not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and that all reasonable inquiries have been made by the Republic to ascertain such facts and to verify the accuracy of all such information and statements. The Republic accepts responsibility accordingly.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic or the Manager to subscribe to or purchase any of the Notes and should not be considered as a recommendation by the Republic or the Manager that any recipient of this Offering Circular should subscribe for the purchase of any Notes. Each recipient shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Offering Circular or any part of it and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Republic and the Manager to inform themselves about and to observe any such restrictions. See "Subscription and Sale" and "Delivery of the Notes and Transfer Restrictions" below for a description of certain further restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Each person purchasing Notes pursuant to Rule 144A will be deemed to (i) represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer and (ii) acknowledge that the Notes have not been and will not be registered under the Securities Act or any State securities laws of the United States and may not be reoffered, resold, pledged or otherwise transferred except as described under "Delivery of the Notes and Transfer Restrictions". Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to resale, distribution or other disposition thereof to a U.S. person or in the United States.

Each person purchasing Notes pursuant to Rule 144A also acknowledges that (i) it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein; (ii) it has not relied on the Manager or any person affiliated with the Manager in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning the Republic or the Notes other than those contained in this Offering Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Manager.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been

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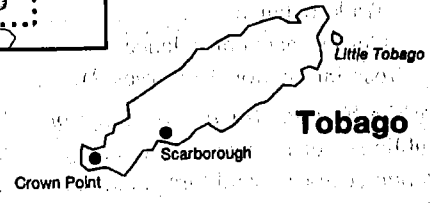
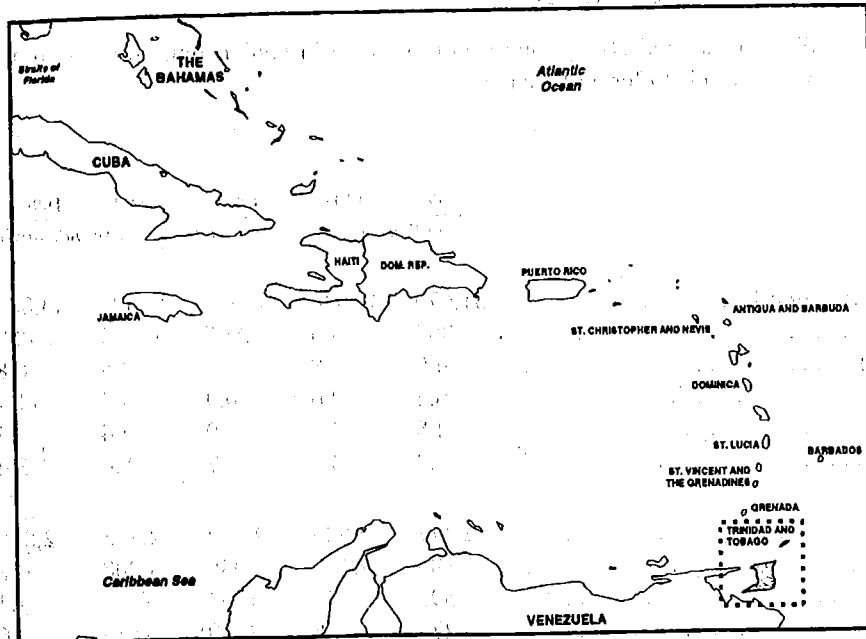
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- *Imports* are calculated based upon statistics reported to the Republic's customs upon entry of goods into Trinidad and Tobago on a *cost, insurance and freight included* basis.
- *Exports* are calculated based upon statistics reported to the Republic's customs upon departure of goods from Trinidad and Tobago on a *free on board* basis at a given departure location.
- *Rate of inflation* or *inflation rate* is measured by the change in the annual amount of the all items in the current year over the previous year. The Index of Retail Prices is calculated on a weighted basket of consumer goods and services using a monthly averaging method.

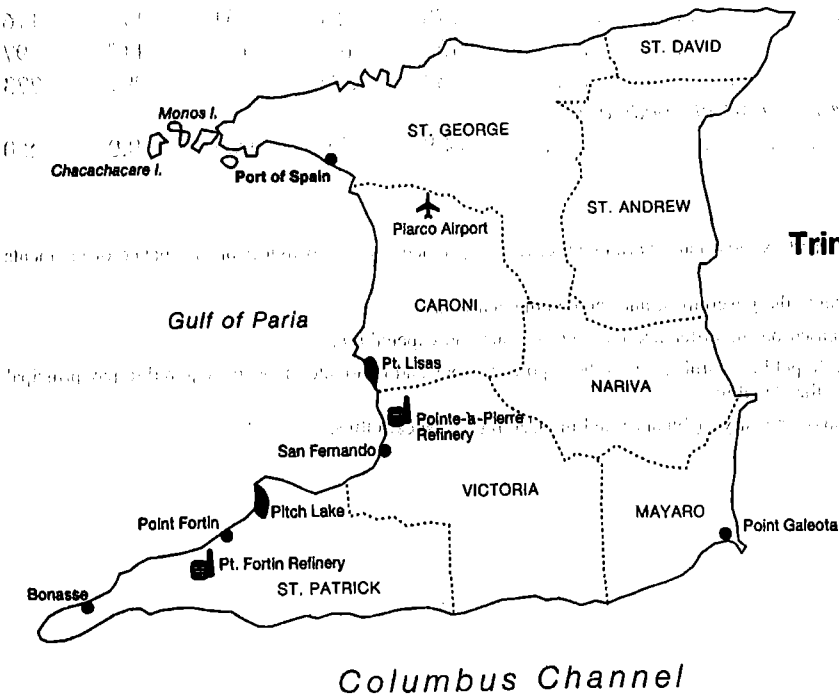
Unless otherwise indicated, all annual rates of growth are average annual compounded rates, and all financial data is presented in current prices.

Forward-Looking Statements

Certain statements under the captions "Summary", "The Economy", "Foreign Trade and Balance of Payments", "Monetary System", "Public Sector Finances", "Public Sector External Debt", and "Use of Proceeds" and elsewhere in this Offering Circular constitute "forward-looking statements" within the meaning of the United States Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Republic, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of them publicly in light of new information or future events, including changes in the Republic's economic policy or budgeted expenditures, or to reflect the occurrence of unanticipated events. Factors that could cause the Republic's actual results or performance to differ materially from such forward-looking statements include, but are not limited to: adverse external factors, such as high international interest rates, low oil prices and recession or low growth in Trinidad and Tobago's trading partners; adverse domestic factors, such as a decline in foreign direct investment, increases in domestic inflation, high domestic interest rates and exchange rate volatility; and other adverse factors, such as climatic events and political uncertainty.



Caribbean Sea



THE REPUBLIC OF TRINIDAD AND TOBAGO

Territory, Population and Society

The Republic of Trinidad and Tobago is comprised of two islands whose total area is 1,980 square miles (5,128 square kilometers). Trinidad, the larger of the two islands, has an area of 1,864 square miles (4,828 square kilometers), and Tobago has an area of 116 square miles (300 square kilometers). The islands of Trinidad and Tobago are the southernmost in the chain of Caribbean islands, which begins with the Bahamas in the north. Trinidad lies just off the South American mainland, approximately seven miles (11.3 kilometers) at the nearest point from Venezuela. Tobago lies northeast of Trinidad and is separated from it by a channel of approximately 21 miles (33.8 kilometers). The Republic has a tropical climate with an even temperature which varies between 72 and 92 degrees Fahrenheit (22 and 32 degrees Celsius). A dry season runs from January to April and a rainy season from May to December.

Trinidad is divided into diverse geographic regions. Three low mountain ranges cross the island from east to west, the highest being the Northern Range (a continuation of the Cordillera Mountains of South America), which is heavily forested. The majority of Trinidad's onshore petroleum wells are located in the southern part of the island. The most productive agricultural area is the land between the Northern and Central Ranges, where the major crops grown are sugar cane, cocoa, coffee and citrus fruit. Similar crops are grown in the lowlands on either side of the mountain ridge which runs along the center of Tobago. The capital of the Republic is Port of Spain. Point Lisas, a port approximately 20 miles (32 kilometers) south of Port of Spain, is Trinidad and Tobago's busiest port and the center for many of the Republic's industries and services and a number of the Republic's energy-based enterprises.

In 1999, the total population of the Republic was estimated at 1.29 million, giving a population density of 652 inhabitants per square mile (252 per square kilometer). The average annual population growth rate for the Republic was 1.4 per cent. from 1995 to 1999. English is the principal and official language.

The Republic is a middle income developing country. The following table sets forth comparative GNP figures and select other comparative statistics for 1999.

	Trinidad and Tobago	Colombia	Costa Rica	Jamaica	Mexico	United States	Venezuela
GNP per capita (in U.S. dollars)	4,250	2,180	2,680	1,550	3,700	29,080	3,480
Life expectancy (in years)	74	70	76	75	72	77	72
Infant mortality(1)	15	25	12	10	29	7	21
Adult literacy rate (in per cent.)	98	91	95	86	90	—(2)	92

Notes:

(1) Infant mortality per 1,000 live births.

(2) According to UNESCO, illiteracy is less than 5 per cent.

Source: World Development Indicators 1999.

