

Leave of Absence

Wednesday, April 17, 1991

HOUSE OF REPRESENTATIVES

Wednesday, April 17, 1991

The House met at 1.40 p.m.

PRAYERS

[MR. SPEAKER *in the Chair*]

LEAVE OF ABSENCE

Mr. Speaker: The following Members have been excused from today's sitting: the Member for La Brea (Hon. A. Richards), the Member for Diego Martin West (Hon. M. Hector), and the Member for Arouca South (Hon. G. Henry).

PAPERS LAID

1. Report of the Auditor General on the Accounts of the Trinidad and Tobago Electricity Commission for the year ended December 31, 1988. [*Hon. S. Wilson*]
(To be referred to the Public Accounts (Enterprises) Committee)
2. The Central Bank of Trinidad and Tobago Annual Economic Survey 1990. [*Hon. S. Wilson*].
3. The Central Bank of Trinidad and Tobago Annual Report 1990. [*Hon. S. Wilson*]

ORAL ANSWERS TO QUESTIONS

The following questions stood on the Order Paper:

Estates (Rehabilitation)

17. (a) Would the hon. Minister of Settlements and Public Utilities state how many estates were rehabilitated by his Ministry in 1990 and who are the owners of these estates?
- (b) Could the hon. Minister also say what benefits will accrue to the state from his Ministry's efforts in rehabilitating these estates? [*Mr. G. Roopnarine*]

**T&TEC
(Maintenance)**

- 20.** (a) Would the hon. Minister of Settlements and Public Utilities, kindly state whether she is aware of the fact that the Trinidad and Tobago Electricity Commission (T&TEC) is restrained from commencing, continuing and/or completing urgently required scheduled maintenance work because of the lack of funds?
- (b) Would the hon. Minister advise this House of the estimated cost of bringing all T&TEC plant and equipment to a state of repair acceptable to the Commission? *[Mr. K. Valley]*

The Minister of National Security (Hon. Joseph Toney): Mr. Speaker, I ask that these questions be deferred for another week, as the hon. Minister is indisposed today.

Mr. Valley: Mr. Speaker, I am always willing to accommodate Members on the other side.

Questions, by leave, deferred.

Football Massive

21. Mr. Kenneth Valley (Diego Martin Central) asked the Minister of Youth, Sport, Culture and Creative Arts:

- a) Would the hon. Minister kindly state whether or not the Cabinet-appointed Committee which was entrusted with the responsibility for organizing the Football Massive Exercise of November 19, 1989 collected all moneys due and owing to this project?
- b) Could the hon. Minister kindly state the final status of all revenue and expenditure related to this exercise?

The Minister of Youth, Sport, Culture and Creative Arts (Hon. Jennifer Johnson): Mr. Speaker, I wish to state that in July last year, Government agreed that the Auditor General should conduct a special audit of the operation of the Football Massive Project. The report of the Auditor General has not yet been completed.

In the circumstances, I prefer to await the Auditor General's report before submitting any further information on this matter.

Mr. Valley: Mr. Speaker, I thank the hon. Minister. I wonder whether she would inform this House when she excepts the Auditor General's report, given that it is already about nine months, last June.

Mrs. Johnson: Mr. Speaker, as you and the Members of this Honourable House would realize, I cannot speak on behalf of the Auditor General as to say when it would be ready, but I know a considerable amount of work has already been done.

Mr. Valley: Mr. Speaker, could the Minister inform the House whether any inquiry was made to the Auditor General's Department as to when the report would be ready?

Mrs. Johnson: Mr. Speaker, I am afraid I cannot answer that question.

Mr. Valley: Is the hon. Minister stating that she does not know whether her Ministry has made an inquiry to the Auditor General's Department concerning a report which was referred to that department?

Mr. Speaker: She cannot answer whether that is so.

Mr. Valley: This is what I want to know, Mr. Speaker. Does she know what is happening in her Ministry? Does she know whether her Ministry made an inquiry concerning when the report would be ready? That is all I am asking.

Mr. Manning: She said she does not know.

The following questions stood on the Order Paper in the name of Mr. Raymond Palackdharrysingh (Naparima):

Telephone Services (Extension)

- 22.** Would the hon. Minister of Settlements and Public Utilities state whether the extension of telephone services will be made available to the residents of the villages of Borde Narve and St. Johns via Ciperio Road in the constituency of Naparima in 1991?

