



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF FINANCE

OPENING REMARKS FOR THE HONOURABLE MINISTER OF FINANCE

**Event for the Presentation of CAF's Flagship Economy and Development
Report (RED 2021)**

NOVEMBER 15 2022

“We are only as strong as we are united, as weak as we are divided.” –

J.K. Rowling

We must learn to live together as brothers or perish together as fools. –

Martin Luther King, Jr.

It's my pleasure to extend opening remarks on this auspicious occasion, the launch of the CAF Regional Office for the Caribbean, here in our capital, Port-of-Spain. Firstly, let me extend a warm welcome to Mr. Sergio Diaz-Granados, the Executive President of CAF, on his first visit to Trinidad and Tobago. On behalf of the Government of the Republic of Trinidad and Tobago, allow me to express our gratitude for the relationship that we have built with CAF and look forward to its continued support in our national development agenda. I believe your visit here will be meaningful and useful to all of us.

To my colleague in CARICOM, the **Honourable Ryan Straughn**, Minister in the Ministry of Finance, Barbados; **His Excellency Rodolfo Sabonge**, Secretary-General of the Association of Caribbean States; Dr. Alvin Hilaire, Governor of the Central Bank of Trinidad and Tobago (CBTT); Dr. Jan Yves Remy, Director Shridath Ramphal Centre for International Trade, Law, Policy and Services; Mr. Christian Asinelli, Mrs. Stacy Richards-Kennedy and the entire CAF Team; and all other protocols observed, pleasant good afternoon to you all.

In a world where we continue to expand into a connected global economic space, impacted by each other's actions and becoming more vulnerable to external shocks, the theme *Pathways for Integration: Trade Facilitation, Infrastructure and Global Value Chains* of this year's Flagship Economy and Development Report (RED 2021) is very appropriate.

Trade plays several key roles in a country's economic activity. It diversifies and broadens access to global goods and services, accelerates dissemination of knowledge and allows countries to build resilience and capacity to deal with external shocks, and to speed up their economic recovery following such shocks.

Caribbean countries are characteristically small, and thus more vulnerable to external shocks and in several cases, have undiversified economic structures. As such, it is virtually impossible for us to produce and provide all of the goods and services we need; as well as acquire all the financial resources necessary to sustain our economies solely through the local sale of goods and services.

Therefore, trade is and will continue to be a vital tool to the survival of our economies. It is this premise which guides the building of trade relations in the Caribbean Community and Common Market (CARICOM). Through the awareness of the need to diversify the income portfolio of Caribbean economies, CARICOM has negotiated several reciprocal trade

agreements, in which Caribbean countries have access to markets and goods from other countries at preferential rates and through the removal of several trade barriers. CARICOM currently has free trade agreements with the Dominican Republic and Costa Rica, and a trade, economic and technical cooperation agreement with Colombia. Through these various agreements, CARICOM countries such as Trinidad and Tobago, can benefit from tariff reductions and the elimination of non-tariff barriers, including duty-free access on specific products, or phased reduction of duties on selected goods, and elimination at the border of all taxes on goods imported or exported.

Further, trade with other economies expands our access to knowledge.

The scale at which this knowledge is transferred currently though is arguable. At a micro level, when consumers import products from producers and innovators across the globe, there is a direct transfer of foreign product knowledge. Several Caribbean countries are however small-island, developing states whose citizenry cannot afford to purchase imported goods on a large scale. As such, there remains an inequality in the access to and transfer of this knowledge about foreign products.

Even Trinidad and Tobago, though considered a high-income developing country by the World Bank Group, has only been able to benefit from

knowledge and technology transfer at a moderate pace within the current trade environment.

Similarly, trade facilitation can assist in our preparation for shocks and can speed up our economic recovery following such shocks. Through trade, developing countries are able to access expert intelligence from professionals across various fields to assist in awareness of our vulnerabilities, development of methods to protect against these vulnerabilities and recover from negative impacts exacerbated by these vulnerabilities while facilitating access to international markets. The COVID-19 pandemic is a perfect example of the need for greater trade facilitation.

Throughout 2020 and 2021, as COVID-19 attacked the world, Trinidad and Tobago experienced low trade performance. In 2020, the year in which COVID-19 was declared a pandemic, the value of Trinidad and Tobago's exports significantly declined, moving from TT\$48.6 Billion (US\$7.1 Billion) million in 2019 to TT\$37.3 Billion (US\$5.5 Billion) in 2020; a reduction of 23 percent. This trend, however, was completely reversed in 2022, with exports projected to exceed TT\$64 Billion (US\$9.4 Billion), or over 70%, since the advent of COVID-19, as a result of the demand created by the conjoined effect of the global economic recovery and the Ukraine war.

However, as a result of lockdowns and public health restrictions during 2020 and 2021, arising from COVID-19, our earning potential was severely weakened, as we were unable to engage in significant and meaningful economic activity during this period, largely due the global disruption in supply chains along with a collapse in global oil and gas prices. This not only highlights our interconnectivity and how shocks impact us, but further alerts to the susceptibilities of Caribbean countries and our dependence on foreign countries.

In 2020 and 2021, we relied on countries in Europe and Asia, along with the US, which had the readily available expert intelligence to produce vaccines and conduct research on a large scale to protect against the virus. Greater trade facilitation would have allowed us to engage in a more equitable trade in medical and disaster-related services to equip our population and assist our medical professionals with the necessary skills and knowledge to better prepare and respond to such shocks.

As an aside, however, it is noteworthy that although we had not had the experience of such a virulent global pandemic before, we in Trinidad and Tobago were able to rise to challenge to respond to COVID-19 effectively, both from a health perspective and from an economic perspective.

