



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

Opening of CIBC FirstCaribbean International Bank

.....

R E M A R K S

SENATOR THE HONOURABLE PAULA GOPEE-SCOON
MINISTER OF TRADE AND INDUSTRY

.....

24 MAY, 2017

Good evening.

It is indeed a pleasure to address you at the opening of this state of the art banking facility. CIBC FirstCaribbean International Bank has been operating and serving Trinidad and Tobago for twelve years and its expansion is noteworthy, as it underscores the viability of Trinidad and Tobago's financial sector in the face of economic challenges. The Oxford Business Group, in its latest report, acknowledged Trinidad and Tobago's growing reputation as a regional financial center with a well-capitalized and financially healthy banking sector.

ECONOMIC OUTLOOK - THE BANKING SECTOR

In all economic systems, the banking sector has a leading role in providing essential financial tools and resources, making it vital for the proper functioning of any economy. For developing countries in particular, banks serve as a primary financier by utilizing their unique capacity to finance production and investment for the business sector. This enables firms—large, medium and small—to grow their operations within a particular market and provides them with opportunities to export to new ones. This in turn supports growth at the aggregate level and ultimately promotes national economic development.

In the local context, banks continue their role in contributing to our overall economic growth. Together with insurance and real estate, financial services form the largest part of the services sector and the second largest contributor to GDP, approximately 17% or TT\$16 billion. Not only has the banking sector been a major contributor to GDP, but its growth has outpaced the country's economic expansion; so as GDP contracted by 1.2% in 2015, the financial sector grew by 1.9%. These figures are a testament to the robustness of the local banking sector which can be attributed to progressive management systems and overall competitive business strategies.

On the other side, according to a recent survey by the Inter-American Development Bank, over 20% of local firms indicated that 'access to finance' was the second most important obstacle affecting their performance. This is further reinforced by the World Economic Forum's latest Global Competitiveness Index, which ranks 'access to credit' in Trinidad and Tobago among the top three challenges for businesses and investors, despite the high levels of liquidity in the financial system.

In other words, even though Trinidad and Tobago performs better in terms of its ability to finance private sector projects, access to financing remains a significant obstacle. In fact, domestic credit to the private sector has been declining and is significantly lower than in comparable commodity-dependent small economies. It is clear that banks have a significant role to play, not only in providing funding and other financial services and resources to the public and private sector, but in ensuring a stable and strong economy with the potential for sustained growth and development.

NATIONAL DEVELOPMENT STRATEGY 2016-2030 (VISION 2030)

You would be aware of Government's National Development Strategy 2016-2030, more commonly known as Vision 2030, which serves as the roadmap to successfully guide the country towards socio-economic prosperity and ultimately achieve developed country status by the year 2030.

Vision 2030 includes five overarching development themes, which will take the country's transformational agenda to the year 2030. These include:

1. Putting People First: Nurturing Our Greatest Asset;
2. Promoting Good Governance and Service Excellence;
3. Improving Productivity through Quality Infrastructure and Transportation;
4. Building Globally Competitive Businesses; and
5. Valuing and Enhancing Our Environment.

These thematic areas are grounded in the Vision 2020 pillars, the Official Policy Framework, and the global development agenda as outlined in the United Nations' Sustainable Development Goals. This Government, through several Ministries and Agencies, has placed significant resources on initiatives under the theme Building Globally Competitive Businesses, particularly through its support for diversification efforts and mechanisms to create an enabling business and investment climate.

DIVERSIFICATION

New and emerging sectors play a critical role as they provide opportunities for generating increased revenues and achieving global competitiveness. In this regard, Government has prioritised several key areas.

Agriculture and Agro-processing

One of the more recent initiatives by the Government in support of the growth of the Agriculture Industry, is the development of the Agro-Processing and Light Industrial Park in Moruga. This park will be built on 18.83 acres of State land and represents an investment of approximately TT\$69.3 million. The facilities on this Park will allow for:

- the processing of raw materials and intermediate products that originate from agriculture, forestry and fisheries;
- the manufacture of food and beverage products and the conversion of fresh produce into semi-processed raw material or processed products; and
- facilities for the canning, bottling and freezing of finished products.

With Government's support, it is expected that investors will continue to build capacity, increase efficiency and productivity, and expand their activities beyond traditional local and regional markets. What is required though is the availability of credit to farmers and investors.

While the Agricultural Development Bank has specially designed products and services for such customers; commercial banks are endowed with significantly greater assets to grow this sector. We, therefore, urge all financial institutions to play their role in the growth of these businesses and at the same time, reducing the country's food import bill.

Manufacturing

The fourth industrial revolution at the international level is upon us. Many countries across the globe have been riding the wave brought about by technology, in an effort to expedite the development and productivity of materials. Ladies and gentlemen, it is time for Trinidad and Tobago to do the same.