Water Supply

- 23.** Would the hon. Minister of Settlements and Public Utilities state when the residents of the following areas would be provided with an adequate supply of pipe-borne water in 1991:

- i) Papourie Road Lengua Presbyterian School to the Inverness Presbyterian School;
- ii) Realise Road to Cunjal Road;
- iii) Jaipaulsingh Road;
- iv) Inverness Road via Ciperio Road;
- v) Kanhai Road North;
- vi) Jones Village;
- vii) Friendship Village via Naparima/Mayaro Road?

**Land Tenants
(Regulations)**

25. Would the hon. Minister of Settlements and Public Utilities state why necessary regulations expedient for carrying out the purposes of "An Act relating to the Security of Tenure of Land Tenants" assented to in June 1981 were not made and which has rendered the purposes of the Act incapable of being implemented?

Questions, by leave, deferred.

The following questions stood on the Order Paper in the name of Mr. Patrick Manning (San Fernando East):

Salaries Review Commission

26. a) Would the hon. Prime Minister and Minister of the Economy state what adjustments, if any, have been made within the last year to the terms and conditions of service of those persons falling under the purview of the Salaries Commission?
- b) What will be the cost on an annual basis of those adjustments?

The Minister of Industry, Enterprise and Tourism (Dr. the Hon. Bhoendratatt Tewarie): Mr. Speaker, the answer to that question is not yet ready. I therefore ask that this question be deferred.

**Ex-Senators
(Appointments)**

27. a) Would the hon. Prime Minister and Minister of the Economy state what public sector appointments, if any, have recently been made involving former Senators Clive Pantin, Ganga Singh and Horace Wilson?

- b) What is the effective date of each appointment?
- c) What are the terms and conditions attached to each appointment?

NIHERST

28. Would the hon. Minister of Planning and Mobilization state whether the University of the West Indies was consulted on the recent appointments to the National Institute of Higher Education Research Science and Technology (NIHERST) before such appointments were made?

Mr. Manning: Mr. Speaker, I thank the Government for no answers to question numbers 26, 27 and 28.

You know, this is either a Parliament or the Government is going to be permitted to take this Parliament for a farce. We have a responsibility to ask questions. One Minister refuses to say whether her Ministry has asked the Auditor General's Department when it will do something. What is all this about? If the Government does not intend to answer the questions that are legitimately asked, then let us know. Then we do not have to come here, if that is the attitude of the Government.

The Minister of Industry, Enterprise and Tourism (Dr. the Hon. Bhoendradatt Tewarie): Mr. Speaker, the Honourable Member for San Fernando East is simply taking advantage of a situation that has arisen. I think that the records will show that we, as a Government, have answered more questions, perhaps, than any other Government in any history of its term in Trinidad and Tobago.

Questions, by leave, deferred.

BUSINESS OF THE HOUSE

The Minister of Industry, Enterprise, and Tourism (Dr. the Hon. Bhoendradatt Tewarie): Mr. Speaker, as you know, the hon. Minister of Finance at the last sitting indicated that he would be dealing with the Finance Bill today. I seek the leave of the House for him to proceed with that.

Question put and agreed to.

FINANCE BILL

Order for second reading read.

The Minister of Finance (Hon. Selby Wilson): Mr. Speaker, I beg to move that the bill to provide for the imposition or variation of certain taxes and duties

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for the incorporation of the amendments made by the Provisional Collection of Taxes Order, 1990, and for related and other matters be now read a second time.

Mr. Speaker, the budget for the year 1991 was presented to this Honourable House on December 7, 1990. Certain fiscal measures were announced as part of the presentation, and these were implemented in the Provisional Collection of Taxes Order, which came into effect on January 1, 1991. This Order was confirmed by resolution of this Honourable House on January 18, 1991.

Under the provisions of section 3(2) of the Provisional Collection of Taxes Act, Chapter 74:01, a tax imposed by an Order made pursuant to the Act has effect for a period expiring at the end of four months after the commencement of the Order.

Section 3(3) provides that any provision in the Order imposing a tax shall cease to have effect if an Act comes into operation imposing such a tax either with or without modification.

Mr. Speaker, the main purpose of the bill now before this House is to give full effect to the fiscal measures contained in the 1991 Budget Speech. Certain other matters which were not included in the Order, but which are closely associated with fiscal matters, have also been included within the bill.

The bill also includes certain refinements to the measures contained in the Order which have been found to be necessary during the period that the Order has been in operation.

The bill is divided into 16 parts, and I propose to deal with the parts in that order.

