



**Trinidad and Tobago Chamber of Industry and Commerce
Post Budget Breakfast Meeting 2010
Thursday 9th September 2010**

Feature address by the Minister of Finance, the Honourable Winston Dookeran

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Thank you very much Angela and thank you for the invitation to be here this morning. Coming to the Chamber's Breakfast Seminar is always a great learning experience for me. I've done this in the past and I'm happy to be in this mode of learning. Listening to your panelists today has also been a learning experience for me and I'm certainly appreciative of the deep analysis that has been done on the wider impact of the budget, the financial implications and the social challenges ahead of us. I think it's also a very disciplined experience especially when I see these notes passing about how much time you have...so I will try to maintain the discipline of this morning.

But more than that I think it has brought home to me a change of perspective that has somehow emerged in this forum and in many other occasions that I've been to within recent times-particularly during the interactive sessions in trying to design the aspirations of the people to be reflected in a budget. I believe the change in perspective that has come to the country can best be summarized in terms of what people saw budgets to be in the past and what they expect it to be in the future. And in the past, the question that was asked so often was "what can I get?" And every time you listen to people they ask "What can I get from this budget?" And I believe the philosophical difference now is that people are not asking what they can get but they're asking what they can be.....and that I hope has been reflected not only among you here but to many others. What I can be is different to what I can get and what I can be depends largely on a change on the whole view. The role of

government in Trinidad and Tobago and this budget in my view attempted to further the argument that we must view things in "What I Can Be" NOT "What I Can Get" and therefore, the environment "to be" rather than the environment "to get."

The underlying assumption in terms of the change in perspective in this budget has been the new role for entrepreneurship and I go back to reflect on the development strategies of the many countries in the world including us in the Caribbean. And I made reference in the presentation to Parliament on the Arthur Lewis model of surplus labour and it is very instructive- a noble laureate of his standing- and one who has informed economic thinking in the region had omitted the role of entrepreneurship in his strategy for the future. And underlying many of the measures that have been put into place is the creation of a new entrepreneurship in Trinidad and Tobago. And when we look closely we will see that that entrepreneurship has two parts to it. It has the first part of looking at the traditional business sector - sometimes referred to as the private sector- in which they are risk adverse and they do not share in the resolve to move into the development part given the choices between commercial profitability and development dividends.

So the new entrepreneurship calls upon the private sector to change their own perspective towards this country...not what I can get but to what I can be. The second aspect of the new entrepreneurship that has been underlying this budget has been the argument of the small

business sector and the creative industry in Trinidad and Tobago. The creative industry is reflected in art, reflected in culture, reflected in so many areas in which this country has a natural talent affecting essentially the small business people and the creation of a new business grouping in the country. And you will notice in the budget presentation a fair amount of emphasis was placed on creating the conditions for that new entrepreneurship among the small business grouping in the country; linking education to business opportunities, the incubator system, the creation of opportunities for the small business sector to even transact activities on the port with less hassle.

One such measure – which may not have been seen as large- is one where before you had to put in your Customs documentation once you were importing over the value of one thousand dollars. And this was a nuisance. So, we increased that to twenty thousand dollars as we saw no real benefit in the document we required... But I am told that this would bring a fair amount of benefits to the small importers who have to get into the business world... The larger point that I am making is that the entrepreneurship that we are seeking requires the traditional business sector to become more prone to taking risk and calls upon the creation of a new entrepreneurial class where we must give a helping hand to make them walk- that to me was the fundamental philosophical shift in the budget of this year. It has become absolutely necessary to do that and at the same time to assure this country that we can move towards the resumption of growth on a more sustained basis.

Given many of the risks we have to face we can within our confines try to see how we can generate and trigger that growth and how do we sustain it. Triggering the growth was an important part of the thinking behind the economic strategies when we did the Public

Sector Investment Programme(PSIP). We were careful to identify that the choice of projects we placed in the PSIP must now be give a bias towards what we call “mortar and bricks” project. In other words, we wanted to generate more activity in the construction sector and I have been insisting- and I believe it has happened- 70% of the PSIP is generated towards construction activity and therefore that is the basis upon which we shall trigger some element of growth in this economy. That of course has to be supported by what will happen outside the public sector and hence so many initiatives were taken on the tax measures to create an environment where the business sector can now have all they can really expect to get from the public authorities. Now the job is to get on with the investment in the private sector. The conditions for that are right. In the first place, there is excess liquidity and the banking sector is looking for projects that can work. Secondly, you now have a fiscal regime that has provided all the elbow room that is required for action to take place and thirdly, you have a change in the perspective of the country moving from “what I can get” to “what can I be.” That therefore, is the philosophical underpinnings upon which this budget has been based.