Though Trinidad and Tobago's trade performance has improved, moving from a visible trade balance of TT\$12.5 Billion (US\$1.84 Billion) in 2017

to TT\$19.3 Billion (US\$2.84 Billion) in 2021. With the escalation in commodity prices in 2022, the latest data shows a projected increase in our balance of trade in 2022 to TT\$36 Billion (US\$5.3 Billion), an increase of 86%.

However, the results from trade agreements have been modest, as highlighted in the RED 2021. Over the period 2017 to 2021, for example, Trinidad and Tobago's trade balance with the Dominican Republic decreased by 44 percent, moving from US\$71.8 million in 2017 to US\$40.0 million in 2021. Similarly, the country's trade balance with Costa Rica, over the same period, maintained a negative trade balance with exports increasing marginally by 1.8 percent percent from approximately US\$10.1 million in 2017 to US\$10.2 million in 2021. As previously mentioned, these are the two countries with which CARICOM has free trade agreements.

It is in this light that increasing trade facilitation is critical to the region. According to the World Trade Organization (WTO), trade facilitation refers to the simplification, modernization and harmonization of export and import processes. This is an important undertaking as it allows both governments and business communities to benefit in the sale and purchase of goods and services across various markets.

The advantages of trade facilitation experienced by the business community are vast and trickle down to the citizenry in several, if not all cases. Through trade facilitation, the business community profits from lower trade related costs and reduced delays in the delivery of their raw materials, which allows them to better serve their consumers by providing goods on time and at a more economical cost. There is also enhanced competitiveness which forces businesses to maintain and provide goods of the highest quality. This benefits the citizenry as high-quality goods are made available to consumers at close to international market prices.

Moreover, simplified and modernized trade processes give room for governments to enhance controls, not in terms of imposing trade restrictions but rather through greater awareness on the items transmitted to and through their countries. This strengthens national security systems of countries; which is especially important in small island states, such as those of the Caribbean, which have experienced rising crime rates due to cracks in outdated customs processes and systems. To add, countries whose trade processes allow for swift and feasible import and export of production inputs and finished goods, respectively, are more attractive locations for foreign firms seeking to invest; thereby increasing foreign exchange inflows, which is an impetus to export growth in a country. This also further improves economic development in countries as local

consumers can be offered an array of high quality, reasonably priced goods and services.

Taking this into account, Trinidad and Tobago has developed several initiatives to improve its trade environment. Most recently, the country launched its Trinidad and Tobago Trade and Business Information Portal (TBIP) and Fit 4 Europe II Initiatives.

The TBIP, a fundamental component of TTBizLink, which is the first Single Electronic Window (SEW) in the Caribbean, provides access to multiple tools and resources under the categories of Trade, Business, and Investment. This portal supplies parties interested with detailed step-by-step guidance on how to import and export goods, and information on regulatory requirements for starting or expanding a business; as well those necessary when undertaking an investment.

Through the Ministry of Trade and Industry (MTI) along with the national export promotion agency, exporTT, the country unveiled its “*Fit 4 Europe II*” initiative through the assistance of the CARIFORUM-European Union (EU) Economic Partnership Agreement (EPA) and CARICOM Single Market and Economy (CSME) Standby Facility for Capacity Building, which is managed by the Caribbean Development Bank (CDB) with EU funding. This programme seeks to establish an online focal point for trade

queries; build the capacity of local entrepreneurs; generate new trade opportunities; and build networks within select markets in Europe.

It must be remembered though that Caribbean countries remain small island developing states vulnerable to external shocks and changes in the global markets, whose local businesses and people must be protected. Caribbean governments must therefore remain committed to safeguarding the most vulnerable in society. It is easy for us to let down our guards to benefit from the promises of trade facilitation; but we must practice due diligence in sheltering our consumers' welfare.

As such, governments should focus on developing integrated policy approaches to both pursue the economic gains and opportunities for growth that come from greater trade facilitation, such as the removal of barriers and reduction of costs that can prevent people and firms from participating in trade; and protect workers, as opposed to solely protecting gains in a specific industry or market. Therefore, more investment is needed in training and support programmes, for example, through the provision of information to job seekers and potential exporters, as well as the establishment of necessary safety nets to support workers, exporters and their families undergoing change, as they take advantage of opportunities in other sectors or industries that present a greater competitive advantage for them. For Caribbean countries especially,

which are susceptible to huge trade volatility, it may mean extending beyond traditional adjustment assistance offered to more strategic investment approaches inclusive of well-designed income support and counter-cyclical social spending.

As such, CAF has assisted the Government of Trinidad and Tobago greatly in its journey towards greater strategic investments. It has aided the expansion of the country's technical capabilities in its aim to improve the standard of living of the citizens, while considering our exposure to certain risks and gradually removing obstacles that have stalled government's efforts.

As previously communicated to the Secretary General of CARICOM, CAF is a multilateral banking institution that has a different approach – agile, flexible and client-oriented – to development finance. Since completing its incorporation (full membership) process in 2016, Trinidad and Tobago has received financing from CAF for more than US\$1.3 billion to support macroeconomic reforms, infrastructure development, digital transformation, as well as emergency support to face the pandemic, as previously mentioned. We have also received valuable technical assistance (US\$2 million in non-reimbursable resources) for strategic projects to prevent flooding, improve urban transport and digitalize our tax payment system, among others. The Bank is ready to expand its

operations and is willing to offer support to all CARICOM nations who may need access to development financing from its new regional hub located in Port of Spain. This, I believe offers an opportunity to develop pathways for cooperation between CARICOM and CAF that should be seized.

I deem the work of CAF as valuable and critical to the development of Caribbean countries such as Trinidad and Tobago; and therefore, look forward to the findings and recommendations of the RED 2021.