While our local manufacturing sector is considered the second largest non-energy sector, it recorded a disappointing 5.7% contraction in 2016. Whilst output in the food and beverage industry continues to increase both in quantity and competitiveness, as seen through the expansion and regional market

dominance of several companies like Bermudez, Kiss and KC Confectionery, there are other industries such as wood and wood products; textile, garments and footwear; and chemicals and non-metallic minerals, which need to find technological and innovative production solutions to reverse a negative trend and assist in the overall growth of the sector.

Manufacturing, without a doubt, provides significant opportunities for investment and we certainly invite your further participation as our producers innovate and create niches for themselves, here and abroad.

Creative Industries

The Cultural and Creative Industry (CCI) is among the most rapidly growing sectors across the globe significantly influencing income generation, employment opportunities and export earnings. A December 2015 study on the cultural and creative industry (CCI) by Ernst and Young, commissioned by the International Confederation of Authors and Composers Societies (CISAC), points out that in 2013, cultural and creative industries worldwide generated revenues of US\$2,250b (US\$2.25 trillion – almost triple the 2011 total) and employed 29.5 million people.

This Government has prioritized the Creative Industries as an area for diversification. The industry, which encompasses Film, Fashion and Music, contributes as it is some 5.15% to Trinidad and Tobago's GDP. There is potential for much more.

Significant opportunities for investment are available in areas such as the development of a film production studio, an animation studio, a sound stage, a music recording studio, performance stages and a textile manufacturing facility. Financial institutions are therefore encouraged to partner with investors through varied financing mechanisms, as we aim to further promote and develop this exciting and profitable industry.

I noted BATT's website mention support for the arts and culture as part of the Members' CSR activities. The creative industry, however, requires that local bankers look at the sector through more than a CSR lens and fully capitalize on the benefits that can be derived from the growth of this industry.

Tourism

The tourism and hospitality industry has emerged as one of the key drivers of growth among the service sectors across the globe, contributing approximately 10% of global GDP or US\$7.6 trillion. The rapid development of tourism worldwide has led an increasing number of developing countries to exploit natural and cultural assets. Tourism creates significant opportunities to develop infrastructure, create employment, promote local circular flows of income, preserve natural resources and culture, and reduce poverty. However, the success of our local industry is closely tied to cooperation from financial institutions.

Maritime

The domestic maritime sector encompasses a wide range of activities, with tremendous potential for growth, particularly in the areas of port operations and logistics, dry-docking and yacht/ship repair, and transshipment. The domestic maritime sector therefore has the potential to be a significant employer and provider of foreign exchange. Many local stakeholders have plans for expansion, however, a significant obstacle remains access to finance and the absence of reasonable interest rates for the growth of the industry.

SMALL AND MEDIUM SIZE ENTERPRISES

In both developed and developing countries, micro, small and medium enterprises (MSMEs) are recognized as important engines of growth and economic reengineering. In Trinidad and Tobago, MSMEs are estimated to contribute nearly 28 per cent to GDP, representing more than 20,000 enterprises, employing over 200,000 persons and 85 per cent of all registered businesses. This sector too needs the greatest support and understanding of the local commercial banking sector.

Large commercial banks may tend to overlook the returns by individual MSMEs. However, a small loan to a small firm provides jobs for a small number of people. The multiplier effect is not to be underestimated.

Of the main reforms led by the Ministry of Trade and Industry, is the likely implementation of a Secured Transaction and Collateral Registry System, which will allow businesses to use their moveable property (intellectual property, accounts receivables, machinery and equipment) as collateral. According to a 2010 study conducted by the International Financial Corporation of the World Bank Group, the total credit gap in Trinidad and Tobago was estimated at US\$3.44 billion despite the high levels of liquidity in the financial system. Such a constraint stifles business growth and inhibits economic development.

The Ministry is developing a policy to enhance the secured transactions regime and has already conducted a two-phased diagnostic mission with several stakeholders, including the Bankers' Association of Trinidad and Tobago.

Several countries in the region and across the globe have implemented this system resulting in significant growth of their economy. In the first six months of implementation, Colombian banks raised over US\$60 billion in loans, many of which included inventory financing and agricultural crop financing. This was the case for the Chinese banks where commercial loans involving moveable assets rose 21 % per year. From the beginning of 2008 to June 2011, loans recorded were worth €3.5 trillion.

We see this reform as key to growth of particular sectors and we therefore expect the deepest consideration of our local banks.

CONCLUSION

As I conclude, I would like to impress upon you the critical role we each play in the economic growth of our country. The Government's responsibility is to create an enabling environment, but equally important is the role of the banking sector to provide the necessary financial products and services to meet the needs of consumers and the business community.

I urge CIBC and other members of the Banking Association to move a little beyond your comfort zones and to explore opportunities in the new sectors for development.

These are avenues for you to capture a larger clientele and create newly defined and differentiated credit lines and facilities which in turn can increase shareholder value and the banks' profits. Such an outcome will bring benefits to all involved and influence positively the socio-economic development of our country.

The Government therefore looks forward to all players within the banking and financial sector undertaking their critical role in our collective quest for the prosperity of all citizens of Trinidad and Tobago.

Thank you.