Part 1 of the bill deals with the Airports Authority Act, Chapter 49:02. The Airports Authority (Amdt.) Bill 1990 amended the Airports Authority Act, Chapter 49:02, to enable the Airports Authority to retain from the moneys collected in its capacity as a tax authority under the Miscellaneous Taxes Act, such sums as may be authorized by the Minister of Finance by Order, subject to the affirmative resolution of Parliament. However, Mr. Speaker, no Order under this section was made in 1990.

1.55 p.m.

Clause 3 of the bill makes provision for the Trinidad and Tobago Airports Authority to be authorized to retain from the sums collected by it under the Miscellaneous Taxes Act, the sum of \$8.7 million in respect of 1990 and \$7.472 million for the year commencing January 1, 1991.

Mr. Speaker, Part II of the bill amends the Brewery Act, Chap. 87:52. This Act makes provision in section 26, for a drawback of excise duty paid on beer brewed in Trinidad and Tobago, and exported. This is one of the many incentives in place to encourage and support the export drive. Local manufacturers of shandy, in which beer is an input, have made representations for similar treatment of their exported product. In order to encourage the export of such product, I now propose to amend section 26 of the Brewery Act to make provision for a drawback of excise duty paid on the beer input in locally manufactured beverages which are exported.

Also, in furtherance of the process of conversion to the metric system, clause 5 of the bill repeals section 4 of the Brewery Act and substitutes a new section 4 in which the reference to weights are now metric.

Mr. Speaker, I now wish to deal with Part III of the bill which covers amendments to the Customs Act, Chap. 78:01. Hon. Members would recall that the Provisional Collection of Taxes Order 1990, introduced the common external tariff together with the General Agreement on Tariffs and Trade Valuation Code (Rules of Origin) and the International Organization of Legal Metrology System. Since the common external tariff was introduced on January 1, 1991, certain unintended effects and anomalies have become evident. These necessitated an approach to the Caricom Council of Ministers to seek approval for the suspension of the CET rates on certain items and for the removal of other items from the list of ineligibles.

It is reasonable to expect that in a dynamic situation there will be developments which will require recourse to similar actions. The bill therefore amends the Customs Act by including a section 8(a) which empowers the Minister, by order, to suspend the CET in respect of any items listed in the First Schedule of the Act for a specified period in accordance with any agreement by member states of Caricom.

Provision is also made in section 8(a)(2) of the Customs Act for the President to impose duty on any suspended item up to a maximum of the common external tariff rates.

The bill also includes certain amendments to sections 23 and 24 of the Customs Act for the purpose of introducing a new system for the valuation of imported goods known as GATT Valuation Code. The rules governing this method of valuation are set out in the Sixth Schedule of the Customs Act, and amendments to sections 23 and 24 are consequential upon the introduction of the new system.

Mr. Speaker, clause 11 of the bill repeals section 56(5) of the Customs Act and substitutes new subsections (5), (6) and (7). The common external tariff introduced a list of commodities that are ineligible for conditional duty exemptions. These are contained in Part B of the Third Schedule to the Customs Act. The effect of the amendment to section 56(5) is that resolutions made pursuant to section 56, governing the classes of goods in respect of which the Minister of Industry is empowered to grant licences, may not include those classes of goods contained in Part B of the Third Schedule.

The effect of section 56(6) is that wherever a suspension of the common external tariff is granted in relation to items in Part B of the Third Schedule, these items may be treated as being in Part A of that schedule. The Minister of Industry would then be empowered to grant licences conferring conditional duty exemption on these items.

Section 56(7) of the Act provides that subsections (5) and (6) of section 56 and the list of commodities that are ineligible for conditional duty exemption, came into operation on March 1, 1991.

Clause 13 of the bill repeals and replaces the First to the Sixth Schedules to the Customs Act, which are set out in the Provisional Collection of Taxes Order, 1990. The section also makes certain modifications to the First and Third Schedules. These modifications have been agreed to by the Common Market Council of Ministers and are included in the table set out at the end of clause 13 of the bill. The effect of these modifications is that the customs duty on certain items had been reduced as follows:

Mackerel and herrings either salted, dried or in brine will be reduced from 45 per cent to zero.

Race horses, from 45 per cent to 10 per cent.

Cinematographic films from an *ad valorem* rate of 10 per cent, to a specified rate of \$3.00 per 100 metres.

Lead waste and scrap, from 30 per cent to zero. This item has also been removed from the list of commodities that are ineligible for conditional duty exemption.