Constitution and Government

Trinidad and Tobago, formerly a British Crown Colony, became self-governing in 1956 and gained independence on August 31, 1962. On September 24, 1976, it became the Republic of Trinidad and Tobago. Under the Republic's constitution, legislative power is vested in the Parliament, which consists of the President, the Senate and the House of Representatives. The President is elected for a five-year renewable term by the Electoral College, consisting of all members of the Senate and the House of Representatives. The President of the Republic is Mr. Arthur Napoleon Raymond Robinson, who was elected in February 1997.

The Senate is comprised of 31 members, all of whom are appointed by the President: 16 in accordance with the advice of the Prime Minister, six in accordance with the advice of the Leader of the Opposition and nine at the President's discretion. All Senators vacate their seats upon dissolution of Parliament. The House of Representatives is made up of the elected representatives of the 36 electoral constituencies and the Speaker of the

THE ECONOMY

Introduction

The economy of Trinidad and Tobago has been substantially transformed during the period from 1995 to 1999 with steady economic growth, low inflation and declining unemployment. The dominance of the oil, gas and petrochemicals sector has declined from approximately 27 per cent. of GDP in 1995 to approximately 21 per cent. in 1999, while the economy as a whole has continued to grow at an average annual growth rate of 4.5 per cent. during the period. Strong performances in other sectors, particularly manufacturing, distribution and construction, has contributed to economic growth as well as to an average increase in employment of 3.3 per cent. per year over the period.

Notable achievements during the period include:

- Attracting U.S.\$3.2 billion in foreign direct investment between 1995 and 1999, including the construction of the largest liquified natural gas facility in the Western hemisphere, which commenced commercial operations in April 1999;
- Maintaining an overall surplus in the balance of payments despite oil price volatility from 1997 to 1999;
- Increasing the percentage of exports to CARICOM nations from 21 per cent. of total exports in 1995 to 36 per cent. in 1999; and
- Decreasing total public external debt from U.S.\$1.9 billion in 1995 to U.S.\$1.5 billion in 1999, while increasing gross international reserves from U.S.\$652 million to U.S.\$1.4 billion over same the period.

The combination of domestic economic growth and significant foreign direct investments has allowed Trinidad and Tobago to prosper despite volatility in international capital and commodity markets. Trinidad and Tobago's abundant natural resources, skilled workforce, commitment to a market economy and stable foreign exchange rate have attracted significant international investment in the economy and provided a basis for stable economic growth. The Republic was affected by the impact that the recent worldwide economic crisis had on global oil and petrochemical prices; however, in the face of unstable oil prices, the Republic largely succeeded in maintaining overall balance of payments surpluses.

Recent Economic Trends

In 1999, real GDP grew 6.8 per cent. on the basis of improved performances in the energy and non-energy based sectors. After suffering in 1998 due to a decline in oil production, the overall performance of the energy sector rebounded on the strength of increased output levels from new domestic gas-based facilities, the continued recovery of the refining sector and the start-up of the Republic's first liquified natural gas ("LNG") facility in April 1999. Overall, the non-energy based sectors of the economy grew in 1999 with the biggest gains being registered in the manufacturing, distribution, construction, transport, storage and communications and services sectors. The pace of growth of most of these sectors did slow in comparison to 1998, however, as the construction phase of some major energy projects ended in 1999. The electricity and water sector experienced negative growth in 1999 as its main industrial consumer scaled down its operations. The agricultural sector continued its recovery from weather, pest and technical difficulties it experienced in 1998. Unemployment declined in 1999 to 13.1 per cent. from 14.2 per cent. a year earlier and 15 per cent. in 1997. The inflation rate, as measured by the Index of Retail Prices, fell to 3.4 per cent. for the year ended December 31, 1999, a decrease from 5.6 per cent. and 3.7 per cent. from 1998 and 1997, respectively.

The balance of payments has run a consistent surplus in recent years totaling U.S.\$162.3 million in 1999, largely as a result of the Republic's September 1999 international bond issue. The current account balance shifted from deficits of U.S.\$645.3 million and U.S.\$578.9 million in 1998 and 1997, respectively, to a surplus of

financial policies. The government expects that trading partnerships will continue to be enhanced as will the expansion of exploration and production in the energy sector.

Fiscal Policy

The goal of the government's fiscal policy over the medium term is to continue its focus on achieving diversified growth while generating increased employment opportunities and maintaining low inflation, a stable exchange rate and adequate foreign exchange reserves. The implementation of measures aimed at strengthening the performance of public sector enterprises by reducing their reliance on government transfers and increasing the level of dividends and taxes remitted to the government will form a major part of the medium term fiscal policy.

Monetary and Financial Policy

The government's monetary and financial policy objectives in the medium term are to maintain price and exchange rate stability and to protect the external account balance. Monetary policy will continue to focus on liquidity management through monetary restraint and the intensification of open market operations. The Central Bank will work to improve the structure of the financial market to allow for the more effective conduct of open market operations and the development and strengthening of the inter-bank market for foreign exchange.

The government intends to continue strengthening the financial and capital markets by encouraging new entrants into the domestic market. On-going legislative and regulatory reform will be pursued to upgrade and strengthen the legislative and institutional framework of the financial and capital markets.

Savings and Investment

The government is committed to further stimulating national savings and investment. Initiatives aimed at improving the existing regulatory and supervisory framework within the financial sector and promoting active capital market development include accelerating the social security and pension reform program, introducing new employee share ownership legislation and collective investment vehicles legislation, implementing a credit union strengthening program and establishing one comprehensive regulatory body for the administration of the entire financial sector.

Trade Policy

Trade policy will focus on facilitating the trade liberalization process and expanding markets for non-oil exports through measures such as administering and enforcing anti-dumping legislation, developing a competition policy, co-ordinating and facilitating investment and industrial promotion initiatives and expanding port activities. The government will continue its contribution to the creation of the CARICOM Single Market and Economy ("CSME") which was originally scheduled to take effect in 1999. Special consultations of the CSME are expected to take place in the third quarter of 2000. The government will also continue with its involvement in the second negotiating cycle under the Free Trade Area of the Americas which began in November 1999 and will continue until April 2001.

Debt and Debt Management

Over the next three years, the Republic will continue to manage the public sector debt portfolio strategically with the objective of relieving taxpayers from interest payment on the public debt and increasing resources available for social sector improvements. Debt service payments under bilateral and commercial loans will end in 2000. As a result, annual debt service obligations will be reduced significantly. The government will continue to focus on restructuring high-cost debt with a view to further reducing debt service obligations.

Gross Domestic Product

The following table sets out the Republic's nominal GDP and real GDP growth (at constant 1985 factor cost) by sector for the five years ended December 31, 1999.

	1995	1996	1997	1998(r)	1999(p)
	<i>(annual percentage change unless otherwise indicated)</i>				
Nominal GDP (<i>in millions of U.S. dollars</i>)	5,381.5	5,765.3	5,865.1	6,113.0	6,859.4
Real GDP growth	4.0	3.8	3.1	4.8	6.8
Petroleum	0.4	2.0	(0.9)	4.4	11.7
Exploration and production	(0.2)	(1.5)	(4.2)	(0.5)	1.6
Refining(1)	2.8	18.8	(8.6)	27.3	94.3
Petrochemicals	2.7	12.2	6.0	11.4	26.2
Non-petroleum	4.8	4.2	5.0	5.4	5.3
Distribution	4.8	10.0	7.6	6.0	8.1
Finance, insurance and real estate(2)	0.8	1.2	3.0	2.0	2.5
Construction	7.8	5.5	14.8	10.2	8.0
Transport, storage and communication	20.9	4.3	4.7	4.7	5.9
Government	(1.8)	3.5	(3.1)	3.6	(1.2)
Manufacturing	5.5	(0.4)	13.6	14.9	9.9
Services(3)	0.8	2.1	0.7	4.3	2.6
Electricity and water	4.2	7.2	8.5	6.5	(3.7)
Agriculture	(1.3)	7.7	(0.7)	(14.1)	16.4

Notes:

(p) Preliminary and subject to revision.

(r) Revised.

(1) Refining includes production resulting from the commissioning of Atlantic LNG.

(2) Includes correction for imputed service charge.

(3) Includes hotels, guest houses, education, and community services and personal services.

Sources: Central Statistical Office and IMF staff estimates.

Economic activity in 1999, as measured by the growth in real GDP, increased by 6.8 per cent. compared to a growth rate of 4.8 per cent. in 1998. This growth was largely attributable to improvements in the petroleum sector, the commencement of operations at Atlantic LNG and positive growth in most of the non-petroleum sectors.

Real output in the petroleum sector accelerated to 11.7 per cent. in 1999, following an increase of 4.4 per cent. in the preceding year. Activity in the petrochemicals sub-group expanded by 26.2 per cent. in 1999, as a result of the first full year of operations of ammonia and methanol facilities functioning with increased capacity. Overall growth in the petroleum sector was significantly influenced by the start up of the Republic's first liquified natural gas facility in April 1999. Petroleum exploration and production showed a marginal improvement, growing by 1.6 per cent., despite declining oil prices in the first quarter of 1999.

In 1999, there were sustained improvements in most sectors of the non-petroleum economy with the strongest growth in the agriculture (16.4 per cent.), manufacturing (9.9 per cent.), distribution (8.1 per cent.), and construction (8.0 per cent.) sectors.

