



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

“Restructuring the National Economy, Charting our Economic Future”

COUVA/PT. LISAS CHAMBER OF COMMERCE - CTS COLLEGE
BUSINESS CONFERENCE

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A D D R E S S

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INTRODUCTION

Paul Romer, the recently appointed World Bank Chief Economist and a former top contender for this year's Nobel Prize in Economics, is credited with the quote, "A crisis is a terrible thing to waste". Although he was referring to the increased competition that the United States faced from the rapidly rising education levels in other countries in the mid-2000s, it has been used by economists and politicians thereafter seeking a positive take away, from economic downturns.

In 2016, Trinidad and Tobago is far from a crisis; however, the analogy is befitting. It is a fact that we are faced with the rising supply of oil and gas from non-traditional energy exporters and a concomitant drop in commodity prices at the international level, coupled with lower and lower levels of output at home.

Trinidad and Tobago was in this situation previously and surmounted the obstacles of that era. This time, however, it is unprecedented. The current low oil price environment is not an "oil bust" that will be followed by an "oil boom" in the near future. Instead, we have entered a new normal of lower oil prices that will impact not just oil and gas producers but also every nation, firm, and individual depending on it.

Trinidad and Tobago must respond to this challenge by attracting new sources of revenue, higher quality streams of investment, encourage the development of non-traditional sectors, cut unproductive and illegitimate transfers and subsidies, and change the way we perceive things—the role of government, the role of the private sector and, especially, our roles as responsible citizens in this new economy.

My address this morning is not to repeat what the Minister of Finance outlined in his Budget presentation, but rather to briefly outline:

- our current reality,
- how the government intends to restructure the national economy through specific policies and programmes,
- new areas and new methods being targeted for diversification, and
- what we can expect from the Government, going forward.

CURRENT REALITY

To put things into perspective, it is important to first understand the current reality of our economy. The former speakers have already stated many relevant statistics; however, I think it is necessary to reiterate the positives. Despite real GDP being projected to contract by 2.3% on account of forecast declines in both the energy sector (-9.6%) and non-energy sector (-1.8%), and this is based on the CSO's provisional estimate as cited in the Budget, the macroeconomic fundamentals of our economy remain strong:

- Unemployment steadied at 3.8% in the first quarter of 2016 (well within full employment).
- The Net Asset Value of the Heritage and Stabilization Fund was US\$5.454 billion at the end of June 2016.
- Headline inflation remained contained within the low single digits during the first six months of 2016 at 3.3% to 3.5%.
- Foreign reserves stood at US\$10 billion at the end of September 2016, a marginal decline from US\$10.3 billion in September 2015.

This more positive outlook is reinforced by the IMF's predictions that Trinidad and Tobago will experience real GDP growth of 1.8% in 2017 and 2% thereafter during 2018-2020. To ensure that confidence builds, order is restored and our economy is placed in on the track to sustainable growth, fundamental restructuring of our economy is absolutely necessary.

ECONOMIC RESTRUCTURING

Structural change often refers to fundamental economic shifts, which result in institutional changes that often distort the allocation of labour and capital, and impact almost every aspect of people's lives, sometimes immediately, sometimes in the future. One of the most fundamental changes taking place is our decision to reduce the government's expenditure pattern and that has begun to take place.

Government is the largest employer, it is the largest provider of services, and it is also the largest consumer of services. This has led much of the private sector to depend on government's procurement activities. Let me be clear, private sector development and entrepreneurs have been integral to our economy; but it has not been enough.

One of the key principles of this restructuring is the reassessment and reshaping of the roles of both government and the private sector.

SALE OF ASSETS

The first part in the process of reducing the role of the government in the provision of non-essential goods and services is through the sale of assets. If the citizens of Trinidad and Tobago and the private sector are to get a chance to literally be part of this change, then government must give them the opportunity. The sale of assets in key sectors is indicative of the PNM's willingness to foster greater citizen participation and private sector participation.

For example, the offers for sale by the National Gas Company of Trinidad and Tobago Limited; of shareholding in First Citizens Holdings Limited; for half of the industrial estates under the Evolving Technologies and Enterprise Development Company Limited (eTeCK); and by Trinidad Generation Unlimited to institutional investors will bring in over TT\$ 4 billion. These, together with the partial divestment of Lake Asphalt, are more than simply one-off revenue transactions, but rather examples through which the Government intends to:

- place increased equity in public hands, thereby increasing public participation in state assets;
- lessen the risks and costs to government, thereby allowing more money to be freed up for other activities;
- increase private sector participation and ownership, which would lead to greater levels of innovation, productivity and efficiency.
- Increased private sector participation and by the citizenry is critical, but also important is the need to ensure that the mechanism for receiving taxes is robust, transparent and trustworthy.

INSTITUTIONAL TRANSFORMATION

If we are to improve the modes of revenue collection and improve the quantity of revenues collected then it is critical that we strengthen our revenue collecting institutions. The Revenue Authority is meant to optimize the collections of tax revenues for the funding of public services, achieve a fair burden among taxpayers, encourage enterprise and productive activity and promote efficiency by addressing market failures.

ALTERNATIVE REVENUE STREAMS

In an attempt to conserve foreign exchange and acquire other streams of revenue, the Government has implemented and proposed a series of measures.

The tax on online purchases and the additional income tax on individuals and companies with incomes and profits respectively over a million dollars are responses to tackle the unavoidable issue of income inequality. The minor increase in diesel fuel and the reintroduction of property taxes at a flat rate are in no way punitive measures but rather natural and expected transitions that any market-driven, modern country must take.

