

SPEECH DELIVERED BY
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AT THE BANKER'S ASSOCIATION OF TRINIDAD AND TOBAGO BANKING WEEK LAUNCH
MONDAY 17 JANUARY, 2011

I must say, that we have come to this meeting at a timely occasion and, we have been undergoing some serious challenges ahead of us. Much of it you have read so often in the newspapers and perhaps it is about time that the nation takes stock of the reality before us. So today, I would just like to deal with two issues pertaining to our economic development of T&T. The first is to deal with the importance of financing development. For yet another time, financing of development, has become perhaps the most important pillar for T&T's recovery process. Ever so often, we have different challenges in the development process. I believe, we start 2011, focusing clearly now on the financing of economic development. The Governor in his very thoughtful remarks made mention of some of the challenges facing the banking sector itself. One such challenge that he pointed out had to do with the issue of the cost of banking in Trinidad and Tobago. I believe that the challenge should now be addressed head on. And that we as a community should look at the competitiveness of our banking system, both in T&T and in terms of the global arena. Such a frontal attack will now require us to review our reserve policy with respect to banking as well as to look at opportunities for the derisking of banking transactions in T&T.

So I throw this out as the challenge facing the banking sector as they engage in making themselves even more prepared not only for the stability of T&T but also, for the growth and united growth of our country.

I have no doubt that we have the minds in our country that can come together to deal with these two issues of the reserve requirement and the de-risking of banking transactions in T&T. This has become more important, in light of the global financial turbulence that has visited not only us, but for the world. But these are recent events that have taken place elsewhere, in other parts of the world, particularly in Europe. And it has in fact only merely reinforced the need for us to be not only business as usual, but alter the structure within which we operate. What we are talking about will generate a permanent sense of sustainability and we are very fortunate that despite the global turbulence that has affected the entire world, T&T has indeed come out of that with its own situation well intact. We must now build on that.

The financing of economic development requires much more than dealing with the banking sector. It requires a very supportive fiscal regime and that you will recollect has been done in terms of public policy formulation in T&T during the budget exercise that took place last September. There we introduced an entirely new framework of business development in T&T through the fiscal regime. That too, is important for us to access in order to create the necessary impetus for reigniting what I consider to be perhaps the most important challenge facing us, to bring about a recovery and a growth process.

We have been fortunate that the banking sector served us well and that the banking sector will have to serve us better.

In so doing, the last 2 years, in which there was some turbulence in the economy, have been years of challenge not only for public policy and government but years of challenge for the banking sector. And we are well aware of the fact that our major institutions fell apart during this period of time. I would like to recognize firstly, that the task we undertook as a new government started with the recognition that we must put back in order the financial balance sheet of T&T. But we must do so while at the same time acknowledging the very legitimate demands of the people of our nation for what they have been for so long yearning for - a new sense of comfort with respect to our social safety measures – a new sense of expectation that the financial security for the new generation will be one that is surer than in the past. And while we have overcome some of our problems with a sound banking sector, we have not yet been able to engineer the confidence in the future for the next generation of T&T.

That leads me to the point I raised earlier, that the major challenge facing us now in the broader scheme of financing economic development is to ensure a sense of stability for the next generation in the financial world. Having said that, and having established the fact that we started the last 8 months trying to restore the national balance sheet, obviously there have been noises that have emerged. Every time you try to change something that is wrong, you will get the losers raising their voices and the winners are usually not even in this generation and they do not have voices to raise. I have been always conscious of the need to ensure that I will start to change the balance sheet because the national expenditure of T&T has really been a major challenge for us. Not only expenditure of the government but also indeed expenditure of the community at large. And our major challenge has been to try and change the national expenditure of T&T, so that it will in fact build a new momentum for growth

I am very happy that Mr. Iwan Misser is here from the Inter-American Development Bank and I am very encouraged by the support that he has provided for the new development thrust in T&T. But in so doing, we must put into place what is required for today. Recently, there has been some concern as to whether or not we can travel this road of financial stability without having further injuries. We have had to deal with the vexing problem of the CLICO bailout situation and we have had to deal with the even more vexing problem of our negotiations with the Public Services Association. Both of these are battles are certainly surmountable and this Government has been able to put together plans in order to deal with them. Deal with them in a manner that will ensure the stability of the financial balance sheet and at the same time take into concern, and the very legitimate concern, of those who are affected. Winners are those that find that they will have to have some patience. And patience is what we have displayed over the last 8 months.