Sustaining this growth however, is also important. Triggering it is important to get the whole process restarted. Sustaining it requires a three to five year frame and it is in that context we pointed out a new direction for the sustainability of the growth process. The two areas that were given immediate action in terms of our fiscal perspectives were of course the energy sector- so well explained here today- and the other sector which may have gone unnoticed up to now is the agricultural sector. Apart from some of the other measures that have been put into place we have taken (and I appreciate the word) the bold step of reducing the interest rate available to farmers through the Agricultural Development bank

(ADB). That has always been a very thorny issue as it has been argued by International Financial institutions that you must always apply the market rates and therefore once you do not do that you will not qualify for the right marks for macroeconomic stability. In a way we have deviated from that perspective and we have suggested that the ADB now have a more supportive 'rate regime'. As we have lowered the rates, we have done that on the premise that the ADB must in fact pay for its own expenses which is why we have kept the rate between three to five percent, lowering it from the existing six to eight percent. We do not want the ADB or any other development financial institutions to rely on the treasury for support and therefore their charge now will be to at least break-even but at the same time we want their social purpose to be directed to increasing production in the country.

So energy production and food production are the two key areas in which a new regime has now been put into place. Hopefully the sustaining of the growth will take place by the identification of new areas of economic activity and that is why we have worked very carefully to design a programme that will encourage new kinds of industries- whether it was the recycling business or the ship building business or wherever it may occur, we have identified five growth poles in the country that we believe will do two things. It will be able to create an opportunity for special attention to areas that have special economic needs. And those growth poles therefore will form the basis upon which a new incentive programme will work. All the various measures with respect to the free trade zone and ninety percent accelerated allowance are aimed at increasing activity in these free trade zones-and within that context there's an economic philosophy that we must remove the anti-export bias in the system and create a pro-export bias. This will also have the ability to induce foreign investment to a larger extent in the country

and removing the cap therefore was in recognition of the need to become more relevant to the dire political situation that we are facing.

A country that is accustomed to seeing a budget never delivered in practice will obviously have a sense of skepticism as to whether or not we can make this perspective shift. And that while we will do so in the context of our fiscal environment, whether the people will feel confident enough to do it themselves is the risk I am prepared to take. I do believe this is the risk that I had no alternative but to take. Because given the situation in the country now, in the global arena, as well as in terms of our lack of confidence in our system, we must take some bold risks. I feel confident that since the perspective of this country is moving from what I can get to what I can be then this risk is less than we might expect and it is in that same context therefore that I looked at some of the risk that we were undertaking and I want to share this with you. One risk that has emerged and I'm very much aware of it notwithstanding the assumptions we have made for the financial term is our revenue situation. There are two aspects to that risk. One is that some of the assumptions we have made may or may not be realised with respect to the external situation and whether there will be a double dip recession or not are matters in the radar screen for us. But we are hoping to build an insulation against the negative impact of a double dip recession that the world may face in the next two years. That's a major global issue. The other risk that we are facing is whether or not our tax revenue will be sustainable and indeed if such an impact were to affect our revenue situation we will have to handle that.

The budget arithmetic is proposed to be a 5.5 percent deficit. We do believe that we must move back to a balanced budget but this will take some time hence most of what we've

done in this year's budget is really predicated on a medium term range and we shall move in that direction.

I want to say that the tax amnesty in my view is a very important measure. It is true that we have had two or three such amnesties before but we believe at this time – when I looked at the figures before us- that this was a very important source of revenue. The tax arrears figures put before me amounted to about thirteen billion dollars. Now that's a very large number but if I look below the line to what is active it amounts to about seven billion dollars. If everyone paid their taxes then we would have no deficit in Trinidad and Tobago. And this is the call that I wish to make. Let us take this call seriously.

We have also indicated that we would introduce a new covenant between the taxpayers and the government with very basic principles where we can have what is normally required in a normal tax system- including no harassment but also including enforcement if in fact there are those who do not wish to pay. And in that context I want to suggest that this is a part of not what I can get but what I can be. Because in the final analysis what I can be depends on the wider environment and what I can get depends largely on me. And therefore we now have to realise that the fortunes of the wider environment are indeed going to be more important to who I am than the fortunes of my individual situation. It is in that kind of context therefore that the risk that we are taking is based on the presumption that the people will now engage in a new beginning, in a new perspective and in so doing people can change the economic fortunes.

With this budget we cannot start afresh if we do not clean the slate. And the state has many things to clean- some of which were mentioned in the budget statement- but there were enormous burdens that had to be

cleaned and the least of which being the instability created and the lack of trust that was developed with respect to the banking and credit union sectors. But there are projects on the books that have brought no real benefits to the country. And we had to as far as possible clean the slate.

