



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF TRADE AND INDUSTRY

Quarterly Breakfast Meeting

**TRINIDAD AND TOBAGO CHAMBER
OF INDUSTRY & COMMERCE**

FEATURE ADDRESS

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MINISTER OF TRADE AND INDUSTRY**

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Pleasant good morning to all of you!

Let me start off by thanking you for inviting me to share the Government's plans for the development of the non-energy sector.

Even if we were complacent before, and I say so as a country, I think we can now all safely agree that we are at a crossroad regarding the future economic development of Trinidad and Tobago. Over the years, numerous economists and politicians have proffered recommendations for taking our country in various directions all with the expectation that the final destination will be a stronger more diversified economy, with ever increasing economic growth.

Where did we go wrong, what could we have done better and now, how should we proceed?

At the Ministry of Trade and Industry, there is agreement that it cannot be business as usual. We have been singing the diversification song for quite some time and serious reflection and action is long overdue. Accordingly, this Administration has already taken steps that will contribute to transforming and strengthening the national economy.

The government's ability to rely solely on fiscal policy (i.e. public sector expenditure) to drive economic growth is limited. Efforts by successive administrations to broaden our economic base have met with only a modicum of success. The facts will show that in Fiscal 2002 the National Budget of Trinidad and Tobago was TT\$14.2 Billion which grew to TT\$29.6 Billion in Fiscal 2006, doubled by Fiscal 2013 (TT\$58.8 Billion) and projected at TT\$ 61.8 Billion for Fiscal 2016. However, the average annual growth rate during the period 2008-2015 was only approximately 0.5% per annum. Greater private sector investment into the economy is urgently needed.

In the late nineties up to 2007, when oil averaged over US\$90 per barrel, Trinidad and Tobago's economy grew an average of 7% annually which was among the highest in Latin America and the Caribbean. Now that global oil and gas prices have declined significantly in addition to a reduction in exploration and production activities, the Central Bank predicts that the local economy will grow by a marginal 0.2% by the end of 2015. In fact the last two quarters have seen us with two successive periods of negative growth. This marginal growth must be predicated on a strong performance of the non-energy sector.

These facts illustrate that there is still a clear correlation between our rates of economic growth and the performance of the energy sector. The energy sector still accounts for approximately 40% of real GDP. We are committed to arresting this trend, though I might add, a future still lies ahead for hydrocarbons.

One of the early initiatives we have employed to address this trend is the establishment of an Economic Development Advisory Board reporting to the Honourable Prime Minister and whose purpose is to advise the Government on matters of economic policy. This Board also has under its purview, the development of a high level road map and strategy for the diversification of the economy in the short, medium and long term. You may have noted that the composition of the Board is multi-disciplinary and drawn from areas of local and international expertise. This is indeed volunteerism at the highest level for policy making and our Government is grateful to have these persons work together with us to improve the standard of living for all citizens of Trinidad and Tobago.

The 2015 General Election Manifesto which has been adopted as Government's official policy framework identified specific non-energy areas for development including: Tourism, Agriculture and Agro-processing, Maritime Services, Fish and Fish-processing, Aviation Services, the Creative Industries, Financial Services and ICT with emphasis on Software Design and Applications. Ministries with responsibility for the development of these industries have already begun the exercise of detailing key policies and objectives and actions required, with some ready for delivery.

With respect to the Maritime Sector for instance, for which the Ministry of Trade and Industry has responsibility, the focus will be on ship building, ship repair, dry-docking and yachting related services. Specific areas include the need for infrastructural assets including increased dry-dock facilities, syncrolifts, or additional marinas in Tobago and in South Trinidad. These can be a platform for investment opportunities to design and build and also for technological and knowledge transfers. Tremendous opportunities will be available in engineering; welding and fabricating; and electrical and sand-blasting services, to name a few.

Regarding the Creative Industries, there is a significant amount of untapped potential. The Production Expenditure Rebate Programme developed for the Film industry was initially launched in 2007 under a previous PNM Government. This is one of the most attractive in the world and has since facilitated more than TT\$20 million in revenues from international production companies coming to film on location in Trinidad and Tobago.

During this fiscal, a Fashion Value Chain Investment Programme will be rolled out for the fashion industry and an Artist Portfolio Development Programme will be implemented for the music industry. The Ministry of Trade and Industry will work closely with CreativeTT to help maximise the use of these incentive programmes. However, we recognise that the regimes must be dynamic and will therefore be tweaked at times to cater to the needs of the stakeholders in the industry.