I was very pleased over this weekend when I received information on the credit sovereign rate of T&T. This is an important indicator of the confidence of the international community in the financial management of our country. It is a reflection of the way in which we rise to the challenges of the times and particularly, the financial challenges. And I was very pleased when I was told over the weekend that one of the credit rating agencies that came to us some time ago with an assessment mission, has finally agreed to restore or at least reaffirm the investment grade rating of T&T. We should be proud that we

have in fact been able to battle the storm and retain our international credit rating status in the world. This means a lot for the future and perhaps it can reflect exactly the opportunities that will emerge as a result of the credit rating reaffirmation. Reaffirmation in this turbulent world is a very rare phenomenon. And when we look at what is happening in Ireland and perhaps Portugal, and in recent times and before that in Iceland and elsewhere, and even in our own neighboring countries like Barbados and in Jamaica, we must say that we have been able to steady the course and retain our position in the credit rating status.

Not only will it increase the distribution base from which our investors and borrowing will come, but it will also allow us to have better terms, in terms of interest rate. It will also allow us to have a new sense of credibility for many investors do search for a rating of a country, especially the large investors in the energy sector, and more recently in the Tourism sector, in order to make their investment decision. It will also allow us in this process to ensure that there is the prospect now of engaging in a very creative part of the economic plan. And in that sense, I believe the quality of the assets of the banking sector will be improved and I expect that as a result of that improvement, notwithstanding the public policy measures and the Central Bank monetary policy measures, to use the interest rate the new credit status of T&T which it reaffirmed will allow interest rate to reduce even more in T&T. For the purposes of generating investment, for the purposes of reigniting growth and for the purposes of ensuring that there is sustainable financial security in the future. It is in that context therefore that I look with great satisfaction on the rating that has now been reaffirmed for T&T.

But I would like to read to you exactly what emerged in the press announcement from the rating agency and if you will bear with me I would read to you the last two paragraphs that I think are important especially in light of the public debate on this issue.

Including the Government's latest plan to bail out investors of CL financial group – CLICO, Standards and Poor's expects net general government debt will rise to 28% of GDP by their measure of debt, in fiscal 2011 from 15 % in fiscal 2010 though it will remain below the 36% median for A rated sovereign. And indeed we are an A rated sovereign . If for some reason we had not adopted that very prudent approach to dealing with CLICO, we would have perhaps gone on the edge and the prospects of having a positive rating would have reduced substantially. I say this against the background of some public figures that are continuing to perpetuate in this country's mind that there is a lot of money that is still in the country and that the Minister of Finance is holding it back.

Recently when the Prime Minister of this country indicated that this year is a year when we will deliver, deliver, deliver, one of my colleagues turned to me and said what does that mean to you. it means you should pay the people, pay the people, pay the people. But you know that we have to manage the affairs in a way in which we can ensure the stability for the future. I raise that because I think the financial literacy programme of which the Governor speak about might encourage the participants of the leadership of the CLICO Policy holders to join them early on what financial management in T&T is all about. The other aspect that I want to read is that the stable outlook, because S&P give us what we call a stable outlook. "The stable outlook reflect S&P expectation that the Government will be able to muddle through its intervention in the CLICO financial situation without further eroding its balance

sheet. Improvement and transparency and government's regulation in the financial industry and among public sector enterprises in particular can lead S& P to raise its rating for T&T over the medium term.

On the other hand, fiscal deterioration as well as further shrinkages in the face of restructuring government -owned entities could lead us to lower the ratings. I raise that if only to point out the new direction that we will now be pursuing as we begin to deal on a frontal basis with the problems of financial economic development. We have recently embarked on a program that will begin what we refer to as a programme that will create opportunities for economic growth and advancement, I said earlier the fiscal regime through a very supportive monetary regime and now with an international credit rating externally, to open access to the world to come to T&T. In that sense we have also engaged the International Financial Corporation or we are about to engage the IFC which is the financial arm of the World Bank to work with us on 3 broad areas, which may be of interest to all of T&T. One has to do with the issue of the ease of doing business. It is an index that we use so often to deal with the bureaucratic constraints that we have had to deal with when we try to invest in T&T. We shall embark on a very ambitious programme with the support of the IFC and indeed with the Ministry of Trade and Industry who has done a lot of work in this regard already to deal with improving the ease of doing business. Our competitive index by which we are measured has shown remarkable decline over the last few years. It is our intention to take the steps to reverse that in the wider context.