ALTERNATIVE SECTORS

The Government's 2016/17 fiscal budget is meant to restructure our public finances and create the framework for economic growth and structural transformation. In order to fill the gap left by falling energy revenues, there is an urgent need to develop new, viable industries in the non-energy sector. It is with that in mind that the Government, through the Ministry of Trade and Industry, has redoubled its efforts so that in the short-, medium- and long-term, ideas are transformed into policies, policies into projects, and projects into people and profits in various sectors.

MARITIME

One of the areas in which the Ministry has made significant strides is in the Maritime Sector. Key initiatives being pursued by the Ministry in the Maritime Sector include:

- the creation in May 2016 of a Framework for the Development of the Maritime Sector and the establishment of a Standing Committee for the Development of the Maritime Sector to direct the development and implementation of the Framework;
- The Standing Committee has met twice and based on its recommendations the Cabinet, in September 2016, agreed to a range of initiatives to accelerate the development of the Sector.
- Among the specific initiatives to be developed in the short- and medium-term are:
 - **Marina development**- in order to accommodate the demand for space and large vessels, the Government will seek proposals for the construction of two marinas (one in Tobago and one in Trinidad);
 - **Transshipment** – Clear guidelines for the legal, institutional and administrative framework for the expansion of Transshipment activities are being developed. Recently there has been an upsurge of interest by both local and foreign entities. This requires no infrastructure and is an attractive generator of employment and revenue.
 - **Cold Stacking** –clear guidelines for the legal, institutional and administrative framework for the expansion of activities related to the Cold Stacking of vessels and other marine structures, particularly offshore structures are also being developed;
 - **Bunkering** – the Ministry of Energy and Energy Industries is to assess the economic viability of expanding the local bunkering industry;
 - **Gulf of Paria Spatial Plan** – the Ministry of Works and Transport is developing a Maritime Spatial Plan for the territorial waters of Trinidad and Tobago, with particular reference to the Gulf of Paria and the Galleons Passage; and
 - **Dry Docking and Ship Repair**- Several private sector proposals new and existing are being considered by the Standing Committee. There is much interest being generated in this sector.

CREATIVE SECTOR

Another area we are working to strengthen is the creative sector, which comprises the music, fashion and film industries, among others. Through musicTT (the Music Company of Trinidad and Tobago) the government is focused on building the capacity and expertise of individuals, finalizing a comprehensive Strategic Plan for the Music Sector, as well as implementation of an Artiste Portfolio Development Programme, which aims to create a strong, balanced portfolio of artistes who are ready for international export.

To strengthen the Fashion Sector, the Trinidad and Tobago Fashion Company (fashionTT), will seek to establish a Local Production Cooperative in collaboration with the European Union (EU) and the University of Trinidad and Tobago (UTT). In the area of film, discussions are already taking place with an international partner to establish an international production company in Trinidad and Tobago.

So again, it is not enough to simply provide resources, but to create and organize programmes and institutions for the sustainable development of these sectors.

TOURISM

In order to achieve Trinidad and Tobago's fullest potential in the tourism sector, the Government has to work to improve several areas if we are to attract tourism revenue and hotel investments. While significant interest has been placed in the proposed Sandals Resort in Tobago, there are several other projects being pursued. Some of these include the development of sites and facilities in Maracas, Las Cuevas, Manzanilla, Vessigny; the provision of specific incentives for hotels and guest rooms; infrastructure and amenities for cruise passengers; and very importantly increased campaigns to build public education and awareness.

MANUFACTURING

At about 8%, our manufacturing sector needs to step up its contribution to Trinidad and Tobago's economic growth. Local manufacturers have had several incentives to expand their operations however, one constant grievance has been the lack of space in which to expand. We have almost completed phase one of the Tamana Intech Park. We are looking at a site for yet another park. The Special Economic Zones Policy under consideration will provide for additional benefits and incentives.

AGRICULTURE

Agriculture has always been a central theme in every Budget and every national Plan, as far as I know. In the coconut and cocoa industries, for example, a lot has been said, but little has materialized. This time, the Government's efforts are very clear and targeted.

There will be an emphasis on the Coconut Rehabilitation and Replanting Programme to improve and increase production. Trinidad and Tobago may not be able to compete with the larger coconut producers in Asia, however, with the range of coconut products ranging from ready-to-drink coconut water to diabetic-friendly coconut sugar, and an ever-rising demand for coconut products and their related prices, there will be readily-available markets close by in the Americas.

In the area of cocoa development, we will target the processing of cocoa in to chocolate and the development of high-value products down the cocoa value chain. There are no cocoa plantations in Belgium or Switzerland, yet they are renowned for their chocolates, which are created through expertise,

marketing and reputation. That is why we are collaborating with the University of the West Indies (UWI) and the Intellectual Property Office to finalize the registration of a Geographical Indication for Cocoa. This will link the distinguishing qualities of our cocoa and cocoa products with Trinidad and Tobago, and, over time, lead to us being known not only for the best cocoa in the world, but also the best chocolate in the world.

In other areas, the Government has placed emphasis on: incentives for farmers, proper infrastructure (which includes improved access roads, irrigation networks, fish landing sites, and wholesale and retail markets), and also improved institutions and systems of organization (such as more modernized land records, a restructured school-feeding programme and a well-resourced Agricultural Development Bank (ADB)).

CONCLUSION

In the past five years we have lost more than energy revenues, we have lost trust—trust in governments, trust in our systems of governance, trust in ourselves. But let me reassure you that this Government is about rebuilding both our economy as well as that trust. Our policies and initiatives are not meant to improve specific indicators for specific periods, but provide the foundation for long-term and sustained growth and the improved well-being of all citizens.

Trinidad and Tobago is our country. Politicians, private sector and each of us has a particular role to play. With the right institutions, the right people and a greater sense of trust and purpose, I am confident that a brighter future lies ahead.