Heightened activity in construction continued for the third consecutive year in 1999, though at a slightly slower pace as a result of the completion of several major projects. The rapid expansion in the construction sector in the recent past has been directly related to the large amount of investment in the energy sector.

The following table sets out certain key statistics relating to the Republic's crude oil and related products, gas and petrochemicals for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	<i>(in thousands unless otherwise indicated)</i>				
Crude oil production (in barrels)(1)	47,659	47,089	45,216	44,864	45,623
Condensates	5,312	6,022	3,514	6,333	9,755
Daily average (in barrels per day)	130,574	129,011	123,881	122,915	125,100
Natural gas liquids production (in barrels)	3,747	4,548	4,113	4,150	5,753
Crude oil proven reserves (in millions of barrels)	551	584	534	605	686
Total imports (in barrels)	11,052	13,219	10,728	26,348	29,157
Crude oil (u.p.a.)(2)	4,672	6,533	1,971	12,770	12,639
Refinery throughput (in barrels)	36,563	37,819	34,273	50,338	54,745
Refinery output (in barrels)	34,883	38,125	34,433	49,022	53,320
Capacity utilization (in per cent.)(3)	40.1	61.0	55.2	78.7	85.7
Crude oil exports (in barrels)(4)	25,074	25,605	24,731	18,804	26,400
Product exports (in barrels)	31,414	37,043	31,753	45,823	49,849
Meters drilled	148,900	122,000	167,300	173,300	132,300
Exploration	28,150	21,454	37,661	40,515	41,995
Natural gas production (in millions of cubic feet per day)(5)	751	874	885	996	1,281
Utilization(6) (in millions of cubic feet per day)	591	682	714	836	904
Petrochemicals	335	397	408	519	596
Electricity generation	149	155	167	181	183
Natural gas proven reserves (in trillions of cubic feet) ..	12.4	15.9	18.3	19.8	21.3
Liquefied natural gas (LNG) production (in millions of btu)	—	—	—	—	80.9
Methanol production (in tons)	1,008	1,389	1,520	1,948	2,150
Ammonia production (in tons)	2,061	2,111	2,096	2,784	3,365
Urea production (in tons)	572	564	595	512	583
Asphalt production (in tons)	20.0	23.5	15.4	18.7	12.6

Notes:

- (1) Production of crude oil and condensates.
- (2) Under processing agreements.
- (3) Point Fortin refinery ceased operations in 1995.
- (4) Includes natural gas liquids.
- (5) Includes vented gas.
- (6) Utilization does not include own consumption.

Sources: Ministry of Energy and Energy Industries and Central Bank of Trinidad and Tobago.

Exploration and Production. Of the approximately five million hectare area of Trinidad and Tobago, which includes the onshore and offshore areas extending to about the 2,000 meter water depth contour, almost 90 per cent. is underlain by thick sequences of sedimentary rocks and is therefore potentially prospective for hydrocarbons. Over the last five years, exploration activity continued in both areas with onshore efforts focused in the Northern Basin and offshore efforts focused in the east coast and north coast marine areas in acreage awarded under production-sharing contracts ("PSCs").

Onshore exploration work in the Northern Basin is being undertaken by the Northern Basin Consortium, a joint venture that includes Petrotrin and Krishna Persad and Associates, a domestic private company. The licence under which the onshore exploration is authorized became effective in February 1995 and contemplates a six year exploration program in the Caroni Basin. Phase 1 of the two phase program, consisting of seismic, geochemical and geological-geophysical testing over an area of 280 square kilometers, was completed in 1998. Phase 2 of the

18 months, has been extended to August 31, 2000. It involves the processing of up to 5,000 barrels per day of Barbados crude at the refinery.

Natural Gas. The Republic's first major natural gas discovery was made in 1968 and currently there are nine fields producing gas in commercial quantities. As of January 1, 2000, total proven reserves of natural gas were 21.3 trillion cubic feet, giving a reserve life of over 37 years at current rates of production. Probable reserves were 4.7 trillion cubic feet, while possible reserves were approximately 3.5 trillion cubic feet. The government's policy with respect to the use of these reserves includes promoting the development of a range of petrochemical and other gas-based industries and encouraging local and foreign investment through the provision of fiscal and other incentives.

Production of natural gas rose by 28.6 per cent. to 1.3 billion cubic feet per day in 1999. Natural gas consumption by companies at Point Lisas and by The Power Generation Company of Trinidad and Tobago Limited also increased approximately 8 per cent. to 904 million cubic feet per day in 1999. Consumption levels further increased to approximately 1.2 billion cubic feet per day as a result of additional demand following the successful commissioning of the Atlantic LNG project in April 1999. The largest user of natural gas was the petrochemicals sector (42 per cent.), followed by Atlantic LNG (33 per cent.) and the electricity generation sector (13 per cent.).

In 1999, approximately 95 per cent. of all natural gas was supplied by three major suppliers, all of whom operate in the east and southeast marine areas of Trinidad. Smaller quantities of associated gas are produced off the southwest coast and onshore by Trinmar Ltd. and Petrotrin. BP Amoco is the largest supplier of natural gas, producing 951 million cubic feet per day in 1999. British Gas and Enron Corp. supply 11.4 per cent. and 9.4 per cent., respectively, of the Republic's natural gas requirements.

The NGC also operates two compressor platforms in which low pressure associated gas from BP Amoco's oil production operations in the Teak and Pond Fields located in the East Coast Marine Area is collected and compressed for sale to downstream consumers. Installed compression capacity is currently 120 million cubic feet per day but supply volumes are limited by availability of associated gas from BP Amoco facilities. Gas supplied from these facilities accounted for 98.6 million cubic feet per day or approximately 8 per cent. of gas sold in 1999.

In 1999, production of fertilizers increased by 21.6 per cent. to 3.9 million tons per year. This rise in production was mainly the result of the first full year of operation of two additional ammonia plants. Ammonia exports were 12.5 million tons in 1999, ranking Trinidad and Tobago as one of the two leading exporters of ammonia in the world. Urea production and exports were 582,581 tons and 600,464 tons respectively, in 1999.

Methanol. Trinidad and Tobago started methanol production in 1984 with the first plant having a rated capacity of 400,000 tons per year. Since then, the industry has grown considerably with the construction of four additional plants resulting in total installed capacity to date of 2.96 million tons per year. Almost all of the methanol produced is exported with only small quantities sold locally, principally as an input in the manufacture of urea formaldehyde concentrate. Total methanol production in 1999 was 2.1 million tons.

The country's newest methanol plant (the "Titan Plant"), with a design capacity of 825,000 tons per year, came on stream in December 1999. The construction of an additional plant by the shareholders in the Titan Plant is underway and is expected to be completed by 2003.

Iron and Steel. In 1999, the output of direct reduced iron ("DRI") increased by 26.4 per cent., compared to a decrease of 9.8 per cent. in 1998, as a result of the start-up of a U.S.\$200 million DRI facility constructed by Caribbean ISPAT Limited. The output of wire rods and steel billets fell by 1.8 per cent. and 6.8 per cent., respectively, in 1999 as declines in commodity prices and the aftermath of the global economic and financial crises affected market conditions, particularly in the first half of the year.

Natural Gas Liquids. During 1999, there was an increase in the production of natural gas liquids ("NGLs") due to the start-up of the Atlantic LNG plant in April. Total production of NGLs was 5.8 million barrels, an increase of 39 per cent. from 1998. Atlantic LNG removes NGLs from the stream of natural gas entering the liquifaction plant at Point Fortin and sells the product to Phoenix Park Gas Processors Limited ("Phoenix Park"). The production of NGLs was given a further boost when the methanol plant owned by a consortium comprising the Beacon Group, BP Amoco and Saturn-Methanol Company began production in December 1999.

Phoenix Park is a joint venture comprised of NGC (51 per cent.), Conoco Inc. and Pan West Constructors. The plant recently completed a U.S.\$170 million upgrade which almost doubled its original capacity for natural gas processing and NGLs production to 1.35 billion cubic feet per day and 35,500 barrels per day, respectively. In addition, the NGLs storage capacity of the plant increased to 750,000 barrels and a deepwater terminal was constructed for export of these liquids. Propane, butane and natural gasoline are extracted, fractionated and sold both locally and to markets in the Caribbean, South America and the United States.

Asphalt. Lake Asphalt of Trinidad and Tobago (1978) Ltd. ("Lake Asphalt") is a state-owned company involved in the mining and processing of asphalt from a naturally occurring deposit in La Brea. In 1999, the government announced plans to divest all or a portion of its ownership in Lake Asphalt. Crude asphalt is refined, dried and packaged primarily for the export market. Production of asphalt in 1999 was 12,600 tons, 32.6 per cent. below 1998 production. A reduction in government capital expenditure relating to road resurfacing projects contributed in large measure to the decrease.

Distribution and Transportation, Storage and Communications Sectors

Distribution is an important contributor to GDP and accounted for 16.6 per cent. of GDP in 1999. This sector is characterized by an extensive distribution network, which handles the distribution of goods throughout the economy at the industrial and retail levels.