A recurring factor here is the necessity for open and consistent dialogue with the private sector as we seek to increase the economic contributions of these areas.

I have not forgotten the Services Sector, which represents the largest non-petroleum sub-sector of our economy. As outlined in the Review of the Economy this sector is expected to contribute approximately 56% to real GDP by the end of 2015.

In keeping with Government policy as identified in the manifesto, the Government will be looking to expand our capacity in the areas of aviation and financial services, in addition to the areas already being targeted such as energy services and professional services. It is a well-known fact that there are Trinidad and Tobago companies and experts from the energy sector who are providing high value-added goods and services to foreign countries.

The potential for the export of these services also extends right here within the region to Guyana and Suriname where there have been significant recent discoveries of hydrocarbons.

In order to properly coordinate all of these plans and prioritise objectives, Cabinet will consider the establishment of a Standing Committee on the Development and Growth of the Non-Energy Sector. It is our intention to have the various Ministries and agencies with responsibilities for the related sectors, place diversification at the top of their agendas and in so doing, prioritise the needs of the private sector. But we will do so while sitting around the same table and not operating in silos.

The role of the Government is to develop and implement policies and efficient systems that will ensure an enabling environment to facilitate globally competitive businesses. This is no small feat as it involves coordinating multiple organisations, Ministries and agencies; allocation of scarce resources and prioritising of needs and objectives. It is a delicate balancing act but we are committed to accepting this responsibility.

While we will be doing our part, we are also dedicated to improving business confidence within the national economy. In fact, transparency and accountability particularly at the institutional level are recurring themes throughout the official policy framework.

In 1933, US President Franklin D. Roosevelt pointedly noted that “confidence... thrives on honesty, on honour, on the sacredness of obligations, on faithful protection and on unselfish performance.”

This is exactly the style of Governance to which this new Administration is committed. One tangible related commitment we have made is the establishment of an efficient and accurate data collection system through the reform of the Central Statistical Office (CSO). This will allow us to more accurately monitor the progress of our plans and initiatives with clearly established statistical baselines and make truly informed decisions on a way forward.

We have noticed, particularly over the recent years, that while the Government is spending increasing amounts, evidenced by ballooning budgets every year, our rates of economic growth have not kept pace with these spending levels. This suggests that we have a problem with the efficiency of our factors of production. In simpler words, we have a problem with productivity.

This is a real issue which was highlighted by your recipient of the Master Entrepreneur of the Year. He spoke of absenteeism being a big problem which hampered the efficiency of their operations. How can this be addressed? Among other initiatives, under the ambit of the Ministry of Labour, this Government will continue to facilitate tripartite engagement among the Government, the Labour movement and the Private Sector. This will create a platform for frank and open discussions about feasible ways to improve levels of productivity.

The non-energy sectors targeted for growth and development are largely labour intensive in nature. One of the main challenges facing these industries is obtaining the requisite skilled labour. As a Cabinet, early policy decisions will be taken to cure this impasse which bears seriously and negatively on our manufacturing and retail sectors in particular. It impacts growth possibilities.

The Caribbean Single Market and Economy (CSME) advocates for the free movement of labour across the region. Persons who are university graduates, media representatives, athletes, artists, managers and other service providers can move freely to another member state, enjoying the same benefits and rights as it relates to employment conditions, as those enjoyed by national workers. This free movement of labour signifies that there is an abundance of resources available to fill capacity within our sectors and contribute to the overall growth of the economy. This Government once again advocates its full commitment to reviving and rebuilding the CSME.

Regarding access to finance, how many of you are perhaps aware of the Enterprise Innovation Challenge Fund under the auspices of Compete Caribbean? This is a competitive mechanism to provide financial support through non-reimbursable grants to private sector companies within the Caribbean to pursue

innovative projects within the region. The Government of Trinidad and Tobago contributes to this regional fund regularly, yet still no projects have ever been submitted for funding. The key point here is that the Government or the banking institutions are not your only sources of funding for projects that will help improve the efficiency, effectiveness and growth of your operations.