In addition, a system of flat rate duty assessment has been reintroduced for non-commercial shipments under this system where:

- (a) the total value of goods does not exceed \$425; and
- (b) the goods consist of items which fall under at least three different tariff headings.

A flat rate of duty of 30 per cent may be charged on all the goods in lieu of their respective rates of duty. This system previously operated where the value of goods did not exceed \$200.

Mr. Speaker, Part IV of the bill deals with the metrification of the weights and measures contained in resolutions made pursuant to the Excise (General Provisions) Act, Chap. 78:50. As I have indicated, the introduction of the International Organization of Legal Metrology System was one of the changes agreed to by the Caricom Council of Ministers. Its introduction necessitated the conversion of all imperial weights and measures in the excise laws to metric weights and measures.

Mr. Speaker, clause 16 of the bill reduces from 65 years to 60 years, the age at which health surcharge will no longer be payable. This measure was previously announced in the budget debate of 1991.

The majority of the provisions which are included in Part VI of the bill have already been considered by this honourable House when the Provisional Collection of Taxes Order, 1990 was confirmed. I do not propose to repeat all that was said on that occasion. I will merely deal with the new provisions and those sections of the bill which modify the provisions of the Income Tax Act introduced in the Order.

2.05 p.m.

As Hon. Members are aware, Government has proposed a business restoration facility to assist in the rebuilding of Port-of-Spain. Discussions with the relevant Government agencies and affected businessmen have been ongoing. One of the

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mechanisms for financing the restoration of business activity in Port-of-Spain is the floating of a \$50 million bond issue by the Industrial Development Corporation. The proceeds will be utilized for providing loans through the business restoration facility. In an effort to reduce the rate of interest applicable to these loans, the Government has agreed that the interest payable on the proposed bond issue should be tax exempt. Accordingly, clause 18 of the bill amends section 8 of the Income Tax Act to provide for such exemption.

Mr. Speaker, in my 1991 budget statement, I moved to exempt from tax, the interest on savings of all persons 60 years of age and over. I indicated then that in the case of joint accounts, all the account holders must be 60 years of age or over to obtain the benefit. However, in the Provisional Collection of Taxes Order 1990, it was not clear that all joint account holders must be 60 years of age and over. This has been clarified in the bill.

In my 1991 Budget Speech I also introduced a new mechanism for the encouragement of savings, the SAF-T account. Clause 19 of the bill has modified the provisions governing such accounts as drafted in the Order to correct certain ambiguities which may have been in the interpretation of these provisions.

Mr. Speaker, clause 21 of the bill deals with the payment made to non-residents who perform services for approved enterprises within the free zones area. It deems such payments to be made outside of Trinidad and Tobago, with the result that no withholding taxes are payable by the approved enterprises making the payments.

Clause 22 of the bill makes certain modifications to the provisions of the Order which were intended to allow tax deductions in respect of single donations made by deeds of covenant to charitable institutions. The modifications basically do two things. Firstly, they make it clear that payments made under deeds of covenant for not less than two years to charitable or other specified bodies will continue to be deductible, and secondly, introduce a separate section making single contributions deductible.

The Provisional Collection of Taxes Order converted the Second Schedule to the Liquor Licensing Act, Chap. 82:10 to metric measurement. In the process of conversion certain errors were made in the Schedule. These have been corrected in Part VII of the bill. Hon. Members should note that the errors were recognized and the fees were collected on the correct basis. For this reason the provision has been back-dated to January 1, 1991.

Mr. Speaker, the Provisional Collection of Taxes Order 1990, imposed an import surcharge under the Miscellaneous Taxes Act, Chap. 77:01 on items which were removed from the negative list. This was done to maintain some measure of protection to local industries. However, in the process, because of the broad general nature of the descriptions used in imposing the surcharge, certain items which were not on the negative list and which are not manufactured locally, became subject to the surcharge.

Clause 28(a) of the bill therefore seeks to amend the Miscellaneous Taxes Act to exempt from import surcharge, items that are imported free of duty under the Second and Third Schedules to the Customs Act. In addition, the list of items subject to import surcharge which is contained in the Seventh Schedule to the Miscellaneous Taxes Act, has been amended to provide a more detailed description of the items on which the surcharge has been imposed.

