

Feature Address by the Honourable Winston Dookeran
At the UTC Investor Conference 2011, Hyatt Regency Trinidad
On Friday 9th September 2011

I would like to thank the Unit Trust Co-operation for inviting me to share some time with you this morning. When I look at the Agenda and the Speakers who have been here and who will be here today, it saddens me that I cannot stay here with you longer. The rigours of Parliamentary life unfortunately do not allow you to determine one's agenda as often as one would like and later this morning there is a session of parliament for which I am expected to attend so I do apologise for not spending more time with you.

I believe this Conference is taking place at a time when the optimism of the early recovery of the world economy has begun to reign and so too are the expectations of us in the Caribbean with respect to that future.

The new vocabulary that has suddenly entered at yet another time speaks to volatility both nationally and internationally. This vocabulary speaks to uncertainty, posterity and contagion. For Trinidad and Tobago, this not a new conjecture. In the past, our economy has been able to weather the storms. Whether those storms were affected by

- international developments or by
- our own structural limitations
- and the risks we face in the very structure of our economy.

Our economy has been resource-based and it is one that has had to face up to external shocks as a result of our exposure in a small open economy in the Caribbean. Our response over the last few decades has served us well. In the first instance we started with the structural adjustment programme in the 1980s to overcome some very trying times resulting in the external risks we faced and from the internal policy challenges that we had to undertake. During the 1990s we were fortunate to be able to shift gear and move into the development of some growth strategies which led us into 15 consecutive years of sustained growth but this was not for all times... the developments in 2008 and 2009 took place globally. We too had to face

up to the challenges which emerged with regard to the financial crisis. So during the first decade of this century we have had to reset our thinking and we were able to research once more the dynamics for resilience in the economy and at the same time look at any leverage that is possible for devising new strategies. As we sit here today, we face the phenomenon that has taken place both in the United States and Europe and elsewhere. We have now entered into an era of credit rating downgrades and whatever that means for financial stability and financial assurance.

We are also at a time when there have been large losses of wealth (in large proportions) due to the volatility and activities of the stock market throughout the world- including our very own. And we have now been exposed through our financial institutions, starting of course with what took place years ago in the sub-prime markets in the world, both in the United States and England. We are faced with the ramifications of a real global re balancing and perhaps what would now turn out to be a new challenge of currency realignment. That is the frame within which we now have to navigate the following:

- Our continued efforts of building resilience and in so doing
- Charting the course of stability and safety for small islands like ours.

We do so in the context our Caribbean ability, which perhaps is facing a more severe challenge in terms of the ability to respond to these new developments.

What does this all mean to our economic balance sheet? Will we be able to increase the number of jobs? Will we be able to open up more health clinics and early childhood centres? Will our anti-poverty and social-entitlement programmes continue? Could we keep our children in school? Or will we continue to provide microfinance to our young entrepreneurial population and particularly to our women? In light of this, how will our economic balance sheet look? Will the balance sheet add up?

I believe I can now reflect a bit on the work of someone who has been invited to join you and I welcome Professor Joseph Stiglitz to Trinidad and Tobago for yet another time. At one time, among many of his assignments, he was a member of the Commission of the Measurement of Economic Performance and Social Progress. This was established by the President of France, Nicholas Sarkozy. I refer to one of Professor Stiglitz's recent publications, and it may not be as recent as he's such a prolific writer, entitled Mismeasuring our lives. And that was the challenge that was exposed even during that period of reassessing the economic _____ against the reality of its objectives. Today I welcome him and I say that his contribution to Trinidad and Tobago at his last visit has not gone unnoticed. He raised the issue of measuring the balance

sheet and therefore in whatever way we respond to this situation we must ensure that the economic balance sheet is really where we are _____. This is a challenge for Trinidad and Tobago that we have to face – with some success in the past – but each time it looks as if it is an uphill struggle.

How do we, Trinidad and Tobago, respond to this new development?

Building Buffers

There are basic lines of attack. The first being...building buffers in the economy so we can withstand the price and commodity shocks and recession possibilities in the world economy. Building buffers therefore has been a pillar in the designing of the fiscal and economic policies of Trinidad and Tobago. Some time ago we started the process but we have intensified those efforts of building them. And as a result of events that took place earlier on, we are able to establish the Heritage and Stabilisation Fund that today accounts for a value of near 20% of GDP. Still in our view, not sufficient, but certainly a very credible start in building the buffers that allow us the ability to withstand future external shocks.

The second relates to getting the right balance between fiscal deficits and debt profiling. We are all aware of the challenges that countries –even like the United States – had to face as a result of not having these measures in place. This applies not only from a technical point of view but also from a point of view of the politics of a country where the choices sometime must start. The entitlements on taxes interact with each other as policy options–none of which can really be affected. We too, must maintain that right balance between our fiscal deficits and our debt profile. And in that respect, within the last year we have been able to achieve reasonable credibility in this area of public management. Little Trinidad and Tobago was able to that by maintaining solid credit ratings not only from the international credit rating agencies (in an era of downgrades where many large, solid countries were downgraded) but from our own local Caribbean credit rating agency as well.