Growth of the non-energy sector will only be sustainable if we pursue it in the context of the global economy. The Ministry of Trade and Industry has already consulted with business stakeholders to determine which export markets will be emphasised and the supporting institutional arrangements that are needed. Some specific areas of concern identified are tax concessions for exporters entering new markets, a national calendar for trade missions and improving the capacity of the Chemistry Food and Drugs Division to certify food related items for export. These will all be considered as we continue to collaborate with our manufacturers and exporters to ensure that we develop an optimal network.

Some of the most lucrative export markets as identified by the Private Sector included Cuba, Panama, Costa Rica, Dominican Republic, Guyana, Suriname and Haiti. This is quite encouraging since we already have preferential trade arrangements in place for many of these countries. The Government will continue to negotiate Trade Agreements, Investment Promotion and Protection Agreements (IPPAs) and the necessary Double Taxation Agreements in order to expand market access and benefit from export market diversification.

Another area that we intend to focus on in the interest of developing the non-energy sector is investment.

We have recognised the need to improve the climate for both local and foreign investors. This will play a key role in the development of new industries with goods and services that are high-value added or further down the value chain.

We will be taking a comprehensive look at the existing investment framework with a view to strengthening it, by refocusing investTT to ensure completion of investment projects; reviewing and updating the Foreign Investment Act of 1990 and revamping our model Investment Promotion and Protection Agreement (IPPA). It is likely that this process will involve reviewing the incentives regime for investment facilitation to identify what has been working and where there is need for change or improvement.

Regarding infrastructure, you may be aware that this administration plans to pursue the completion or upgrade and full occupation of our existing 17 industrial parks. In fact, the Point Fortin industrial park was opened for Business on Monday and already 10 of the 11 lots have been assigned to various companies. These parks are available to local businesses and foreign businesses. Some of the amenities of the industrial parks include cleaner and cheaper energy to power facilities; access to highly skilled employees through partnerships with UTT and UWI; and access to world class telecommunications infrastructure. The first phase of the Tamana Intech Park will be open for business this fiscal year. Also, the Piarco Aeropark is scheduled for completion in short order.

As I close, the conversation about economic growth in the 21st century would be incomplete if we did not include development of a culture of innovation. Whether it is radical or incremental, we must work towards becoming an innovation driven society. I am not only speaking about advancements in technology, you are all aware that innovation can simply be a new or different way of doing things which sets you apart from the competition such as, a new marketing approach or a new method of training for

your employees. Innovation is inextricably linked to research and development. You the private sector must be willing to invest in research activities. Consideration would be given to incentivising research activities undertaken by the private sector. I want to encourage you to engage our academic institutions in this regard.

It is understood, that as business people, you may not have the time or the resources to engage in research. And therefore I want to challenge you to develop strategic partnerships with our academic institutions as part of the planning process to grow and develop your businesses.

The Ministry of Trade and Industry is ready to work with you. We understand that it is your businesses that provide goods and services for our citizenry, it is your businesses that trade and invest; and it is your businesses that generate valuable foreign exchange.

We will continue to improve the enabling environment and strengthen the foundation for your operations and future plans. We need to work together, hand in hand, if we are to have a resilient diversification thrust in our economy.

In some of these areas, there are far too many State Bodies that are operating in silos or not operating at all. We have created incentives that do not match the needs of the private sector. We have laws and regulations that pre-date our independence. It is time for us to take bold and decisive actions that will lay a new foundation for sustainable economic growth.

Members of the Trinidad and Tobago Chamber of Industry and Commerce, your businesses are the lifeblood of our economy. Your businesses are no different from those in the U.S. I am challenging you to step up and accept some level of responsibility for your survival and growth. Take risks and invest in your companies, your employees, and yourselves. In the absence of risk, the only thing guaranteed is that nothing will change.

The Government of Trinidad and Tobago wants to partner with you in a real way to take our country forward. We are open to dialogue and feedback but there must be some giving and taking. We may have to sacrifice and delay gratification in pursuit of larger victories later down the road.

Driving economic growth through the development of the non-energy sector is not a phenomenon that is unique to Trinidad and Tobago. Malaysia, Indonesia and Mexico are examples of countries that have successfully done it. Chile was able to move their economy away from its dependence on copper. Israel was able to develop their economy with absolutely no natural resources. Notwithstanding the fact that the challenges we currently face seem daunting, we must be willing to convert these challenges into opportunities for the growth, development and overall prosperity of Trinidad and Tobago.

I thank you.