Trinidad and Tobago has a road network comprised of some 2,300 miles, of which two-thirds are paved. Virtually all internal cargo transportation is by truck. Piarco International Airport, about 13 miles from Port of Spain, is one of the busiest airports in the Caribbean and offers regularly scheduled international services. Construction is expected to be completed on a new U.S.\$105 million airport terminal building at Piarco International Airport in 2000. BWIA West Indies Airways Limited ("BWIA") is the national airline, providing international service. BWIA and Air Caribbean provide domestic service between the two islands.

Recently, investment in the tourism sector has increased. Six new hotels are under construction with a capital investment of U.S.\$50 million. When completed, these hotels will have increased existing capacity by 540 rooms. Accompanying this expansion in capacity has been a significant growth in support services such as tour operators, taxi companies, restaurants, entertainment and maintenance and repair services.

Trinidad and Tobago's tourism industry continued to grow during 1999 as the number of visitors to the Republic increased by 9.2 per cent. to 422,564 visitors compared with 386,689 visitors in 1998. The total number of hotel rooms increased from 2,334 rooms in 1995 to 2,844 in 1998, and the average occupancy rate increased from 55.8 per cent. to 61.1 per cent. during the same period. In addition, estimated stopover visitor expenditures per day increased from U.S.\$55.97 in 1995 to U.S.\$78.00 in 1999.

The following table sets forth key statistics on the tourism industry for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
Total visitor arrivals	309,224	314,045	360,447	386,689	422,564
Stopover visitors	259,784	265,900	324,293	347,705	362,823
Cruise passengers	49,440	48,145	36,154	38,984	59,741
Estimated visitor expenditure (per day in U.S. dollars)	55.97	66.40	73.59	75.97	78.00
Average length of stay (in days)	7	8	8	8	8
Number of hotel rooms	2,334	2,868	2,706	2,844	n/a
Average occupancy rate	55.8	52.8	58.4	61.1	n/a

Source: Central Statistical Office.

Agriculture Sector

Agricultural production rebounded in 1999 largely on account of improvement in sugar and citrus production. The sector had experienced difficulties in 1998 with adverse weather conditions, a froghopper infestation of the sugar crop and technical problems at the Caroni (1975) Limited ("Caroni") factory. The output of refined sugar grew to 43,600 tons above the levels of 1998 but remained below the 1997 output. While there was a mixed performance in other agricultural subsectors, food crop, vegetable and meat production was higher in 1999.

Pension System

The Republic's pension programs include two government-sponsored programs. The National Insurance System ("NIS") is a contributory program paid into by the employees (one-third) and their employers (two-thirds) and is administered by a board with representation from the government, the unions and the private sector. The government makes no fiscal transfers to the NIS. In 1999, the government enacted legislation increasing the contributions and benefits of the NIS. A second program, the Old-Age Pensions, is a noncontributory, means-tested system financed by the government out of the annual budget. This program was originally targeted to low-income workers; however, over time it has been extended to support more than 80 per cent. of the population over 65 years of age. In addition, private pension programs for employees in the private sector have experienced significant increases over the past few years. The government administers a non-contributory pay-as-you-go pension plan for government employees.

The largest sector for employment was the community, social and personal services sector, at 30.9 per cent of total employment in 1999. Employment levels increased in all sectors over the past five years with the exception of agriculture, which has declined from 45,900 employees in 1995 to 42,100 employees at the end of the first nine months of 1999. Employment in the construction sector has increased from 49,300 employees in 1995 to 67,400 employees at the end of the first nine months of 1999.

The government recognizes that a permanent increase in the employment rate must originate through increased economic activity in the private sector. In the short term, however, the government will continue to provide temporary unemployment relief programs, undertake infrastructure and reforestation projects and support and establish training programs.

Earnings

Nominal earnings in the manufacturing sector for the first nine months of 1999 declined by 10.4 per cent compared with an increase of 8.7 per cent for the corresponding period in 1998. This decrease was largely attributable to a drop in nominal earnings in the non-energy based industries. Despite moderating inflationary pressures, real earnings contracted by 13.1 per cent in the first nine months of 1999, primarily on the basis of a 32.4 per cent decline in real earnings in the refining industry and a 6.4 per cent drop in real earnings in the manufacturing sector.

Litigation

Neither Trinidad and Tobago nor the Ministry of Finance of Trinidad and Tobago is involved in any litigation or arbitration proceeding which is material in the context of the issue of the Notes. Trinidad and Tobago is not aware of any similarly material litigation or arbitration proceeding that is pending or being threatened.

Republic's imports. The following table sets forth the composition of Trinidad and Tobago's major exports and imports for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999(p)
	(in millions of U.S. dollars)				
Exports(1)					
Consumer goods	251.4	245.1	300.9	378.9	312.4
Raw materials and intermediate goods	2,080.4	2,073.3	2,051.7	1,789.2	2,308.6
Fuels	1,182.1	1,259.8	1,171.1	992.2	1,523.9
Construction materials	248.3	208.3	238.4	260.3	214.9
Chemicals	616.9	567.9	611.6	392.8	536.2
Other raw materials	33.1	37.2	30.5	143.9	33.7
Capital goods	21.3	29.5	58.3	73.6	64.6
Transport equipment	0.4	0.5	0.3	28.9	8.1
Other machinery and equipment	20.9	29.0	58.0	44.7	56.5
Other commodities	124.3	157.9	131.4	23.0	130.1
Total	<u>2,477.4</u>	<u>2,505.8</u>	<u>2,542.3</u>	<u>2,264.6</u>	<u>2,815.8</u>
Imports(1)					
Consumer goods	399.0	411.2	456.6	495.4	578.3
Raw materials and intermediate goods	633.4	822.9	892.3	952.2	993.7
Fuels	237.4	409.3	391.9	395.5	578.4
Construction materials	92.3	71.2	117.9	151.5	93.6
Chemicals	226.1	85.2	240.0	271.5	256.2
Other raw materials	77.6	257.2	142.5	133.7	65.5
Capital goods	420.8	373.3	1,061.2	855.3	608.3
Transport equipment	9.7	27.5	10.2	14.7	148.1
Other machinery and equipment	411.1	345.8	1,051.0	840.6	460.2
Other commodities	432.0	551.9	626.1	704.7	571.9
Total	<u>1,885.2</u>	<u>2,159.3</u>	<u>3,036.2</u>	<u>3,007.6</u>	<u>2,752.2</u>

Notes:

(p) Preliminary and subject to revision.

(1) Figures include balance of payments adjustments and include petroleum processing agreements with PDVSA and BNOC.

Source: Central Statistical Office.

Geographic Distribution of Trade. The Republic's largest trading partners are the United States, the United Kingdom and the other European Union countries. The Republic also conducts a substantial amount of trade with members of CARICOM and other Central and South American countries, principally Mexico, Colombia and Venezuela.

CARICOM countries and included investment in foreign government bonds offered by Belize, Barbados and Dominica. Direct repayment of principal in 1999 amounted to U.S.\$175.7 million compared with U.S.\$174.6 million in 1998. Interest payments on the external debt totaled U.S.\$97.0 million, resulting in total debt service payments of U.S.\$272.7 million compared with U.S.\$291 million in 1998. Consequently, the debt service ratio in 1999 declined to 8 per cent. of exports of goods and non-factor services from 9.9 per cent. in 1998.

As in previous years, the bulk of the capital inflows accrued to the private sector as long-term capital. Direct foreign investment inflows amounted to U.S.\$633.1 million in 1999, compared to U.S.\$731.9 million in 1998.

Over the last five years, direct foreign investment has totaled approximately U.S.\$3.0 billion. In addition to new investments in the petrochemical sector, the Republic has experienced increased foreign investment in the petroleum exploration sector, from which the Republic has derived exploration and license revenues.

The following table sets out total direct foreign investment and portfolio investment for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	(in millions of U.S. dollars)				
Direct foreign investment, net	295.7	356.3	999.6	731.9	367.1
Into Trinidad and Tobago	295.7	356.3	999.6	731.9	633.1
Out of Trinidad and Tobago	0.0	0.0	0.0	0.0	266.0
Portfolio investment, net	(8.8)	7.4	0.4	(0.4)	(170.0)
Into Trinidad and Tobago	0.0	7.4	0.4	0.0	0.0
Out of Trinidad and Tobago	8.8	0.0	0.0	0.4	170.0

Source: Central Bank of Trinidad and Tobago.

The government, recognizing the importance of private capital investment, has never expropriated private shares of assets, whether domestic or foreign. Foreign wholly owned or joint venture enterprises are freely permitted to remit profits and other current income and to engage in capital transactions.

Foreign Exchange Reserves

The following table sets out the Republic's gross international reserves for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	(in millions of U.S. dollars)				
Central Bank (1)	349.3	543.4	702.8	779.3	941.9
Central Government	2.6	2.9	3.3	3.6	3.5
SDR holdings	0.2	0.0	0.1	0.1	0.0
Gross official reserves	352.1	546.3	706.2	783.0	945.4
Commercial banks' gross foreign position	300.2	391.4	414.1	401.6	422.3
Gross international reserves	652.3	937.7	1,120.3	1,184.6	1,367.7

Note:

(1) The Republic has no significant gold reserves.

Source: Central Bank of Trinidad and Tobago.

