

**FEATURE ADDRESS BY
SENATOR THE HON. CONRAD ENILL, MINISTER IN THE MINISTRY OF FINANCE
AT THE ANNUAL AWARDS CEREMONY OF THE
SOUTH TRINIDAD CHAMBER OF INDUSTRY AND COMMERCE
FRIDAY JUNE 10 2005, TRINIDAD HILTON**

Mr. Chairman, distinguished guests, awardees.

Due to pressing commitments, the Hon. Patrick Manning, Prime Minister and Minister of Finance is regrettably unable to be here this evening to address you on this auspicious occasion – *the Annual Awards Function of the South Trinidad Chamber of Industry and Commerce*. As a result, the responsibility and the honour to address you have fallen on me and I do beg your indulgence.

Mr. Chairman, awards functions such as these provide us with rare opportunities to acknowledge publicly those in our midst who have made significant contributions in various fields and who have either directly or indirectly contributed to the enhancement and enrichment of the lives of the people of Trinidad and Tobago. In addition, Mr. Chairman, awards functions allow us to re-affirm our commitment to our respective goals and

objectives and to re-state our allegiance to those goals and objectives, to our stakeholders and to the national community.

Mr. Chairman, I have long appreciated the importance of institutions such as yours to the business community and, by extension, to the rest of the national economy. For that matter, it is my firm belief that your institution continues to provide an important nexus between Government and the private sector through which Government is made constantly aware of the concerns of the local private sector and through which local businesses are continually apprised of the implications of Government policy on the way they conduct business. Mr. Chairman, your institution has also been one of the first to highlight explicitly and to promote robustly, the significance of *good corporate social responsibility* among our local business community and to advocate the importance of ethics and core values to the continued growth of business. In my view, Mr. Chairman, your institution has contributed greatly to the development of the domestic private sector by providing assistance through a myriad of support services when and where necessary and has played a significant role in engendering an entrepreneurial culture among the local business class.

Mr. Chairman, I endorse the stated objective of the South Trinidad Chamber of Industry and Commerce, “*Ensuring that our rich hydro-carbon resources are transformed through business into sustainable livelihoods for the citizens of Trinidad and Tobago and the wider region*”, is as appropriate as it is well advised. Your implied mandate is indeed unique in light of your close affiliation with the main engine of growth of this economy - the energy sector. Furthermore, your mandate is not inconsistent with Government’s strategy to maximise the use of the proceeds from the energy sector to transform Trinidad and Tobago into a modern and sustainable economy long after our present resources have been exhausted.

Mr. Chairman, this Government is committed to ensuring that, as this country’s petroleum and gas sectors continue to play an important role in our economy, the proceeds of our non-renewable natural resources are used to promote as far as reasonably possible, the growth and development of the entire country for the benefit of the present and future generations as is consistent with our Vision 2020 objective.

Mr. Chairman, we are all aware of the increasing importance of the gas sector *vis-à-vis* the traditional oil sector to the local economy, so much

so, that within recent times, Trinidad and Tobago has come to be known primarily as a gas-based economy. However, the returns to Government from the gas sector have not been proportional to activity within that sector since the sale of natural gas accounts for a proportionately lower percentage of petroleum tax receipts than crude oil. Accordingly, in **June 2004**, Government appointed a Technical Team to address a revision of this country's legislation as it pertains to petroleum taxation given our objective to obtain a fair share of economic rent from the exploitation of our natural gas resources. It is anticipated that the resultant revised legislative framework will include a separate taxation regime for both oil and gas - a regime which will be credible, predictable and easy to administer.

Mr. Chairman, taxation reform is not only being pursued as it relates to the energy sector but also as it relates to the non-energy sector. We wish to simplify the structure, remove tax loopholes, increase compliance and modernise the system. Accordingly, our tax reform initiative will be comprehensive and will ensure the continued sustainability of investment flows and the promotion of an investment-friendly environment.

Mr. Chairman, in keeping with its commitment to maximise the proceeds from this country's natural resources, Government is also determined to avoid the pitfalls of many other resource-rich countries, which though abundant in natural resources, continue to be characterised by weak economic performance and persistent poverty. To that end, Government has taken steps to ensure that sufficient linkages are forged between the energy sector and the rest of the economy. Already the increased monetization of natural gas reserves has led to the establishment of a number of gas-based plants engaged in a host of activities including the production of ammonia and methanol. By the end of **2004**, there were **twenty-five (25)** such gas-based facilities with approximately **five (5)** more are scheduled to be commissioned over the period **2005-2008**.

Mr. Chairman, I am fully aware of the efforts of the South Trinidad Chamber of Industry and Commerce in ensuring that local energy-based businesses are allowed the opportunity to participate effectively in the value chain and to benefit from the transference of knowledge and expertise. In this regard, I wish to commend both the South Trinidad Chamber of Industry and Commerce and those companies who have made concerted attempts to formalise local content participation by making it part of their organisational

strategies. I wish to urge you to continue to engage in constant and open dialogue with local suppliers and contractors and thereby assist in the enhancement of local expertise.