Mr. Speaker, the present method of calculation of the import surcharge has resulted in total import charges in excess of 100 per cent of the CIF value. In order to keep total import charges within a reasonable limit, clause 28(b) of the bill amends the Miscellaneous Taxes Act to provide for a different method of calculation of the import surcharge from that provided in the Finance Act of 1990. Whereas previously the surcharge was calculated on the CIF value of the imported items, plus customs duty, plus 20 per cent, the surcharge will now be calculated on the CIF value of the item alone. These provisions will come into effect on May 1, 1991.

Mr. Speaker, clause 29 of the bill amends the Sixth Schedule of the Miscellaneous Taxes Act for purposes of metric conversion. The alcohol and other beverage tax had been inadvertently omitted from the metric conversion implemented in the Provisional Collection of Taxes Order 1990.

Part IX of the bill seeks to implement the measure announced in my 1991 Budget Speech, to increase old age pensions.

The amendments to the Spirits and Spirits Compound Act, Chap. 87:54 contained in Part X of the bill, now before the honourable House are in furtherance of our obligations to fully convert our excise laws to the metric system.

Amendment to the Stamp Duty Act. Chap 76:01: The Provisional Collection of Taxes Order exempted from stamp duties certain items which had not previously attracted customs duties but which became subject to customs duties with the

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introduction of the common external tariff. The exemption from the stamp duty was intended to provide some measure of relief in respect of tax on these items. These items are covered in clauses 44(a), 45, 46 and 47 of the bill, with certain minor modifications. Clause 44(b) of the bill amends the Stamp Duty Act to allow the President to grant exemption from stamp duty on goods without the necessity for the publication of an order in the *Gazette*. At present the necessity for the publication of orders on each occasion that the President grants exemption from stamp duty, results in administrative delays in the clearance of imported goods.

Mr. Speaker, in the Provisional Collection of Taxes Order 1990, the Stamp Duty Act was amended to exempt from stamp duty the conveyance, or transfer on the sale or lease of property upon which a dwelling has been erected, where the property is for use wholly or mainly for residential purposes and the consideration does not exceed \$300,000. Also exempted are mortgage deeds in respect of such property where the sum secured does not exceed \$275,000. The purpose of the exemption is to assist persons in the lower and middle income brackets to acquire their homes at more reasonable costs. However, a difficulty has arisen in the operation of these amendments, in that the transfer documents presented for assessment of stamp duty do not provide the Board of Inland Revenue with all the pertinent information necessary to determine whether the property qualifies for exemption.

Clause 44(c) (ii) and (f) of the bill seeks to modify the provisions contained in the Order to require the purchaser to apply for the exemption from stamp duty in a form approved by the Board. Other minor changes were made for clarification purposes.

Mr. Speaker, at the committee stage of the bill I intent to move a further amendment to clause 44 (c) (iii) and (f) of the bill because it has been pointed out to me that the amendment as drafted in the bill does not confer exemption from stamp duty in respect of chattel houses or condominiums sold for consideration not exceeding \$300,000.

2.15 p.m.

Mr. Speaker, in order to grant some relief to the University of the West Indies, St. Augustine, Part XIII of the bill seeks to amend the University College Exemption Ordinance so as to grant exemption from value added tax on goods imported for use by the university, and on the commercial supply of goods and

services to the university, where the board is satisfied that they are required for the purposes of the university.

Part XIV of the bill deals with amendments to the Value Added Tax Act. Clause 60 of the bill repeals and replaces section 12 of the Valued Added Tax Act and clause 61 repeals section 13 of the Act. These amendments are consequential upon the changes made to the provisions governing the valuation of goods in the Customs Act.

Mr. Speaker, under section 29(3)(a) of the VAT Act, the Board of Inland Revenue may cancel the registration of any person who fails to commence making commercial supplies and may recover from that person an amount equal to all input tax refunded to him during the period of his registration.

Mr. Speaker, representations had been made that this provision can cause hardship to entrepreneurs who had genuinely intended to make commercial supplies, but were prevented from doing so because of failure to achieve the results expected from the enterprise. In order to bring some relief in such a situation, clause 62 of the bill amends section 29 of the Value Added Tax Act to provide that before the Board of Inland Revenue can exercise its power to cancel registration under section 29(3)(a), it may serve notice on the registered person to show cause why registration should not be cancelled and why it should not be required to repay all input taxes refunded during the period of his registration.

Mr. Speaker, if the person can satisfy the Board of Inland Revenue, that he intends to continue to make commercial supplies and that he is taking the necessary steps to commence making commercial supplies at the earliest possible date, having regard to the circumstance, the board at its discretion will not cancel his registration. The board also had the discretion where the registration is cancelled not to require the person to repay the input tax refunded during the period of his registration, prior to the date of the notice, in cases where it is satisfied that he did in fact, originally intend to make commercial supplies, he made reasonable efforts to give effect to those intentions, he no longer intends to make commercial supplies and he has reasonable grounds for his change of intentions.