At the end of 1999, the Republic's gross international reserves, inclusive of the commercial banks' gross foreign position, rose to U.S.\$1.4 billion, as compared with gross international reserves of U.S.\$1.2 billion at the end of 1998. This increase is primarily attributable to foreign exchange inflows from multilateral and commercial loans, which increased to U.S.\$295.2 million in 1999 as compared with U.S.\$58.7 million in 1998, largely as a result of the government's U.S.\$230.0 million international bond offering in September 1999. In addition, the increase in gross international reserves was partly attributable to an increase in the government's tax receipts

MONETARY SYSTEM

To strengthen the role and function of the Central Bank as supervisory authority, Parliament enacted a new Financial Institutions Act in 1993, which consolidated the regulation of commercial banks and licensed non-bank financial institutions. In 1994, the Central Bank Act was amended in order to allow the Central Bank to issue bonds and other instruments in relation to the exercise of monetary policy. The Central Bank's functions in respect of monetary policy have been of increasing importance, with the liberalization of the financial system and the removal of exchange controls. In addition, in 1986 Parliament amended the Central Bank Act to establish a deposit insurance system for eligible institutions.

The following table sets forth selected monetary indicators for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	<i>(in millions of TT dollars unless otherwise indicated)</i>				
Exchange rate (TT\$/US\$)(1)					
Average	5.89	5.99	6.25	6.28	6.27
Year end	5.94	6.20	6.28	6.26	6.27
M0 (percentage change)	9.7	7.9	12.4	16.0	5.0
M1 (percentage change)(2)	14.4	4.3	19.0	5.8	3.6
M2 (percentage change)(3)	5.7	0.1	9.8	12.9	3.3
Quasi money (percentage change)(4)	2.6	(1.6)	5.8	16.2	3.1
Credit aggregates (average)					
Private sector credit	7,985	8,984	10,726	11,003	12,357
Public sector credit (5)	1,612	1,688	1,657	1,895	2,387
Central government credit	1,429	1,420	1,280	1,418	1,890
Total domestic credit	<u>11,026</u>	<u>12,092</u>	<u>13,663</u>	<u>14,316</u>	<u>16,634</u>
Deposits (average)					
TT\$ deposits	9,205	9,150	10,010	11,358	11,674
Foreign currency deposits	<u>2,246</u>	<u>2,733</u>	<u>3,023</u>	<u>3,992</u>	<u>4,157</u>
Total deposits	<u>11,451</u>	<u>11,883</u>	<u>13,032</u>	<u>15,350</u>	<u>15,831</u>

Notes:

- (1) Exchange rates are the midpoint of the buying and selling rates.
- (2) Currency in active circulation plus demand deposits.
- (3) Does not include foreign currency deposits.
- (4) Saving and time deposits.
- (5) Excludes credit of the central government.

Source: Central Bank of Trinidad and Tobago.

Monetary Policy

In 1993, the government abolished exchange controls and the Trinidad and Tobago dollar began to float freely against other currencies. In addition, the requirement for residents to surrender foreign currency was removed and residents are now allowed to hold foreign currency accounts at local banks. Under these arrangements, the value of the TT dollar is determined by authorized and licensed dealers who trade in the market for foreign exchange.

Exchange rate stability remains one of the government's principal policy aims. The government is committed to a market-determined exchange rate and is pursuing prudent monetary and fiscal policies to provide a low inflation environment consistent with exchange rate stability. When downward pressure on the currency has occurred, for instance, while the nominal selling rate was near TT\$6.30 during most of 1998 and 1999, the monetary authorities have acted to maintain exchange rate stability by tightening liquidity and intervening directly in the foreign exchange market. During periods of low commodity prices, as in 1998 and the first half of

Domestic Capital Markets

In 1997, the Securities Industry Act became effective and established the Securities and Exchange Commission, a new regulatory body charged with responsibility for providing advice to the Minister of Finance on all matters pertaining to the securities industry; maintaining surveillance over the securities market; ensuring the orderly, fair and equitable functioning of the market; and protecting the integrity of the market against abuses arising from the practice of insider trading.

Bonds and Treasury Bills

Bond issuance activity on the domestic capital market increased significantly in 1999 with total issues for the year amounting to TT\$3.9 billion compared with TT\$2.6 billion in 1998. However, the amount of funds actually generated on the market was TT\$3.3 billion as TT\$512.5 million in government emolument bond issues were made to formalize pre-existing debt obligations owed to public servants. After the passage of legislation increasing its borrowing limit in July 1999 from TT\$7.5 billion to TT\$10 billion, the government raised approximately TT\$360 million on the domestic capital markets, principally consisting of a TT\$250 million issue and excluding emolument bonds. Caroni, a major state-owned agricultural enterprise, accounted for TT\$659 million, or approximately 20 per cent. of the funds raised during the year, while a statutory authority, two public utilities and four commercial enterprises were responsible for the remainder of the new issues.

The treasury bills market experienced strong growth in 1999 as the Central Bank accelerated the issue of treasury bills in connection with its open market operations. At the end of 1999, open market treasury bills amounted to TT\$627 million compared with TT\$332.4 million at the end of 1998. Easier liquidity conditions and a stronger demand for treasury bills in 1999 led to a lowering of the average discount rate to 10.4 per cent., as compared with 11.9 per cent. in 1998. In November 1999, commercial banks assumed the function of acting as primary lenders of treasury bills. This development is expected to enhance the effectiveness of the Central Bank's open-market operations by ensuring that targeted issue levels are generally met. It is also expected to contribute to the development of the securities market by stimulating secondary market trading in government securities.

The Stock Market

On a year-on-year basis, the stock market reflected a loss of about 4.3 per cent. in 1999 compared to growth of approximately 24 per cent. in 1998. The decline was largely prompted by a 10 per cent. drop in stock prices during the first half of the year when investor confidence was diminished by uncertain prospects for the world economy and collapsing prices in global equity markets. As oil prices improved during the second half of 1999, there was a resurgence of market activity and stock prices regained 6.5 per cent. from the earlier 10 per cent. loss. The average monthly trading volume in 1999 was 6.15 million shares, down from a monthly average of 8.4 million shares in 1998. Despite the contraction in prices and trading volumes, market capitalization rose to 67 per cent. of GDP in 1999 from 65 per cent. in 1998 as several new listings and primary issues took place.

Mutual Funds

Mutual funds were among the fastest growing segments of the financial services sector in 1999. One new equity fund was established by a commercial bank during the year, increasing the number of domestically operating equity funds to three. Investments in mutual funds grew by TT\$1.1 billion in 1999. During the year, the relatively weak performance of the stock market prompted investors to shift from equity funds to money market funds as investment in the former contracted by TT\$310 million and expanded in the latter by TT\$1.3 billion. At the end of 1999, total funds under management amounted to TT\$4.4 billion, down from TT\$4.9 billion at the end of 1998.

Budget Process

The Medium-Term Policy Framework is a three-year plan, revised annually, that defines the government's policies and main strategies for developing the economy successfully over the period. See "The Economy—Medium Term Policy Framework" above. The annual budget proposals of ministries and departments must be consistent with the objectives of the framework. Both the framework and the annual budget proposals are submitted to the Cabinet for approval prior to their being tabled in Parliament. The Ministry of Finance prepares a monthly cash flow statement of the budget and monitors its implementation by ministries and departments through the release mechanism and their timely submission of monthly reports on revenue and expenditure.

Current Revenues

The following table sets out the government's current revenues for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	<i>(in millions of TT dollars)</i>				
Non-petroleum sector	5,903.1	6,462.7	7,070.3	7,972.8	8,112.4
Taxes on income	2,664.8	3,027.0	3,127.6	3,390.1	3,435.0
Taxes on goods and services	1,883.1	1,999.5	2,281.5	2,983.9	2,415.9
Taxes on international trade	527.2	530.2	606.7	740.3	742.4
Taxes on property	119.3	132.3	169.7	148.3	152.2
Non-tax revenue	708.7	773.7	884.8	710.2	1,366.9
Petroleum sector	2,552.6	3,074.2	2,055.6	1,705.1	1,974.8
Corporation tax	1,468.9	1,901.6	941.3	173.2	909.8
Royalties	528.3	678.7	526.8	449.7	446.5
Excise duties	335.3	336.1	457.5	484.1	480.6
Other(1)	220.1	157.8	130.0	598.1	137.9
Total current revenue	<u>8,455.7</u>	<u>9,536.9</u>	<u>9,125.9</u>	<u>9,677.9</u>	<u>10,087.2</u>

Note:

(1) Includes receipts of TT\$10.7 million, TT\$46.7 million and TT\$555.4 million from signature bonuses for the award of production sharing contracts in 1996, 1997 and 1998, respectively.

Source: Ministry of Finance.