Mr. Chairman, as you may be aware, Government is ensuring that the proceeds from the energy sector are effectively harnessed for the continued growth and modernisation of the economy. We are now taking steps to retire the Interim Revenue Stabilisation Fund which was put in place in **2000** and to formalize a new fund - *the Heritage and Stabilisation Fund*. Mr. Chairman, as at **end-September 2004**, resources in the Interim Revenue Stabilisation Fund stood at approximately **US\$441.0 million** and, on the basis of current estimates for the fiscal year ending **September 30 2005**, interest and earnings would amount to approximately **US\$688.0 million**.

Mr. Chairman, the enactment of legislation for the establishment of the Heritage and Stabilisation Fund will provide Government with an effective vehicle through which it can ensure:

- (i) the sustainability and continuity of fiscal operations and, moreover, the reduced vulnerability of fiscal operations to changes in international energy prices;
- (ii) the strengthening of Government's diversification efforts through the financing of certain strategic or tactical investments *in addition* to its Public Sector Investment Programme; and
- (iii) that future generations benefit from the exploitation of the country's finite resources through the establishment of a Heritage Account.

Mr. Chairman, transparency and accountability will govern the administration of the Heritage and Stabilisation Fund. Best practice design principles will be followed in the operation of the Fund, with its assets being prudently managed by the Central Bank of Trinidad and Tobago. The Fund would be integrated coherently into the annual budget process by aligning government expenditure with a medium-term price for oil and gas.

Mr. Chairman, it is anticipated that the Heritage and Stabilisation Fund would allow us to build on our past achievements and to consolidate our present growth as well as to succeed in the transformation and modernisation of our economy into one that is self-sustainable, dynamic, flexible and resilient to the vagaries of external shocks.

Mr. Chairman, the economic performance of this country over the past decade has been enviable to say the least. Economic expansion continues to be driven by activity in the energy sector as well as the continued application of prudent macroeconomic and structural policies instituted in the early **1990s**. As a result, buoyant economic conditions have been reflected in positive internal and external macroeconomic indicators. In **2004** the economy expanded by **6.2 percent** bringing the average annual rate of economic expansion to **4.8 percent** since **1994**. Moreover, growth has taken place within the context of stable economic conditions – low core inflation, increased employment and a stable and competitive exchange rate.

Mr. Chairman, this country's external position also continues to reflect its increasing overall viability. Trinidad and Tobago continues to be a leader in trade among the rest of the region with exports to CARICOM

partners accounting for approximately **20.0 percent** of total exports by the end of **2003**. Our external position continues to be propelled by our trade in goods and services as well as continued capital expansion as evidenced by both external current and capital account surpluses. Accordingly, our favourable external performance has led to the accumulation of international reserves with gross official reserves amounting to **US\$3,288.0 million** or approximately **eight (8)** months' of imports at the **end of April 2005**.

Mr. Chairman, sound fiscal policy and prudent management of public debt along with overall strong economic fundamentals led to a ratings upgrade by Standard and Poor's in **June 2004** on long-term foreign currency sovereign credit from **BBB** to **BBB+** and its long-term local currency sovereign rating from **A-** to **A**. In addition, the rating agency revised its outlook for the country from "stable" to "positive", suggesting the potential for a further upgrade.

Mr. Chairman, economic growth continues to be facilitated by a dynamic and increasingly modern financial sector as well as sound monetary policy. Trinidad and Tobago is now considered the financial hub of the region and has been the preferred location for the sourcing of capital by

regional corporations and governments who made bond placements of about US\$400Mn in 2004. Government has also been active in spearheading certain initiatives which will serve to further strengthen the financial sector such as:

- (i) the movement towards an integrated approach to the supervision of financial institutions;
- (ii) the establishment of an auction system for Government bonds which will lead to the further development of the secondary market; and
- (iii) increased emphasis on improved governance and the encouragement of best practice guidelines.

Mr. Chairman, in the final analysis, the strengthened institutions would lead to a level of institutional efficiency which will further improve the resilience of the domestic economy in the face of internal and external shocks.

Mr. Chairman, by all indications, Trinidad and Tobago is set firmly on a path to sustainable growth and development, a path that is also being facilitated by the work of institutions such as yours as well as the collective efforts of your members themselves. I wish to publicly thank you for partnering with the Government of Trinidad and Tobago over the years in the growth and development of this country. I am particularly reassured by your commitment to the shared goals of economic diversification and a holistic approach to development as is evident in the nature of the awards to be distributed this evening in the areas of:

- upstream sector achievement;
- excellence in manufacturing;
- energy sector services achievement;
- excellence in service;
- technology and e-commerce;
- entrepreneurship, and
- enhancement and enrichment of the South community.

I take this opportunity to congratulate in particular the awardees at this evening's ceremony not only for their achievements in their respective

fields, but more importantly, for exemplifying the ideals to which we all adhere and for being role models whom we can all seek to emulate.

Mr. Chairman, ladies and gentlemen, I thank you.