

**Keynote Address  
Trinidad and Tobago International Financial Centre Stakeholders Consultation**

**by  
The Minister of Finance Honourable Winston Dookeran  
held at  
The Hyatt Conference Centre Jade Room  
on  
Tuesday, November 08, 2011**

Good morning to everyone. It's a pleasure to be here. Mr. Franco Siu Chong, our Chairman of the Board, distinguished panelists who are here, our Ambassador, Mervyn Assam and other distinguished members of the audience.

Sometime ago I was invited to participate in a conference in London about the issue of foreign direct investment, out of which came a book which I happened to have located, the title of which is *No Island is an Island*. I thought it is instructive that that title really reflects some of the underlying challenges that we are facing in our country as we embark on an aggressive programme to ensuring that we can bring to these shores additional investment that would join with our local investors in order to assist in the development of our country.

As you are well aware, the Government has undertaken a number of initiatives in order to open the door for such investment to take place and the most recent has been the visit by the Prime Minister in which she addressed the Commonwealth Business Council among other institutions, opening the door for business in Trinidad and Tobago, but we must now go beyond that and we must be able to find the right strategy for encouraging foreign direct investment in our country.

There is no doubt that foreign direct investment is an important and significant component of capital inflows. It supplements the inflows that we may get from our net export earnings. It adds to the inflow that we may get from our foreign borrowing and all three components reflect the capital inflows that are necessary in order that development can proceed and economic activity can increase, as Franco said. It is therefore one of the three pillars upon which capital inflows will come to our country, but in so doing we must get down to the strategies for ensuring that that approach can be realizable.

In order to be able to put together a few thoughts this morning in a short period of time, I began to reflect on what are the opportunities and what are the types of resistance that we face in this challenge ahead of us. I think the Minister of Trade and Industry maybe you could join us here? We are waiting on you and it prevents me from having to talk for 30 minutes.

As I said, we are attempting to look at some of the challenges ahead and in the few moments I have with you here this morning I will attempt to try and put the framework for such challenges to be accepted by us. There is an old saying that one of the major issues facing us is that we have old rules but we have new realities, and therefore we must get into the heart of that argument. What are the old rules and what are the new realities? It is in that context I want to say a few words here this morning.

In the first instance, there are old rules for competition among business sectors,

both here, abroad and in the region but there is a new reality for competitiveness and one of our major synergies is to ensure that our rules for competition and our challenge for competitiveness do synchronize with each other. Sometimes they do not and sometimes they work in opposition to each other.

Then in the context of the framework in which we make decisions, there is no question that we have major challenges ahead and there are rules for making such decisions, especially as they apply to private foreign investment. Those rules are exercised in the context of an atmosphere of control because that is the inheritance from which we have emerged. But what we need really is a practice of performance and therefore we must, in the discharge of our duty, find the right mix between controls that are necessary and the performance that is required.

Thirdly, there are rules that tend to encourage our economy to remain in a narrow economic space and it is in that context we have to define what is the economic space that we are searching for. We must therefore move from the narrow economic space into a wider economic space; wider economic space not only in terms of our geography within the country but wider economic space in terms of the sectors that are active in this country; and wider economic space in terms of external markets and external arrangements.

The rules that we have somehow work against these new realities and therefore we must start by reassessing how we change the old rules to make it relevant to the new realities. What therefore are the realities that we must search for as we begin this journey for yet another time? Clearly our economy, by any standard, is a small economy. The gross domestic product of Trinidad and Tobago is in the order of US \$25 billion. Our goal and our reality are that we must increase that and increase that in a short space of time, for, in the final analysis, it is that which will provide all the public goods that our people demand.