In 1999, the government collected TT\$10.1 billion in current revenues, an increase of TT\$409.3 million or 4.2 per cent. over 1998. This growth reflected the positive developments in the petroleum sector which contributed TT\$2.0 billion in taxes in 1999, representing 19.6 per cent. of government revenues, an increase of 16 per cent. over 1998 petroleum sector revenues. An increase of 1.0 per cent. in oil production in 1999, combined with a recovery in oil prices from an average of U.S.\$14.40 per barrel in 1998 to U.S.\$19.24 per barrel in 1999, generated the higher level of proceeds from the petroleum sector. The growth rate of non-oil revenues in 1999 was 1.8 per cent, compared with growth rates of 12.8 per cent. and 9.4 per cent. in 1998 and 1997, respectively. The slow down in comparison to 1998 stemmed from lower net receipts from value added taxes ("VAT") whose share of total government revenue declined to 16.2 per cent. in 1999 from 21.9 per cent. in 1998. The smaller VAT revenues resulted from decreased consumption expenditure and the issuance of VAT refunds that had accumulated since 1998.

of emolument bonds, each with a maturity of two years. The final tranche, valued at TT\$512.5 million, was issued in 1999 bringing the total amount of emolument bonds outstanding to TT\$954.7 million.

Divestment of State Enterprises and Public Utilities

As of December 31, 1992, the government owned an interest in 87 state enterprises in various sectors of the economy, of which 34 were wholly owned, 17 were majority owned, 17 were minority owned, 17 were indirectly owned and two were equally owned. In addition to these 87 enterprises, the government held investments in four statutory public utilities in water, power, port services and mass transit. Beginning in 1993, the government embarked on a program aimed at rationalizing the government's portfolio of investments in state enterprises.

The government's decisions to privatize are guided by its policy framework, which provides criteria to evaluate state equity holdings including: strategic national significance; protection of the public interest; validity of mandate; optimal resource utilization; viability of the enterprise; market efficiency; requirements for long-term competitiveness; and socio-economic implications. Divestments are conducted primarily through competitive bids, management buyouts or public offerings of shares.

The perceived economic benefits from the rationalization program include an enhanced domestic climate for investment and private sector activity, the widening of share ownership in the country, increased competition and greater efficiency in the various markets for goods and services, deepening of the capital market, increased flow of foreign investment and improved fiscal and external accounts over the medium term. The government is committed to the implementation of the rationalization program since it attaches great importance to reducing the role of the public sector in undertakings of a private nature.

In August 1999, the government formed National Enterprises Limited ("NEL"), which was established to hold the government's interest in Telecommunication Services of Trinidad and Tobago Limited, National Flour Mills Limited and Trinidad Nitrogen Company Limited. The government intends to announce in the near future a sale of a portion of its shares of NEL. In addition, a number of other public enterprises have been selected for private sector participation. The framework for such participation is currently being finalized with particular care being given to ensuring that the public interest, especially in areas concerning natural resources, is protected throughout the implementation of the privatization program and that divestitures are made when market conditions are favorable.

In addition to its privatization initiatives, the government is stepping up its monitoring of state entities in order to continue to improve their commercial performance and to ensure that a greater share of their capital spending is financed from retained earnings rather than from borrowing on the domestic and external financial markets.

Proceeds from Divestment

In the five years ended December 31, 1999, the rationalization program realized capital receipts as follows:

	1995	1996	1997	1998	1999
	(in millions of TT dollars)				
Proceeds from divestment	51.1	28.2	788.3	116.0	53.9

Source: Ministry of Finance.

In the process of divestment the government assumed responsibility for long-term liabilities in the amount of TT\$935 million.

PUBLIC SECTOR EXTERNAL DEBT

Current Situation

The following table sets out total public sector external debt for the five years ended December 31, 1999.

	1995	1996	1997	1998	1999
	<i>(in millions of U.S. dollars unless otherwise indicated)</i>				
Public sector					
Central government	1,641.1	1,671.7	1,373.7	1,271.7	1,360.6
Government — guaranteed	79.7	67.8	56.8	52.6	45.3
State enterprises and utilities	119.5	109.2	103.9	103.9	103.8
Central bank	64.9	27.1	6.7	1.6	1.3
Total public external debt	<u>1,905.2</u>	<u>1,875.8</u>	<u>1,541.1</u>	<u>1,429.8</u>	<u>1,511.0</u>
Gross external debt/GDP <i>(as a percentage)</i>	35.4	32.5	26.3	23.4	22.0
Gross external debt/export of goods and non-factor services <i>(as a percentage)</i>	65.8	63.2	49.9	48.7	44.4

Source: Central Bank of Trinidad and Tobago.

At the end of 1999, public sector external debt stood at U.S.\$1.5 billion. Loan receipts in 1999 totaled U.S.\$295.2 million as a result of U.S.\$230.0 million in bonds being issued by the government on the international market and U.S.\$65.2 million in disbursements from various multilateral institutions. In addition to this offering, on June 28, 2000, the government expects to issue the equivalent of approximately U.S.\$100 million of 3.75% Japanese yen denominated bonds due 2030.

The following table sets out the public external debt by creditor composition as at December 31, 1999.

	Central Government	Guaranteed Government(1)	Other(2)	Central Bank	Total	
	<i>(in millions of U.S. dollars)</i>				<i>(in per cent.)</i>	
Official creditors	595.9	33.9	13.5	1.2	644.5	42.7
Multilateral	527.3	25.0	13.5	1.2	567.0	37.6
Bilateral	68.6	8.9	—	—	77.5	5.1
Private creditors	764.7	11.4	90.3	0.1	866.5	57.3
Commercial banks	429.1	11.4	89.0	0.1	529.6	35.1
Bondholders(3)	324.1	—	—	—	324.1	21.4
Lessors (4)	11.1	—	—	—	11.1	0.7
Other	0.4	—	1.3	—	1.7	0.1
Total	<u>1,360.6</u>	<u>45.3</u>	<u>103.8</u>	<u>1.3</u>	<u>1,511.0</u>	<u>100.0</u>

Notes:

- (1) Guaranteed by the government of Trinidad and Tobago.
- (2) Non-guaranteed debt of state enterprises and public utilities.
- (3) Bondholders may also include commercial banks.
- (4) Refers to leasing companies holding financial leases.

Source: Central Bank of Trinidad and Tobago.

At the end of 1999, commercial banks held 35.1 per cent. of the external debt and 21.4 per cent. of the external debt was represented by bonds. Official creditors accounted for 42.7 per cent. of the debt, while multilateral creditors accounted for 37.6 per cent. As of December 31, 1999 the external debt of the Republic was denominated primarily in U.S. dollars (89.1 per cent.) and Japanese yen (4.3 per cent.), with other currencies accounting for 6.6 per cent. Given the structural inflows of U.S. dollars into the Trinidad and Tobago economy through large direct foreign investments, the Republic has limited its exposure to the Japanese yen and considers itself substantially hedged against fluctuations in the U.S. dollar.

The following table sets out actual debt service payments for 1999 and projected external debt service payments for the 10 years ended December 31, 2009, based on the total external debt outstanding as at December 31, 1999, as adjusted for funds committed and expected to be drawn over the period. The projections are based on the interest and exchange rates prevailing on December 31, 1999. As of December 31, 1999, 38.8 per cent. of total public external debt was financed on a floating rate basis. Projections by their nature may change, possibly materially.

	<u>1999</u>	<u>2000(1)</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Principal	175.7	307.0	87.1	89.8	90.2	249.8	88.6	234.4	51.2	47.1	327.0
Interest	97.0	135.5	118.8	112.9	109.5	105.5	81.1	75.1	57.7	54.4	59.8
Total debt service	<u>272.7</u>	<u>442.5</u>	<u>205.9</u>	<u>202.7</u>	<u>199.7</u>	<u>355.3</u>	<u>169.7</u>	<u>309.5</u>	<u>108.9</u>	<u>101.5</u>	<u>386.8</u>

Note:

(1) Years 2000 through 2009 are projected.

Source: Central Bank of Trinidad and Tobago.

It is expected that external financing will continue to contribute significantly to gross capital formation over the medium term. It is also expected that the major source of financing will be the IDB. Other sources are expected to include the World Bank, the European Development Bank, the Export-Import Bank of Japan and the international capital markets.

discharge properly its responsibilities as depositary with respect to the Registered Global Notes or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act, of 1934, as amended, or if at any time it is no longer eligible to act as such, and the Republic is unable to appoint a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, (ii) the Republic, at its option, elects to terminate the book-entry system through DTC with respect to the Registered Global Notes or (iii) after the occurrence of an Event of Default (as defined in the Conditions), holders of beneficial interests in the Registered Global Notes representing not less than a majority of the aggregate principal amount of the Registered Global Notes outstanding advise the Fiscal Agent through DTC in writing that the continuation of a book-entry system through DTC (or a successor thereof) with respect to the Registered Global Notes is no longer in such holders' best interest, and the Fiscal Agent shall notify all holders of beneficial interests of the Registered Global Notes through DTC of the availability of Definitive Registered Notes.

(d) The Notes will not be issued in bearer form. The rights in respect of each Note issued to DTC and registered in the name of its nominee will be those of the registered nominee. Accordingly, each person having a beneficial interest in such Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. As long as Notes are held through DTC's book-entry settlement system, ownership of beneficial interests in such Note will (unless otherwise required by applicable law) be shown on, and transfers of such beneficial interests may be effected only through records maintained by, (i) DTC or its registered nominee or (ii) institutions having accounts with DTC (including, without limitation, Euroclear and Clearstream, Luxembourg). Beneficial interests in the Registered Global Notes may be held in denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof.