There is still a lot to be done and I do not want to underestimate the risks involved in the execution because as we proceed further in trying to execute even those plans that we have announced, there are risks of execution ahead of us. I am very much aware that in a society that is prepared to blame and not take responsibility, execution becomes a greater challenge. I talk to colleagues who are the heads of major institutions in our country and they will indicate that the institution is doing badly. And on one occasion I turned to this colleague and I asked "Who is in charge?". He obviously had to admit that he was the head so then I asked "Who will change it?" And I think he was somewhat flawed by the thinking that the responsibility to change was a necessary responsibility for leadership. My objective is to say that we are in charge. It is our responsibility to change it rather than to complain and blame. One cannot sit as head of an institution and not take the necessary steps to change it. We want to move away from that psychology of blaming.

Many institutions in the government have been in a situation where they were allowed to not take responsibility for their actions. For the last three months - and let me just stress here that it was more like one month of work as the the first two months was checking the terrain- I have found that many state institutions have lost their social focus and the leadership of the institutions do not feel compelled to be accountable and responsible for ensuring that the social focus is in fact achieved. Whether it be in the development finance institutions in the country, the small business development

companies, wherever it is there is a tendency that "government must do it for us." But if indeed you are given the responsibility to share in public management then the responsibility lies in you and your institution as well. So you will notice in the budget statement many measures in improving the efficiency and returning to social focus and accountability for so doing. It is not only a financial accountability, but accountability in the context of integrity in the sense of your social purpose in achieving certain goals. What you are in fact accountable for is delivering the goods and services for which your institution was in fact set up.

We looked at the housing market in particular and we saw how it was truncated. There might be reasons for why this was so over the last few years. But for us, we wanted to return to a new sense of responsibility. In our housing market and also the measures that we introduced there with respect to the rationalisation of the housing institutional infrastructure was now supported by a new trust that is being placed on the agenda which is home ownership by first time homeowners. This has been an old measure which has been used to some success in the past. We thought that it is time now to bring about a new sense of responsibility. As I said, the objective philosophy of this budget is not what I can get but what I can be. And it is in that context, we are creating the environment so that the people – whether they are young, old or in the market as productive workers will now have a condition 'to be' rather than 'to get'. Now, it is within that context that these measures have been put into play and cleaning the slate. But in so doing, we are very careful of protecting the current situation with regard to the people's interest because we do not want to trade off the current benefits that the people have in the interest of some future that we are trying to chart – which in some people's minds may or may not happen.

A budget is about choices - choices between the present and the future; choices between who are well off and those who are not well off. One of the choices we made was to retain the interest of the people and that is why we have not interfered with the social programmes in any substantial way except to say that we expect more efficiency and focus. Now over fifty percent of the budget expenditure is reflected in the social programmes and any traditional economist would find this figure to be large. But we believe that we will have to maintain these programmes in order to ensure that in the process of change that there is no need to call on the weaker people in society to pay for the cost of that change. Hence our attempt to deal with the pension issue not only with respect to senior citizens but senior citizens in the public sector as well.

So this is the fundamental philosophy we have embarked on to trigger growth; to embark on a programme to sustain the growth; a programme to increase efficiencies in the public institutions; a programme in which we can get new directions. Now we cannot achieve this in any one year but what we attempted to do was set up the framework- the basis upon which we shall move from here on. It is in that context therefore that within the budget there is another philosophical shift. There is a call for partnership. You will notice in the budget statement that on many occasions I mentioned that we will shall work for example with the Artists Coalition of Trinidad and Tobago and the Association of Psychologists in the establishment of trauma centres. Throughout the presentation there were many opportunities for a new partnership. This is not to deny the role of the state- far from it. We believe that the state continue to be the economic catalyst for development in Trinidad and Tobago. It must continue to drive the process of economic development but it can no longer be the only instrument for doing that. So therefore, a new partnership is to be

developed with all those who are engaged in doing their own activities whether it be in the Arts sector or any other sector.

There is one particular process that I thought was well received and it had to do with the design industry. We are hoping to explore this untouched market and to introduce some measures in the garment industry- as small as they may be. But this will now create opportunities to explore export of their products. So there is a movement from the dependence on the energy sector and the reliance on government funding to the creation of an environment to support something different. Hopefully, we said we will provide support to those in the garment industry who can exploit a growing world market in that area.

We also indicated that in due course we will implement measures to tap into the world's outsourcing industry. No doubt that this will not happen next year, but underlying the budget these are the kinds of directional changes needed. The world's outsourcing industry is growing at perhaps its fastest rate and we should as a small economy tap into this industry whether it be in the field of IT, Education or Medical Services. I know it may look farfetched in the eyes of the skeptical society-it was reflected here today by my friend Dianne. I am aware. But I believe that we were placed in a position that if we did not take these directional changes now then we will all remain looking at the budget to see what we can get.

I was more committed to preparing a budget to create an environment so that the people can look at that budget to say what they can be. That to me is essentially where we are headed and now my time is up and I have to remain disciplined. I thank you so much for this opportunity.