Where the person has satisfied the board of these facts, he will only be required to pay input tax refunded after the date of the notice, or such earlier date as the board considers that he ceases to intend to make commercial supplies. Provision is made for an appeal to the Tax Appeal Board under this section.

The amendments to section 44(a), of the VAT Act in clause 63 of the bill are consequential upon the introduction of the common external tariff. I will now deal with the provisions governing modified penalties under the Value Added Tax Act 1989. Nearly all of the offences which are created are punishable on summary conviction.

The Board of Inland Revenue has found that with its limited manpower resources, it has difficulty in dealing with the prosecution of all offenders under the Act. Provisions have, therefore, been introduced to enable the Board of Inland Revenue to operate a system of modified penalties for minor infringements of the Act. These provisions and certain consequential amendments are included in clauses 64 to 66 of the bill. Under the scheme of modified penalties, in the case of certain offences, persons who are designated authorized persons under the Value Added Tax Act, are empowered to give infringement notices to persons believed to have committed such offences within 21 days after the commission of the alleged offence.

At the committee stage of the bill I intend to move an amendment to clause 66 of the bill to change this period to three months as the 21-day period will not allow the board sufficient time to give the required notices. These notices are required to describe the alleged offence and advise the alleged offender that if the modified penalties specified in the notice is paid within 21 days of the notice, a complaint of the alleged offence will not be made in court. Provision was also made for the board to extend the 21-day period for payment of the modified penalties.

The effect of the payment of the modified penalty in accordance with the notice is that no further proceedings may be brought by the board against the alleged offender for the alleged offence. The board is empowered to withdraw an infringement notice either before or after the modified penalty has been paid. The bill also specifies that payment of a modified penalty shall not be regarded as an admission for purposes of any criminal or civil proceedings. It is intended that the offences in respect of which the scheme will apply, as well as the penalties to be imposed and the form of the infringement and withdrawal notices would all be prescribed by regulations under the Act.

Clause 65 of the bill amends the Value Added Tax Act to make the provisions relating to the collection and recovery of tax applicable to the collection and recovery of the penalty and interest on unpaid VAT, payable under the Act. At the committee stage of the bill, I propose to move certain other amendments to clauses

13, 19, 28(c), 29, 44(c) (ii), 44(f), 60 and 66. In clause 67, I intend to insert a new clause in respect of the SAF-T accounts and the schedule of the metric version will also be amended at the committee stage. I assure Members that these amendments are not significant and do not go to the heart of the bill.

Mr. Manning: Before the hon. Minister takes his seat—talking about the heart of the bill—do the fiscal measures to which reference is being made today, stand by themselves or do they form part of any wider plan that the Government may have?

Mr. Wilson: I do not quite understand what the Member is asking.

Mr. Manning: It is a straight question.

Mr. Wilson: Repeat the question.

Mr. Manning: Are the fiscal measures which form the core of the bill that is before us today, to be seen by themselves, or do they form any wider plan which the Government may have?

Mr. Wilson: Mr. Speaker, I thought we had put those measures in the context of the 1991 budget and in the context of our medium-term objectives. I am sure the Member for San Fernando East is fully aware of that. He might wish to delve further into that realm when he makes his own presentation.

Mr. Speaker, I beg to move.

Question proposed.

2.25 p.m.

Mr. Trevor Sudama: Mr. Speaker, I think the honourable Minister would have spared this House some time, if he had merely indicated to us that he would spend some minutes in reading the bill which he ought to assume we would have done, and not merely take up the time of this House to go through the provisions of this bill as they are in fact written here.

One would have at least expected him to give us the benefit of the doubt that we can read; that we on this side have had the benefit of some literacy. I expected him to take this opportunity to bring the this House up-to-date with what is actually going on in the fiscal area. These measures, incorporated under the Provisional Collection of Taxes Order, would have been in operation for over three months now. What has been the effect of these measures in terms of the

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projections which the Government made in December, 1990 when it presented the budget for 1991? One would have thought that in the interest of accounting to the country in a truthful manner, what is going on in fiscal areas—and indeed what is going on in the economy of Trinidad and Tobago—the Minister of Finance would have been a little more forthcoming in presenting this Finance Bill.