3. Interest. (a) Interest on the Notes will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) The Notes will bear interest from and including June 29, 2000 to, but excluding, July 1, 2020 at the rate of 9.75 per cent. per annum on the principal amount thereof payable semiannually in arrears on January 1 and July 1 in each year commencing on January 1, 2001. Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation and surrender, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (ii) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all of the Notes (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

4. Payment and Paying Agents. (a) Payment of principal of the Notes (together with accrued interest) will only be made to the person in whose name such Note is registered as of the close of business on the due date for payment of principal, following presentation and surrender of such Note at the office of any Paying Agent, by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the holder with a bank located in New York City. Payment of interest on a Note will be made to the person in whose name such Note is registered at the close of business on the fifteenth day (whether or not a business day) (the "Record Date") prior to the relevant due date for the payment of interest. Payment of such interest will be made by a U.S. dollar check drawn on a bank in New York City mailed to the holder at such holder's registered address, or, upon application of the holder to the Registrar not later than the relevant Record Date, by transfer of immediately available funds to a U.S. dollar account maintained by the holder with a bank in New York City. If any day for payment of principal or interest in respect of any Note is not a Business Day the holder shall not be entitled to payment or to any interest or other sums in respect of such postponed payment until the next Business Day following such day in such place.

In these Conditions, "Business Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in New York City, or the city of the Agent to which the Note is surrendered for payment.

(b) The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Agency Agreement and the Republic reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents; *provided* that while the Notes

agent with respect thereto shall thereupon cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so paid.

7. Redemption and Purchase. (a) If not previously redeemed, the entire principal amount of the Notes together with accrued interest thereon is payable on July 1, 2020.

(b) The Republic may at any time purchase Notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all Noteholders alike. Notice of any tender shall be given to Noteholders in accordance with Condition 14. The Notes so purchased, while held by or on behalf of the Republic, shall not entitle the holder to vote the Notes and shall not be deemed to be outstanding for purposes of calculating quorums.

(c) All Notes so redeemed or purchased shall be cancelled and may not be reissued or resold. In the event any Notes are so redeemed and purchased, the Issuer will notify the Luxembourg Stock Exchange and the Fiscal Agent accordingly.

8. Events of Default. In the event that one or more of the following events (herein referred to as "Events of Default") shall have occurred and be continuing:

(a) the Republic shall default in the payment of principal or interest in respect of any of the Notes, in each case when and as the same ought to be paid, and such default shall continue for a period of seven days thereafter; or

(b) the Republic shall fail to perform any of its other obligations under the Notes or the Agency Agreement, which default shall continue unremedied for 30 days after notice of such default shall have been given to the Republic by the Noteholders; or

(c) if any External Indebtedness (as defined below) of the Republic shall become prematurely payable or repayable following a default and payment thereof is accelerated or if steps are taken to enforce any security therefor or if the Republic defaults in the payment or repayment of any of its External Indebtedness on the maturity thereof as extended by any applicable days of grace or any guarantee or indemnity given by the Republic of any External Indebtedness of others shall not be honored when due and called or within any period of grace applicable thereto; or

(d) a moratorium shall be declared on the payment of any External Indebtedness of the Republic or the Republic shall stop or suspend payment of any of its External Indebtedness or shall convene a meeting for the purposes of making, or shall propose or enter into, any arrangement or composition for the benefit of its creditors generally, or any class thereof, in respect of any of its External Indebtedness or shall commence negotiations with its creditors generally, or any class thereof, with a view to a readjustment or rescheduling of any of its External Indebtedness; or

(e) the Republic shall cease to be a member of the IMF or shall cease to be eligible to use the general resources of the IMF; or

(f) the validity of the Notes or the Agency Agreement shall be contested by the Republic or any legislative, executive or judicial body or official of the Republic which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Notes or the Agency Agreement invalid or unenforceable, or the Republic shall deny any of its obligations under the Notes or the Agency Agreement to any of the Noteholders (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise), or any constitutional provision, treaty, convention, law, regulation, official communication, decree, ordinance or policy of the Republic, or any final decision by any court in the Republic having jurisdiction, shall purport to render any provision of the Notes or the Agency Agreement invalid or unenforceable or shall purport to prevent or delay the performance or observance by the Republic of any of its obligations thereunder; or

(g) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable the Republic to make or perform its obligations

(d) The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expenses of delivery by other than regular mail (if any) and except, if the Republic shall so require, the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto or, in connection with Condition 9(a) above, the fees and expenses of the Registrar or Fiscal Agent, will be borne by the Republic.

(e) The Registrar may decline to register the transfer or exchange of Notes for a period of 15 days preceding the due date for any payment of principal of or interest on the Notes or register the transfer of or exchange any Notes previously called for redemption.

10. Negative Pledge. (a) *Negative Pledge.* As long as any Note remains outstanding (as defined in the Agency Agreement), the Republic will not create or permit to subsist any Security (as defined below) upon the whole or any part of its present or future revenues, property or assets to secure any present or future Public External Indebtedness of the Republic (as defined below) without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as shall be approved by the holders of a majority of the aggregate principal amount outstanding of the Notes.

(b) *Exceptions.* The following exceptions apply to the Republic's obligations under subparagraph (a) above:

(i) any Security upon property to secure Public External Indebtedness of the Republic incurred for the purpose of financing the acquisition of such property and any renewal or extension of any such Security, which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

(ii) any Security existing upon property to secure Public External Indebtedness of the Republic at the time of the acquisition of such property and any renewal or extension of any such Security, which is limited to the original property covered thereby and which secures any renewal or extension of the original secured refinancing;

(iii) any Security in existence as of the date of the Agency Agreement; and

(iv) any Security securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; *provided* that (A) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (B) the property over which such Security is granted consists solely of such assets and revenues.

(c) *Definitions.* For the purposes of this Note:

(i) "External Indebtedness" means Indebtedness which is payable (or may be paid) (A) in a currency or by reference to a currency other than the currency of the Republic of Trinidad and Tobago and (B) to a person resident or having its principal place of business outside the Republic of Trinidad and Tobago.

(ii) "Indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

(iii) "person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

(iv) "Public External Indebtedness" means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

the holders of at least a majority in aggregate principal amount of the Notes at the time outstanding or by the adoption of a resolution at a meeting of the Noteholders held in accordance with the provisions of Schedule 7 to the Agency Agreement; *provided, however*, that no such modification or amendment and no such waiver may, without the written consent or the affirmative vote of the holder of each Note affected thereby, (i) change the stated maturity of the principal of or any installment of interest on any such Note; (ii) reduce the principal amount of or interest on any such Note; (iii) change the obligation of the Republic to pay Additional Amounts pursuant to Condition 5 or 9 above; (iv) change the currency of payment of principal of or interest on any such Note; (v) impair the right to institute suit for the enforcement of any such payment on or with respect to any such Note; (vi) reduce the percentage of the principal amount of Notes at the time outstanding necessary to modify or amend the Agency Agreement or the Notes or to waive any future compliance or past default or to take any other action under the Agency Agreement or the Notes; or (vii) modify the Republic's obligation to maintain offices or agencies pursuant to Condition 4(b) hereof and Section 13 of the Agency Agreement. Any such modifications, amendments or waivers will be conclusive and binding on all Noteholders, whether or not they have given such consent or were present at such meeting, and whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note.

13. Warranties. The Republic hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of the Notes, and to constitute the same as the valid and legally binding obligations of the Republic enforceable in accordance with their terms, have been done and performed and have happened in due compliance with all applicable laws.

14. Notices. All notices to Noteholders will be valid if (a) given in writing and mailed to the Noteholders at their respective addresses shown in the Note register, (b) (as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require) published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (c) published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or in such other publication or city or cities as specified in the Agency Agreement. Any such notice shall be deemed to have been given (i) on the fourth day after the date of mailing, in the case of mailed notice, and (ii) on the date of such publication or, if published more than once, on the first date on which publication is made, in the case of published notice.

15. Governing Law and Jurisdiction. (a) The Notes and the Agency Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) The Republic has irrevocably submitted to the non-exclusive jurisdiction of any New York state or federal court sitting in New York City, and of any court of England sitting in London, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Notes and the Agency Agreement, and the Republic has irrevocably agreed that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court or such English court. The Republic has irrevocably waived, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of the Republic. The Republic has irrevocably appointed the Consul General for the Republic for the time being and from time to time in New York City (the "U.S. Process Agent"), with an office on the date hereof at 733 Third Avenue, Suite 1716, New York, New York 10017, United States of America, and the High Commissioner of the Republic for the time being and from time to time in London (the "UK Process Agent", and, together with the U.S. Process Agent, being the "Process Agents"), with an office on the date hereof at 42 Belgrave Square, London, SW1X 8NT, in each case as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such action or proceeding brought in such New York state or federal court sitting in New York City or such English court sitting in London, as the case may be. Such service may be made by mailing or delivering a copy of such process to the Republic, in the case of any Process Agent at the address specified above for such Process Agent, and the Republic has irrevocably authorized and directed the Process Agents to accept such service on its behalf. As an alternative method of service, the Republic also has irrevocably consented to the service of any and all process in

provided in that Section, pay the amount due to such person. The Act does not provide for a time limit within which the Republic must make payment in accordance with the order.