The second area that we will be engaged in is the area of increasing public offerings in T&T by ensuring that we can build a stronger capital market and develop a strong secondary capital market. Both of which are essential requirements for investment promotion and in so doing we shall work towards the demonetization of the state sector through a structured approach that at all times will protect the public interest and create the opportunity for increased activity in the stock market in T&T. At the same time it will give us the opportunity to streamline the state sector. That is the State enterprise sector in such a way that we achieve two goals - we can ensure that we maintain the strategic objectives of ensuring the protection of the T&T economy and at the same time we create opportunities for the wider community to participate in the ownership of the national community.

Those are two goals that we have engaged the IFC along with local bodies to deal with this issue in a very professional way. I have always felt in my professional life and political life that if the professional approach is taken you will not worry about the political noises around you. That is why we will take a very deep professional approach in dealing with this., In the end the tears that I receive today shall become the applause that I shall be happy to have tomorrow. And therefore we will embark on that programme. I mentioned also that we will be looking very carefully at de-risking the transactions in the banking sector. I have been concerned that too much of the profitability of our banking sector relies on Government borrowing and while Government borrowing is essential, and is a very important part of the process and I would not want that to reduce I would like to see a shift in the composition of the profitability of the banking sector from reliance on Government borrowing to reliance on business loans. that to me is the most important challenge. And while we will maintain perhaps, I am told that 30% of the profitability is derived from Government borrowings and you may have greater demands for Government borrowings because we are indeed running a fiscal deficit this year as we did last year. And we are doing this in the context of generating growth and development. There must be a deliberate shift

to de risk the operation in order that you can have more business loans. This is to me is the biggest challenge. Some people believe that managing risk is taking no risk. I want to suggest to you that there must be mechanisms in place to protect you against the adversities of new risk. But risk taking, is absolutely essential to create a new platform for the next generation and for the new economy of which you speak about, And therefore it requires us to be supportive and in the financial requirements of the major projects and whether it be the energy sector and there are many in line at this point in time or the Tourism sector we must ensure that we negotiate as part of the local content that the local financial sector gets its fair share of the financing of big projects in T&T.

For too long we have sat back here and have not embarked on increasing the local content of financing of big projects. This in my view will allow you to shift the dependence from the Government borrowing towards larger projects and then towards business loans. The banking sector beginning this week may wish to consider how we can move in this direction. Now we are not out of the woods. We are simply putting things in place to ensure that we do not remain in the woods for too long. And that is where we are at this point in time. But over the next year in 2011 as confidence redevelops, as the financial world reaffirms its confidence in T&T, as access to financing improve, I have no doubt that we will begin to see the resurgence of a new confidence. I believe it is the Central Bank, which reaffirmed what I said during the budget debate that 2011 will bring us a 2% growth, it was reaffirmed by the S&P, it was reaffirmed by the IMF, but it is something to be achieved so I am not going to claim it at this point in time.

But what I feel sure is that the prospect of that is going to engineer a new kind of confidence once more in T&T. So this talk about confidence – it's really a talk about honesty, it is really about commitment it is really a talk about the changes in the way in which you have done things. That is what it is all about. But in the final analysis we will be able to overcome this bump and get back to a steady path of sustainable growth it must always be remembered that the benefits of growth must belong to the 1.3 million people of our country, it must not belong to the narrow political interests of the country, it must not belong to those who have the opportunity to speak the loudest, it must belong to all the people of T&T and that is what our philosophical basis of our entire distribution policy is based. I say that for those who speak with loud voices must once and for all decide whether they want to put this country at risk in the interest of narrow political interest.

The time has come to call on all levels to move ahead and to be able to ensure that the entire nation, through the public offerings programme, through the other programmes that I have spoken about are able to reap the rewards. But perhaps it is too early to speak about that. Because we still have a lot of work to do through this year to create the foundation so that this discourse can be a meaningful one. I want to congratulate the President of BATT, Mr. Dennis Evans for his continued commitment to the national development. I have had many discussions with him and other members over the last 8 months. Thank him for making this week a possibility in our country and we look forward to it having tangible changes in the way we do business Thank You.