The Finance Bill which we are debating today, cannot be viewed in isolation and must be viewed against the background of what is happening in the fiscal area of Government's policy. While he made a statement to this House last week, that he had to review estimates and certain projections in light of the possible lowering of oil prices for the rest of the year, maybe he should have been good enough to come here today to tell us what is happening with respect to the projections in the matters proposed in the bill. He has done no such thing.

Mr. Speaker, I do not know if it is a deliberate attempt to hide from the public, what is happening in the economy; what is happening with Government finances—this being an election year—therefore they feel that it is in their interest not to be forthcoming with the electorate of this country, particularly, with what is likely to happen to our export earnings—particularly important—and the revenues which will accrue to this country. Put that in some kind of relationship to our heavy and increasing indebtedness. It is something which is of great worry and concern to the people of this country.

While the Government in December 1990, was feeling very confident with respect to its fiscal, monetary and economic policies and strategies, all that confidence was really hinged on one thing, that is, it felt that the price of oil will continue to increase and that would solve all its financial worries. The Minister of Finance seems to be in the position of a yo-yo. He goes up and down with the increase or decrease in the price of oil, and they do not seem to have any other idea of how to deal with the economy of Trinidad and Tobago but just to speculate on the price of oil. That is the extent of their economic strategy.

Mr. Speaker, Part II of this bill deals with the question of attempting to provide an incentive to export beer. One would have thought that the Government's strategy with respect to its tax exemption—whether import or export taxes or exemption from corporation tax—land and building tax, *etc.*, would have formed part of a coherent and comprehensive strategy to deal with an increase in export earnings. But from what we can adduce, there is no such coherent strategy. All this Government is engaged in is *ad hocism*. So that if the beer representatives—the

people who manufacture beer—make certain representations to them, then they go and try to exempt the inputs which go into beer export. If some other group makes representations to them, then they deal with those representations on an *ad hoc* basis. This is all I can perceive to be the Government's export strategy. As I go through the measures in this bill, I want to indicate to this House and the country that the Government does not have a clear-cut strategy or policy of what it is about.

Its actions are subject to great confusion and I want to refer to the question of the suspension of the common external tariff which is mentioned in Part III of the bill. That gives the Government the option to suspend the common external tariff as and when it pleases. I wonder if they realize that in suspending according to their own whims and fancies, they will be creating a great deal of confusion for those who are engaged in importing and manufacturing.

I said so during the 1991 budget debate that it was not my view that the Government had properly thought out its position on the common external tariff nor had it adequately consulted all the people who are involved, as a result of the introduction of this tariff, that benefits which are likely to be derived would in fact have been derived.

2.35 p.m.

I refer the Government to the representations of the Trinidad and Tobago Manufacturers Association on the question of the common external tariff. They indicated in a report of the *Express* dated November 22, 1990, that there are a number of problems concerning the proposed list of ineligibilities under the common external tariff.

For a start, this list contains more than 130 categories of items imported from countries outside the Caricom region which are not eligible for duty concession or exemptions because they are deemed to be available in sufficient quantities regionally. That is an arbitrary decision of what is deemed to be available in sufficient quantities in the region. There are situations where items that are not available although they are deemed to be available, being subject to the higher imposition of the common external tariff.

Manufacturers have pointed out that items such as certain vegetables, split peas, channa, corn flour and yeast are not available within the region and, therefore, should be removed from the list of eligibilities. As I said, they made that

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representation late in November, 1990. They have also indicated that they would like to have a complete list of the products, tariffs and associated rates available to them so that they can assess how their operation would be affected and not these *ad hoc* statements that the Government makes from time to time, with respect to what is available or not available and the respective tariffs to which these imports would be subjected.

If the Member for Caroni East wants to respond he will have an opportunity. I am just putting—[*Interruption*] Do you want to stand or is that your way of sitting on the edge of your chair? When I made my contribution on the 1991 budget debate, I asked the Government whether the objectives of the common external tariff are likely to be realized.

They went along and told the country that the common external tariff is aimed at protecting regional, agricultural and industrial production of finished goods, raw and intermediate materials and capital goods. Has this common external tariff promoted the protection of regional agriculture and industrial production of finished goods insofar as it has been applied?

We are told that other considerations were: that it should be structured to support the development of internationally competitive production of the common market; it should not unduly increase the cost of certain socio-economic activities and conditions such as provision of basic services and medical care; and that consideration would have to be paid to the special revenue needs of particular countries.