Judgments of a foreign court against the Republic, where the Republic has not appeared in the relevant proceedings or has unsuccessfully claimed sovereign immunity in such proceedings, may not be enforceable in the courts of the Republic on the grounds of public policy.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.\$240,000,000, will be used for general development projects.

TAXATION

Trinidad and Tobago Taxation

The following is a general description of certain Trinidad and Tobago tax laws relating to the Notes and does not purport to be a comprehensive description of the tax treatment of the Notes. Prospective purchasers should consult their tax advisers as to the tax laws and the specific tax consequences of acquiring, holding and disposing of the Notes.

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

Under existing laws and regulations of the Republic, payments by the Republic of principal of and interest on the Notes to a nonresident of the Republic will not be subject to taxation in the Republic and no withholding for any Trinidad and Tobago tax will be required on any such payments, to any such nonresident holders of the Notes. In addition, gains derived from the sale or exchange of Notes will not be subject to Trinidad and Tobago income tax.

In the event of the imposition of such withholding taxes or duties, the Republic has undertaken to make payments of additional amounts as described under "Terms and Conditions of the Notes—Payments of Additional Amounts".

Certain U.S. Federal Income Tax Considerations

The discussion set forth below is a summary of certain of the U.S. federal income tax considerations that may be relevant to a prospective purchaser of Notes. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury regulations thereunder ("Treasury Regulations"), and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change (possibly on a retroactive basis).

This summary is for general information only and does not address all of the U.S. federal income tax consequences that may be applicable to a holder of Notes. The U.S. federal income tax treatment of a holder of Notes will vary depending on its particular situation, and certain holders (including individual retirement and other tax-deferred accounts, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, U.S. persons whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar, and persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction), may be subject to special rules not discussed below. In addition, this discussion only addresses the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes to U.S. Holders (as defined below) that acquire Notes on original issuance and that hold such Notes as capital assets within the meaning of Section 1221 of the Code. As used herein, the term "U.S. Holder" means a beneficial owner of a Note who or that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

will equal the cost of the Note to the U.S. Holder, increased by the amount of any market discount previously included in income by the U.S. Holder with respect to the Note and reduced by the amount of any premium amortized, and payments (other than payments of stated interest) previously received, by the U.S. Holder with respect to the Note. Provided that the Note has been held for more than one year, any gain or loss recognized by the U.S. Holder generally will be a long-term capital gain or loss and, in the case of certain non-corporate U.S. Holders (including individuals), generally will be subject to U.S. federal income tax at preferential rates. Gain or loss realized by a U.S. Holder on the sale, exchange or redemption of a Note generally will be treated as income or loss, as the case may be, from sources within the United States for purposes of applicable U.S. foreign tax credit limitations, unless the gain or loss, as the case may be, is attributable to an office or fixed place of business maintained by the U.S. Holder outside of the United States and certain other conditions are met.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments made in respect of a Note to a U.S. Holder other than certain exempt recipients (such as corporations). A 31 per cent. backup withholding tax will apply to such payments if the U.S. Holder fails to provide a correct taxpayer identification number or certification of exempt status or, with respect to certain payments, the U.S. Holder fails to report in full all interest income and the IRS notifies the payor of such underreporting. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder would be allowed as a refund or a credit against such holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

sale of Notes in registered form pursuant to paragraph 1.2 below), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distributions at any time or (ii) otherwise until and including 40 days after the later of the commencement of the offering and the Closing Date, except in either case in compliance with Regulation S under, or pursuant to an available exemption from, the registration requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S".

1.2 The Manager will agree that it will not (and will ensure that none of its affiliates will), acting either as principal or agent, offer, sell, reoffer or resell any Notes (or approve the resale of any Notes) in the United States:

(a) except (i) to investors each of which the Manager reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing Notes for its own account or for the account of one or more qualified institutional buyers or (ii) otherwise in accordance with the restrictions on transfer set forth in the Subscription Agreement and this Offering Circular;

(b) in an amount of less than U.S.\$1,000 and integral multiples of U.S.\$1,000 in excess thereof; and

(c) by means of any form of general solicitation or general advertisement (as those terms are used in Rule 502(c) of Regulation D under the Securities Act), including but not limited to (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (ii) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes bearing a restrictive legend thereon, the Manager shall have provided each offeror that is a U.S. person (as defined in Regulation S) with a copy of the final Offering Circular.

1.3 The Manager will represent and agree that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the Manager may rely upon the exemption provided by Rule 144A.

The United Kingdom

The Manager has represented to and agreed with the Republic that it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from, or otherwise involving, the United Kingdom.

So long as the depository for a Registered Global Note, or its nominee, is the registered owner or holder of such Registered Global Note, such depository or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes. No owner of a beneficial interest in a Registered Global Note will be able to transfer that interest except in accordance with the depository's applicable procedures.

Investors may hold their beneficial interests in the Unrestricted Global Note through Clearstream, Luxembourg or Euroclear, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Following the expiration of the 40-Day Restricted Period, investors may also hold such beneficial interests through organizations other than Clearstream, Luxembourg and Euroclear that are participants in the DTC system. Clearstream, Luxembourg and Euroclear will hold beneficial interests in the Unrestricted Registered Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which in turn will hold such beneficial interests in the Unrestricted Registered Global Note in customers' securities accounts in the depositories' name on the books of DTC. Investors may hold their beneficial interests in the Restricted Registered Global Note directly through DTC if they are participants in such system or indirectly through organizations which are participants in such system.

Definitive Registered Notes

Definitive Registered Notes will only be issued to Noteholders or their nominees if (i) DTC notifies the Republic that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Registered Global Notes or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended, or if at any time it is no longer eligible to act as such, and the Republic is unable to appoint a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, (ii) the Republic, at its option, elects to terminate the book-entry system through DTC with respect to the Registered Global Notes or (iii) after the occurrence of an Event of Default (as defined in the Conditions), holders of beneficial interests in the Registered Global Notes representing not less than a majority of the aggregate principal amount of the Registered Global Notes outstanding advise the Fiscal Agent through DTC in writing that the continuation of a book-entry system through DTC (or a successor thereof) with respect to the Registered Global Notes is no longer in such holders' best interest, and the Fiscal Agent shall notify all holders of beneficial interests of the Registered Global Notes through DTC of the availability of Definitive Registered Notes.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Republic will execute and the Registrar, upon receipt of an officer's certificate from the Republic for the authentication and delivery of Definitive Registered Notes, will authenticate and deliver Definitive Registered Notes in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Registered Global Notes representing such Definitive Registered Notes, in exchange for such Definitive Registered Notes.

Definitive Registered Notes will only be issued in exchange for interests in the Registered Global Notes in the limited circumstances described above, and until such exchange has occurred, owners of beneficial interests in a Registered Global Note will not be entitled to have any portion of such Registered Global Note registered in their names, will not receive or be entitled to receive physical delivery of Definitive Registered Notes in definitive form and will not be considered to be owners or holders of any Notes under the Agency Agreement or the Notes. Definitive Registered Notes may be issued with the Securities Act Legend ("Restricted Definitive Registered Notes"). Restricted Definitive Registered Notes and the Restricted Registered Global Note are referred to herein as "Restricted Notes". Definitive Registered Notes issued without the Securities Act Legend, together with the Unrestricted Registered Global Notes, are referred to herein as "Unrestricted Notes".

Notwithstanding anything to the contrary stated in the Agency Agreement or in the Notes, Unrestricted Notes are exchangeable only for, and may be transferred only in the form of, Unrestricted Notes and Restricted Notes are exchangeable only for, and may be transferred only in the form of, Restricted Notes; *provided, however*, that upon the request of a holder of an Unrestricted Note, such Unrestricted Note may be transferred in the form of a Restricted Note, *provided* that if the requested transfer is being made on or prior to the 40th day after the later of the commencement of the offering or the Closing Date thereof, the transfer is made by a

(c) The Restricted Registered Global Note and each Restricted Definitive Registered Note will bear a legend to the following effect unless the Republic determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES LAW OF ANY STATE IN THE UNITED STATES OF AMERICA, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT (i) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A; (ii) IN THE UNITED STATES, PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE AND UPON DELIVERY OF AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE REPUBLIC); OR (iii) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TERMS USED IN THIS PARAGRAPH HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

The Republic recognizes that none of DTC, Euroclear or Clearstream, Luxembourg in any way undertakes to, and none of DTC, Euroclear or Clearstream, Luxembourg shall have any responsibility to, monitor or ascertain the compliance of any transactions in the Notes with any exemptions from registration under the Securities Act or of any other State or federal securities law.

Transfers within and between DTC, Clearstream, Luxembourg and Euroclear

Transfers between DTC Participants will be effected in the ordinary way in accordance with DTC Rules and will be settled in same-day funds. The laws of some States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer beneficial interests in a Registered Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Registered Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described below and in "Delivery of the Notes and Transfer Restrictions" cross-market transfers between DTC and directly or indirectly through Euroclear or Clearstream, Luxembourg participants will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (which are in Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Registered Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and participants in Euroclear may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing a beneficial interest in a Registered Global Note from a DTC Participant or Indirect Participant will be credited during the securities settlement processing day immediately following the DTC settlements date and such credit of any transactions in beneficial interests in such Registered Global Note settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such business day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of beneficial interests in a Registered Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Registered Global Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Republic nor the Registrar will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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ISSUER

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