Our reality is that our system for decision making is somehow anchored in inertia and we must now find ways and means to remove that and to ensure that the inertia of our decision making no longer operates as a restraint. Our reality is that in the final analysis foreign direct investment will come if the economy is profitable and therefore we must always have a profitable economy and by that I do not necessarily mean only firms that are profitable. We must have an economy that can be described as profitable; and our reality is that in the current climate in which the world is likely to embark on a slower growth, we will be faced with elements of protectionism and currency realignment and therefore we must mitigate in that kind of environment to ensure that we can indeed travel the road of encouraging foreign investment.

Our reality is that our foreign investment has been largely located in the energy sector, and while there is need to expand investment in that area and to ensure that even the energy sector is further diversified, there is also need to ensure that the non-energy sector becomes an important focus of that investment. That is the reality of the challenge before us. What are some of the resistance factors that we face as we embark upon taking up that challenge?

There used to be a time that the foreign investment environment used to be measured against the issues of tax regimes, it used to be measured against the practice of protecting foreign investors in terms of ensuring that they can remit their dividends, that we can protect foreign investors against the threat of nationalization, but somehow that is

the old arrangement. They are taken for granted in today's world and therefore we need not continue to pursue those efforts in the way we have done in the past. We must now move to what are the real resistance to foreign direct investment.

One key resistance is a time delay in the processing of investments and that is an issue easily understood but not so easy to redesign. And too, there is need for us as a country to have clarity of thought and expression and mandates with respect to the multitude of institutions that are engaged in the process of foreign direct investment. It is an issue that the Trinidad and Tobago International Financial Institution has begun to grapple with.

For some of these institutions have grown over time in response to other mandates but now we must have a collective approach to handling that, be it the Export Import Bank of Trinidad and Tobago whose job is to find it and make it possible for exporters to have an advantage or be it in the free trade zone area which provides certain incentives for exportation as well, or be it in Eteck which has responsibility for generating new investment and with specific reference to the new sectors of the economy, or be it perhaps in issues that are affecting the Tourism Development Authority or indeed the Foreign Investment Act as it applies to Tobago and the responsibility of the Tobago House of Assembly in working together to encourage an environment that is supportive, we recognize that these multitude of institutions must be brought together in a coherent whole, not as a single institution by any means but with a collective mandate to improve and increase foreign investment.

It is in that context therefore that the target we set ourselves during the year 2012 is to have an investment inflow in Trinidad and Tobago, both foreign and domestic, and I said this in my budget statement, of approximately TT \$25 billion for 2012. That represents roughly 18 per cent of our GDP. In my view, that is a minimum position and that needs to be increased substantially as we embark on improving and growing our economy. The challenge therefore is all these institutions that I have referred to must indeed come together in a collective approach to improve that level of investment.

Much of those investments has come from the energy sector, and naturally so, but the time has come for us to find ways and means to not go into downstream energy but to go into derivative energy, in other words, going beyond the development of the downstream sector, which has been significant in our country, to ensuring that we have new products emerging out of the feedstock of those downstream activities, hence emphasis on the issue of plastics and matters of that nature.

But could we get a different result if the rules remain the same and realities become different? And therefore we must search inside, and I hope during the course of today's deliberations you shall search to see what are the strategic interventions that must be made to change the rules of the game so that the possibility of a different outcome could be seen as realizable. To me that is the challenge of your seminar here today. But I will just identify five areas that have come to my mind in order to look at changing the rules of the game.

Being very practical, for indeed this is not matters that can be addressed in the classrooms of the university, they must be addressed in the board rooms of Trinidad and Tobago, and, in that sense, the issue of having an institution to promote foreign investment may need to be looked at again, for no longer must we promote Trinidad and Tobago as a foreign investment destination but we must make it happen and to make it

happen you need a different set of rules.

I have argued, and I have indicated this in the 2011 budget statement, that our industrial estates have been seen essentially as places where you manage real estate. That really is not the purpose of the industrial estates. Managing real estate is really the basic requirement of the facility but the real purpose of an industrial estate is to promote, encourage and bring to the shores investment, be it local investment or foreign investment.

