

Address to the Nation by the Honourable Patrick Manning
Prime Minister of Trinidad and Tobago

My fellow citizens,

I consider it most important that I address you at this time.

Before however dealing with my main purpose this evening, let me give you the assurance that the Government continues to do its utmost to alleviate the plight of all those who have been adversely affected by the recent flooding.

As you are aware, four cabinet ministers addressed the media yesterday and outlined the steps being taken to respond to the situation; and from today, all Government members of Parliament and constituency coordinators have been deployed to their constituencies to be on hand to provide leadership and support in the event that any dislocation takes place.

On behalf of the Government, let me take this opportunity to express my condolences to the families of the two persons who tragically lost their lives in the aftermath of the excessive rainfall.

Global economic challenge

I now turn to the main subject of my address this evening.

Ladies and gentlemen, the world economy is facing very serious

difficulty. The global financial crisis has shaken the international financial system at its very foundations, causing the collapse of some of the world's leading banking institutions. This has produced, among other difficulties, a very severe reduction in the availability of credit, making it almost impossible to sustain or increase levels of industrial activity in most leading economies. We are therefore faced with an economic slowdown in many industrialised nations, with most either already in recession or heading there. It all points to a global economic slump which, in the view of experts, could be deep and prolonged. Some even talk of a depression. No country can escape the effects of a global recession. This produces a drop in export earnings, economic contraction and loss of jobs in most nations of the world. All countries would be wise to take appropriate action.

Effect on Trinidad and Tobago

Because of this international situation, Trinidad and Tobago has already suffered a loss of revenue, as the prices of our major exports- oil and petroleum products, ammonia, methanol, urea and steel - have all been reduced. But let me give you the assurance ladies and gentlemen that up to the end of September, when the budget was presented, there was no indication of any impending international economic problems of the magnitude that we are now experiencing. The budget

prices for oil and gas, at \$70 per barrel and \$4/MMBTU respectively, were therefore based on the best global advice from expert agencies, including the IMF. Things are turning out quite differently. Crude oil prices fell significantly to us\$67.81 per barrel at the end of October, losing more than 50 percent of its value since peaking in July 2008 at us\$148.00 per barrel. Natural gas at the US benchmark trading hub was priced at us\$6.58/mm BTU at the end of October 2008, down 11 percent since the beginning of the month and trending downwards. Between September and October this year, the price of ammonia fell from us \$887.60 to \$772.90 per tonne; urea from us\$798.75 to \$573.40 per tonne; and methanol, also softening, from us \$411.00 per tonne to \$399.00. Additionally, due to decreased demand, there have been a number of temporary plant closures as well as reduced output at Point Lisas, further aggravating the revenue situation for the country. The situation is made worse by the reduced sale of natural gas at the industrial estate. Therefore, ladies and gentlemen, in terms of revenue projected in our present budget, we expect to fall short by six billion dollars for this financial year. This expectation is based on the present rate of international commodity activity. In other words, ladies and gentlemen, things could get more challenging. It is clearly a very serious situation requiring immediate action.

After very careful monitoring of the situation, the government has now done a reassessment of its planned expenditure. This has led us to a reordering of our developmental priorities and the deferral of some of the projects we consider essential to the realisation of developed country status.

Confidence of the Government

Ladies and gentlemen, I wish to emphasize that whilst there is the need for concern, we are confident that we will successfully steer our ship through this inclement economic weather.

The benefit of experience

We have benefited from our experience. Trinidad and Tobago has been this way before, and I assure you that we, who have the responsibility to lead at this time, have learnt the appropriate lessons. I remember in particular that unforgettable precipitous drop in oil prices to nine dollars a barrel in the eighties, a development which almost derailed our stability and our progress through calamitous loss of revenue and the years of negative growth that ensued. Indeed when I became a Member of Parliament in 1971, we were in fact experiencing depressed economic conditions.

Bitter medicine

We swallowed bitter medicine during the period of the eighties and early nineties, ladies and gentlemen, applying the

structural adjustment needed to balance our budgets and to achieve greater efficiency and productivity and the sustainable growth of our economy. We all shared the burden of adjustment. I am proud to have led the administration of 1991-95 which, in the face of great political risks, took those tough decisions, to modernise our economy for participation in the global mainstream. The economy began to turn around in 1994, after almost ten continuous years of decline, and has been growing ever since.

Now better prepared

We have therefore proven that we can fight a recession, ladies and gentlemen, and I am sure that we will triumph over this slowdown. And this time we are better prepared. Look at the facts. Since 2001, our economy has been growing at an average annual rate of 8.3 percent and is now one of the most progressive in the region. It has tripled in size from 55 billion dollars in 2001 to 160 billion dollars in 2008. Over the last seven years we have been able to attract over six billion us dollars in foreign direct investment into our country. We have reduced both external and public debt. Our foreign reserves now stand at over 10 billion us dollars, representing more than one year of import cover and national savings have grown with our heritage stabilization fund now standing at 3.2 billion us dollars, more than fifteen times since 2001.