So our first response to the demands required to reduce risk was to build those buffers and to build them with a sense of resilience and stability. Stability is also something that we're concerned about in order to build that sense of confidence in our international institution framework for banking. We too have had our problems. We too have been faced with large, conglomerate insurance companies facing the brink of collapse. We too have to face up to the reality of dealing with the multi-faceted aspects of the resuscitation of such financial institutions that not only affected a large proportion of T&T's GDP but an even larger proportion of the GDP of the Caribbean region. We have been able to chart a very steady

course - a course that sometimes generates more noise than is warranted in the population. A steady course of developing a solution to deal with the shock we face in Trinidad and Tobago.

We have developed a new insurance act to prevent this from happening in the future. An Act that will come into play and remove the loopholes that existed before. Not only have Insurance Companies been placed under the ambit of the Central Bank but we will bring in legislation very shortly to deal with the regulation of the credit union under the ambit of the Central Bank as well. But in addition to that, we are aware that even the regulatory bodies are required to have oversight provisions and we are therefore exploring ways and means to provide these provisions via independent risk assessment committees. This is a proposal I made in the last budget and one we continue to tackle to ensure a greater sense of comfort in our financial system. I am pleased to say that after experiencing these risks within the last few years that we feel comfortable that our financial institutions in Trinidad and Tobago have weathered the storm and remain a solid reflection of the management of our public financial status.

Discovery of New Space

The third area in which we attempted to respond to the crisis is what I call the discovery of new space. New space is important especially in economies like ours that have been built on very narrow economic space. Narrow not only in terms of sectorial narrowness but also in the physical sense of the words. I therefore challenge you to discover new space for the operation of the economy. And to do that, there are two specific proposals that have been announced and are being developed:

1. The first is the opening up of the stock market with a new public offerings programme to encourage state enterprises to list their shares on the stock market as it applies to future expansion. To do that we will achieve three objectives.
 - a. We will be able to give the necessary support for the development of the stock market (which is understood to be too limited when it comes to our environment);
 - b. It will also allow for public ownership of part of the State Resources of the country and at the same time;
 - c. It will create opportunities for investment among the population. It is now even more necessary to create local investment opportunities because of what is likely to take place investing elsewhere.
2. The second is the redesign of our industrial estates. Investment here has been constricted by state ownership and therefore a new model is being looked at to bring in the private sector as advocates for new investment. Not simply as recipients of government's largesse but as promoters of investment in the global sense. Here, we hope the private sector will be able to use their creativity and innovation to generate foreign

direct investment. Foreign investment is not only the responsibility of state enterprise policy but it is also the responsibility of the private sector.

Those are some of the broad areas in which I believe this conference will target. I would also like to say that the Unit Trust Corporation has proven themselves in the face of all our recent challenges. In the case of the Unit Trust Corporation (UTC) they have carefully designed an adjustment strategy to meet some of the challenges that came about as a result of the financial tremors that took place in Trinidad and Tobago and they have also been able to design a resilient strategy for financial management. In this world of continuous risk, I have seen its success and particularly over the past few months we have seen the beginnings of the results of UTC's two strategic interventions. In so doing, they have played an important role in mobilising the savings of our nation but perhaps more important that that is they have chartered a course for a wider asset ownership among the citizens of this country. Consistent with the programme I have identified earlier on with respect to the public offerings of State Enterprises. Thirdly, they have been able to allow our citizens new investment opportunities through which we will best safeguard our income. In that sense, there is a shift in paradigm in terms of the role of the state. For now, the onus of responsibility for maintaining and keeping income levels high will fall squarely on the citizens themselves. The catalytic role of the state will continue and will deepen _____. The UTC has already started its already enviable record in its many years of existence. They have established their own credibility in the world of Finance here in Trinidad and Tobago and beyond.

So I take this opportunity to congratulate the UTC for being able to adjust, for their resilience – a hallmark in T&T's development. It is in that context I believe that the very theme of the Conference which is Resetting your investment Strategy for Growth could not have been more appropriate. It is well aligned with the nations' economic strategy and I don't think there's a better place or time to start. To those of you who have come to this conference from different parts of the globe I say a special welcome to you. You have come to a country which has grown accustomed to dealing with external shocks – a country that has developed a sense of resilience. In the final analysis the resilience does not lie in our public policy but it lies in the creativity and innovativeness of our people. I welcome all of you to this conference. I look forward to the outcome of this as we such for a better place in tomorrow's world together. Thank you.