The Dominican Republic has done this with great success and starting from an environment in which industrial estates were limited, they introduced a new dynamism in the private sector involvement in industrial estates, both in terms of ownership management and also in terms of mandate. The growth of the industrial estate in that country grew significantly.

In other words, foreign investment must now be given a wider frame and industrial estates must now be seen as institutions that would in fact bring home investment. It is not there to manage real estate, it is there to create investment. New rules must be put into place to ensure that that is so and our recent decision to place on the stock market the Pt. Lisas Industrial Estate for a further issue of funds is but a step in that direction, but there is much more to be done and therefore we must now view our industrial estates all as institutions for the promotion of investment in general. It calls for a different approach, a different mandate, a different set of rules.

The other area that I am sure the Trinidad and Tobago International Financial Centre has already embarked upon is to look at the creation of new sectors in the economy, sectors that are not currently active but sectors in which there are some nascent capability, sectors like the maritime industry, sectors like the renewable energy, sectors like broadband initiatives and ICT development, sectors that are already being diversified in the financial sector.

There must therefore be a deliberate strategy to focus on these new sectors and perhaps other sectors, and this is a challenge not only for public policy but is clearly a challenge for the private enterprise; for it is the responsibility and role of the private enterprise to identify the winners in the commercial world. It is the responsibility of the public policy to create the environment so that those winners can move ahead in the game. Identification, therefore, of those sectors requires a change in the rules of the game with respect to the operations of our Chambers of Commerce, with respect to our Manufacturers Association, with respect to the multitude of institutions promoting business development.

In the past, it was a promotion of business development with a view of securing from the public sector what is required now is to create new space and therefore those very institutions must now change the rules, changing the rules require them to change their mandate, require them to change their operations, require them to embrace what we need to do in our country.

With respect to the financial sector, there is still much room to be explored. We recognize that the International Financial Centre as an entity may have lost its relevance, if it ever had one, but the fact that there can be a magnet for encouraging financial-type activities to be located not only physically but virtually in Trinidad and Tobago as the gateway to the southern Caribbean and indeed to Latin America has great potential.

Already Trinidad and Tobago is seen as a seat for financial transactions that

service a large part of the Caribbean and already many of our banking institutions have established presences in all parts of the region. But now there is need to build upon that and to explore the possibilities of widening our involvement to include the mineral economies of the Caribbean, for they are involved in creating new opportunities for their own population and a new synergy must now be developed in the financial sector. It is a challenge and the professionals would be best engaged in trying to explore how to make it happen.

We have spent a lot of time and effort in attempting to make it easy for business to operate. Has it worked? Is it working? These are the questions that we must ask. Is a single electronic window so often promoted as a major instrument for improving documentation and reducing the cost of transactions really going to work? And is the ASCYUDA system which has been on the agenda for umpteen years, will it ever happen? We cannot any more accept that these things will one day happen. We must make them happen. It is in that context there is need for urgency and speed in bringing these initiatives together and to a point where they can actually add value to foreign direct investment or indeed investment as a whole.

It is in this context, therefore, as we try to change the rules, that we must now look very carefully at mitigating the risk that we face in the international commercial environment. No doubt we enter now in an international financial environment that adds additional issues to be resolved and therefore the idea of managing our risk, identifying our risk and forecasting our risk are important professional enquiries.

I do not think small countries or large countries or any country for that matter can get away without some idea of forecasting what the risks ahead of us are and to take pre-emptive action by building the necessary buffers that are required to be able to deal with the external shocks.

In this respect the public sector has a major responsibility and that is why I, as Minister of Finance, have been promoting in the international financial forum the question of looking at buffers for small economies, suggesting that what exists is not adequate and although there has been substantial improvement in new windows that have been developed for precautionary lending and transaction lending in difficult times, they certainly are not sufficient. As we look at what is happening in the rest of the Caribbean, we feel the need for such buffers to be stronger.

