

Presentation by the Honourable Winston Dookeran, Minister of Finance of the Republic of Trinidad and Tobago on the Trinidad and Tobago economy to Canadian Imperial Bank of Commerce (CIBC) Executives, March 30, 2011, CIBC Tower, Toronto, Ontario

The Honourable Winston Dookeran, Minister of Finance of the Republic of Trinidad and Tobago delivered a presentation on the Trinidad and Tobago economy to a group of top executives of the Canadian Imperial Bank of Commerce (CIBC) at the CIBC headquarters, Commerce Court, Toronto, Ontario on March 30, 2011.

The Honourable Minister set the scene for his presentation by drawing an analogy between the current political climate of Canada which is set to have its fourth election in seven years on May 02, 2011 with a tense moment in the democratic history of Trinidad and Tobago when the Parliament was invaded by insurgents in 1990. He used this example to underline the point that every democracy has its highs and lows and notwithstanding its challenges the democratic process is prevailing in both Canada and Trinidad and Tobago as both countries have been able to sustain the ideals of democracy, which provides the anchor for a sound economy and fertile ground for attracting trade and investment.

Minister Dookeran then proceeded to paint a picture of the current economic landscape in Latin America and the Caribbean Region, having attended the Fourth Meeting of Finance Ministers of Latin America and the Caribbean in Calgary, Alberta during the previous week. He informed that the recovery process has taken root in Latin America and the Caribbean and has resulted in the creation of two (2) different clusters of countries reflecting two different speeds of growth; the Mexican cluster and the Brazilian cluster. Countries that fall into the first group (the Mexican cluster) are dealing with issues of fiscal sustainability and debt management and those countries are likely to register growth in the vicinity of 2% per year. Many mainstream Latin American countries fall into the latter group (the Brazilian cluster) and are experiencing problems of overheating, being net producers and exporters of commodities, and are expected to register growth rates of 4-5% per year. Trinidad and Tobago falls into the category of the Brazilian cluster and as a resource rich country has challenges of both abundance and scarcity.

The Honourable Minister posited that Trinidad and Tobago's position as a net producer and exporter natural gas, providing almost seventy percent of the natural gas needs to the eastern seaboard of the United States (from Jacksonville to Boston), will undergo a period of change in the not so distant future as it will be challenged by the production of shale gas in the united States and possibly nuclear power. Given this

development the Honourable Minister suggested that Trinidad and Tobago will have to develop new markets for its natural gas, a task which it is already exploring.

With this objective at hand, Minister Dookeran underlined that Trinidad and Tobago already has a very strong macroeconomic framework. One strategy that has resulted in this situation, he posited, was the creation of the Heritage and Stabilisation Fund in 1998. He acknowledged that the value of the Trinidad and Tobago fund, which amounts to about 18% of Gross Domestic Product (GDP) is small in comparison to that of developed countries such as Norway which fund is currently at 140% of its GDP. The Honourable Minister then proceeded to elaborate on some of the other strategies that have been adopted by the Government of Trinidad and Tobago and implemented by him as the Honourable Minister of Finance of Trinidad and Tobago to consolidate the country's economic policy.

These first of these recently implemented strategies was to deal with the challenge of the collapse of the largest insurance company of the Region, the failure of which created a huge hole in the Caribbean economy. In providing an idea of the extent that the failure of the company had on Caribbean economies, the Honourable Minister advised that the fall of the company impacted on 17% of the GDP of the Caribbean and 10% of the economy of Trinidad and Tobago, whereas the economic crisis in the United States impacted on 2 - 3% of the GDP of that country. Therefore, the failure of the insurance company resulted in a wider and deeper impact on Caribbean economies than the current global economic crisis did on the economy of the United States. Given this situation, the Government of Trinidad and Tobago felt that it was necessary to step in and protect the domestic depositors and investors, maintain the impact of the profile of the national debt and had to find cash to inject into the economy to make payments to affected depositors and investors.

The second of these strategies was to deal with outstanding wage negotiations with the largest public sector union. This situation was exacerbated due to the fact that over the past 10 years, prior to 2009, there were fiscal surpluses however that situation changed in 2009 when there was a fiscal deficit of 5% of GDP and a projection of the same for 2011. The successful conclusion of these negotiations will again improve the economic outlook of Trinidad and Tobago.