We are undoubtedly better prepared to face a slowdown and a key contributor to this very positive state is the energy sector, particularly the LNG industry which continues to earn very significant revenue for Trinidad and Tobago. This did not happen by chance. Indeed it was a decision of the Government in 1992 that reversed the traditional position and authorised the pursuit of the LNG industry to generate an additional revenue stream for the country. It was designed precisely to give us a buffer in the event of the kind of situation that has now arisen. Consider, ladies and gentlemen, where we would be today without LNG?

Caricom

Ladies and gentlemen, it must be remembered that in good times and bad, the fortunes of Trinidad and Tobago are bound up with those of our Caricom partners. This is our second largest market which will be negatively impacted by, among other developments, the drop in tourism during this period. This in turn would reduce their purchasing power and therefore affect our export earnings as well as domestic employment levels. It is therefore necessary for our mutual benefit that the resources of the Caricom petroleum fund continue to be available for the assistance of our Caricom neighbours.

Need for restraint

In the same vein, I would urge restraint at all levels since this is a period when we must all tighten our belts. In this regard the dialogue between the government, business and labour must begin as we come together to confront the challenges that are before us. The key to survival and success in this situation is higher levels of productivity. This is absolutely essential if we are to maintain and improve the country's competitive edge.

Budgetary guidelines

My dear friends, today the cabinet considered the recommendation of the minister of finance for downward adjustments of budgetary allocations for ministries, departments and statutory authorities. The areas targeted include discretionary expenditure like promotion, publicity and printing; materials and supplies. Goods and services and minor equipment have also been targeted. With respect to the development programme, the projects identified for downward adjustment are as follows:

- New projects other than those of an urgent or critical nature;
- Those projects for which there were no firm contractual obligations;
- Ongoing projects for which the pace of implementation could be reduced without legal penalties; and

- Ongoing projects for which some components could be deferred.

Ministers have now been directed to review their budgets along these lines; and next week, the cabinet will decide on the actual adjustments to our programme to ensure that expenditure is kept in line with revenue.

People, our top priority

In considering these budgetary adjustments, my dear friends, our top priority in these challenging times will continue to be the welfare of the people. Therefore whilst sacrifices must be made, some projects and programmes delayed, the Government will not lose sight of the need to continue our focus on human development. I wish to remind the nation, that in 1996, I walked the thirty-six constituencies of this country and the message was quite clear. The view was that the government had spent a lot of effort on the economy and not enough on the people. Therefore as we negotiate this economic downturn, we will take care of those who are least able to take care of themselves. This means that there would probably be an increase in social sector spending. Indeed if this is what is called for, this is what we will do. At the same time we will take the opportunity to bring about greater effectiveness in the conduct of government business especially in the social sector.

We will rationalise our social programmes to avoid overlap and duplication and put in place new management arrangements for greater efficiency. Unemployment levels, which stood at 4.6%, in the second quarter of 2008 are the lowest in our country's history, are now likely to rise but we feel confident that we can keep unemployment at single digit levels and here is where our social programmes will be most effective. We recognise the challenge of headline inflation but we are certain to bring this down in the coming period. Indeed the IMF itself has projected that our rate of inflation will fall within one year to 7%, largely due to the significant decline in agricultural commodity prices including rice, cereals and wheat. In fact only yesterday, one producer announced that the retail price of bread has dropped by 11% and the national flour mills has similarly indicated that the price of flour will also be reduced. The Minister of Legal Affairs has been directed to initiate dialogue with the supermarket trade and with the distributors to ensure that all price reductions are passed on to the consumer; and here the government is advocating consumer action to ensure that it happens. We will not allow profiteering and greed to defeat our efforts at national stabilisation.

Conclusion

As you can see, ladies and gentlemen, we are prepared to face this situation using discretion and sound judgement in the best

interest of the people of Trinidad and Tobago. We know that because of our policies and programmes over the last seven years, we are in a much better position to deal with the situation before us. We also know that our people are much better equipped to meet this challenge and that you will be disciplined, discerning and inventive. We are also sure that the global community will overcome the present difficulties. globalisation has brought a mixed bag of prosperity and poverty, great opportunity and commensurate risks. But one thing is certain. There is now an inter-connectedness among all economies of the world which the financial collapse has underscored; and which has pointed to the inescapable coordinated, global response needed for this crisis. The approach has to include, among other measures, greater transparency and effectiveness in the regulatory framework for international financial institutions; revival and completion of the suspended multilateral trade negotiations; and a new global financial architecture to replace Bretton Woods and which takes into account the increasing economic multi-polarity of our world, produced by new and emerging Centres of economic strength.

If managed well, out of this crisis could emerge a new world economic order, one characterised by greater fairness, sensitivity and sustainability. We could also see, as has been

forecasted, the global economy doubling in size in the not too distant future.

I give you the assurance tonight that Trinidad and Tobago, having overcome this present challenge, will be ready to participate even more successfully in another era of global prosperity. Next week, following the review exercise by all ministers, we will advise you on the proposed adjustments to the 2009 budget.

Thank you ladies and gentlemen.

May god bless our nation.

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