We have embarked on a diplomatic initiative to create an international committee to look closely at designing new buffers for small economies in general which would affect positively the Caribbean region. We do so with the full knowledge that here in Trinidad and Tobago we are very jealous of guarding the buffers that do exist. What are the buffers that do exist in Trinidad and Tobago?

We have inherited a tradition of ensuring that we put aside some of our savings when there were savings for the building of a Heritage and Stabilization Fund. That is a tradition we have kept and we have built upon, that today our Heritage and Stabilization Fund has reached to the level of near US \$4 billion, still not large enough to protect us against major external shocks but certainly a step in the right direction. During the course of last year, I resisted all attempts by those in the community who felt that I should have gone into the Stabilization Fund to pay them their obligations because I knew short-term gains will mean long-term losses.

We have also been fortunate, by virtue of the investments in the energy sector, to

have built up a significant support base in our foreign reserves and to today it amounts to near to 12 to 13 months of cover. Those are the buffers that we have tried to maintain but those buffers could evaporate if we do not have an inflow of capital, adequate levels that as of now it remains a fundamental buffer to external shocks.

The third area in which we have been very careful is ensuring that our macro policy framework remains sustainable and that is the management of our fiscal deficit and our debt challenges. We see what is happening in Europe now. We see now that what was fundamentally economic management issues have spilled over into the streets of Europe and are now articulating themselves in the political realm.

As I speak here today, important decisions will be made in the Italian Parliament. We cannot not be touched by these developments but we can take whatever measures we can in order to build around us the buffers of which I spoke. Here too there is need for new financial engineering. Here too there is need to ensure that there are buffers that are generated in the area of protecting our investment and our exports.

There is much work to be done. The rules of the game must now change. But we can change our institutions, we can change our policies, we can change our mandate, we can change our roles, but in the final analysis it is our people who will make the difference, and that is where we must also focus. For leadership in these areas need itself to be changed.

In terms of skill sets, leaders in the public sector must no longer be comforted by the rules of yesterday. They must now embrace the required rules of the new realities. To some extent, this is one of the major types of resistance that we are having as a nation for we have come from a period in which we have inherited a system of control as opposed to a requirement for performance. Sometimes we search for control when it puts at risk performance. It is a major issue.

It is an issue that the Government has embarked upon by getting the technical work being done and very recently we have assigned some new initiatives with the support of technical support of the World Bank in order to deal with a new method of budgeting in this country, what is referred to as results-based budgeting. We have looked and embraced the World Bank in developing a sustainable pension programme, for what we are saying is that the rules must now change.

The rules that have served us well in the past could no longer be relied upon and therefore leadership must emerge, leadership in the public sector that must distinguish between control and management. Those are some of the challenges that we are facing and I hope that during the course of your seminar this morning I am sure you would go down into the nuts and bolts as you dig into development to see what are the real changes that must be made and the new initiatives that must be embarked upon, for I assure you that we cannot in this circumstance expect the old rules to produce different results.

I end these remarks by putting these matters on the agenda, suggesting to you that perhaps this collaborative effort could be but one of many such efforts but I want to also guard against the possibility of prolonged conversation, guard against the possibility of creating a vision that is really an excuse for inaction.

The time has come that we as a country must stand up and convert all these ideas into practical steps for change and that is how we can embark on encouraging foreign direct investment, encouraging investment and increasing the level of investment from the current level of 18 per cent of our GDP to a much higher and better level. It is only

through that that we can generate the opportunities for distribution and for providing what is required for our people.

The job ahead therefore in this particular arena is huge but it is a responsibility that the international financial centre has begun to embark upon. After a short hiatus, they have begun to put their heels down and to try and chart a way forward in a very practical way, working together with the different partners be it the private sector, the public sector, wherever it may be, and I want to wish them the best in embarking on this road and embarking on it with a sense of urgency and with a sense of commitment and determination.

I hope that today's seminar will be one-step in that direction and soon we will see how to make it happen. Thank you.