The third strategy was to engineer a shift in priorities from building infrastructure to meeting the basic needs of the people and therefore engineering a shift from scarcity to abundance.

With the implementation of these strategies *en train* Trinidad and Tobago stands in a favourable position and this is supported by the fact that its foreign exchange reserves are at present enough to cover its fiscal deficit for the period of one year. In addition, the implementation of these strategies has already begun to bear fruit and a tangible example is the promotion of Trinidad and Tobago in its last Standard and Poor's Review from an A- rating with a negative outlook to an A- rating with a stable outlook. This upgrade, Minister Dookeran advised, has already had ensuing positive results as it has opened up avenues for financing and allowed the Government the opportunity to go onto the international market to seek financing to ignite the growth process through the Public Sector Investment Programme (PSIP). In the recent past Trinidad and Tobago has not had to seek international financing for its PSIP as it was funded by fiscal surplus.

Minister Dookeran also advised that much of the growth in the economy is dependent on the growth of the energy sector and the political situation in neighbouring Venezuela has worked to the advantage of investments coming into Trinidad and Tobago. In this regard, the Honourable Minister informed the meeting that Trinidad and Tobago has recently attracted investment to the tune of US\$1.9 billion in methanol and developments in methanol, ammonia and urea were taking place in the downstream industry and the manufacture of products. He intimated that further developments in downstream industries were projected to come on stream in the near future and the growth of the energy sector has to be driven by both domestic and international investment.

Minister Dookeran then informed that the Government of Trinidad and Tobago is also pursuing the development of alternative energy and in this regard, new incentives were presented for the development of this sector in the 2010/2011 budget. In addition, new incentives were also presented for the further development of the financial sector. With respect to the latter, the Honourable Minister indicated that there are already large Canadian players in the financial sector in Trinidad and Tobago and cited Royal Bank and Scotia Bank as two such examples, which has redounded to the benefit of both the domestic and the international investors. The Honourable Minister then intimated to the audience that Trinidad and Tobago will be issuing a bond in the international capital market shortly and listed a number of projects that will require funding in infrastructure and public facilities.

The Honourable Minister proceeded to inform that the Government of Trinidad and Tobago has implemented a confidence building strategy in the economy and that was to invite the International Monetary Fund (IMF) to come to Trinidad and Tobago to conduct an assessment of the financial/banking sector. The IMF subsequently declared

a vote of confidence in the banking sector. In its report however, one potential challenge that was identified was whether or not the country's regulatory system in this sector was robust enough. The Honourable Minister declared that the Government of Trinidad and Tobago will ensure that this does not remain a challenge by giving power to its legislative body and ensure that the required laws are passed for the regulation of the banking, insurance and credit union sectors.

In closing the Honorable Minister summarised that Trinidad and Tobago has emerged well from the recent economic crisis and the financial sector in that country remains very strong. However, the rest of the Caribbean is not faring as well. He then reiterated the strategies that the Government of Trinidad and Tobago is focusing on for the continued growth of the economy and development of the country which include *inter alia*: focusing on the basic needs of its nationals (including water, health and education); introducing more opportunities in the construction sector (the IDB has already earmarked 1.3 billion to be spent in the PSIP of Trinidad and Tobago in the next 2 to 3 years and Port of Spain, the capital of Trinidad and Tobago, has been identified as one of the nine cities in Latin American and the Caribbean for the receipt of developmental funding for its upgrade within the IDB Emerging Sustainable Cities Programme, the analytical work for which will be completed in approximately one year) ; and managing the issue of public safety which requires work in the area of law enforcement and the reorganisation of the enforcement agencies. In this regard, the Honourable Minister informed that the Minister of National Security of Trinidad and Tobago will visit Waterloo, an area in Ontario where there is strong evidence of community policing, with the objective of cooperation and collaboration with Canada in the area of law enforcement.

The presentation then closed with a short question and answer session where the Honourable Minister further clarified some aspects of his presentation including measures *en train* for the identification of new LNG markets, new incentives in the energy sector and progress in the valuation of the assets of the failed insurance company which owned a diverse array of assets and companies.

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