Thus far, since the common external tariff came into effect on January, 1991, the Government ought to indicate to this House what has happened. Has this common external tariff worked towards the objectives which had been defined for it? My own hunch is, given what is happening with the economy and with respect to the increases in these very items which they talk about, the socio-economic activities and conditions such as provision of basic services and medical care, all these items have been escalating in cost.

What then is the purpose of this common external tariff? More particularly, will the manufacturers of Trinidad and Tobago be put at a disadvantage as a result of the implementation of the common external tariff? Provision is made to exempt. I raise the question whether these exemptions will be applied equally; that is that people who have applied for exemption will be treated equally; whether in fact

there will be reciprocity in the implementation of this common external tariff as between Trinidad and Tobago and other territories and more importantly, the impact on the cost of living.

2.45 p.m.

What the Minister has come here to tell us today, as a result of the amendment being proposed is that he is going to reduce the duty on racehorses from 45 per cent to 10 per cent. So it seems to me that racehorses and racehoring have become a priority for Government with respect to its developmental strategy. This is why I indicated that it does not have a coherent policy with respect to its fiscal measures, with respect to the items which it wants to have exempted and those on which it will apply the normal taxation.

Part V of this bill deals with the imposition of health surcharge and the exemption of health surcharge for those who are under 16 years of age and those who are over 60 years of age.

The first question which this Government ought to address is: Why are we having a plethora of taxes? The health surcharge is just another tax. It is just another tax. You have imposed value added tax. You have amended the income taxes which people have to pay: the individual income taxes; the corporate income taxes. We have had the legacy of the health surcharge with us, and the health surcharge is not a tax, the revenue from which will be allocated for the improvement of the health services. That position has been made clear here in this House from time to time.

Why do you persist with a health surcharge? Why can you not abandon the health surcharge in light of the fact that you have put this onerous imposition of a 15 per cent value added tax, and save the Inland Revenue Department the time and the effort wasted in trying to deal with the health surcharge as a separate item of taxation.

Today, Mr. Speaker, I am calling on the Government, in light of the heavy imposition of indirect taxation on the citizens of this country, to withdraw the health surcharge, and of course, for three reasons.

First of all, the health surcharge has not been applied to improving the medical and health services of this country. It is just another form of taxation.

Secondly, the health surcharge has imposed an administrative burden on the Inland Revenue Department to administer that form of taxation. Therefore, its removal would permit the Inland Revenue Department more time to address other matters.

There are a number of other matters which the Inland Revenue Department has to address. For example, what are the outstanding amounts of taxation which people owe the Government of Trinidad and Tobago, both individuals and corporations? They could usefully spend a lot of their time in trying to get these outstanding amounts and trying to bring the fiscal position of the Government on a more acceptable basis.

You are burdening them with having to collect this additional item of taxation, when, as I said, you have imposed a 15 per cent value added tax in this country. As a result of that, you have earned more revenue from the value added taxation than you have projected for.

This just goes to give the country an indication that all they want to do is to tax and tax and tax even more, regardless of whom it affects; regardless of the income groups that are affected by taxation, creating severe burdens, particularly on the lower income groups of Trinidad and Tobago, and creating a situation where, as a result of this additional tax burden, as a result of the increase in the cost of basic items in Trinidad and Tobago, you have an escalation in the degree of poverty which has afflicted citizens of Trinidad and Tobago.

They admitted themselves that they are spending millions of dollars now just trying to provide food for people. At least that is what that say. These measures to provide food are really done through the NAR party groups all over the country. And we do not really know at this point in time whether the food and meals that they are supposed to provide are, in fact, actually being provided, and if they are being provided, that they are going to the needy people of Trinidad and Tobago; or whether it is merely an avenue of patronage in an election year to see what little support they can whip up through these measures.

Dr. Hosein: Mr. Speaker, on a point of order. The Member for Oropouche said that food is being provided, I take it he means under ECHO through NAR party groups. Mr. Speaker, I just wish to deny that.

A question was recently asked in the Parliament about the matter, and I was prepared then to read out the list of organizations which received disbursements

under ECHO and I am still prepared to do that at any time. I just want to correct the record; I do not expect the Member from Oropouche to withdraw the statement.

Mr. Sudama: Let me rephrase that statement, Mr. Speaker. Let me say, provided through NAR-aligned organizations.

Dr. Hosein: Mr. Speaker, the vast majority of groups are religious oriented. And if what the Member from Oropouche is saying is that the religions in this country are NAR-aligned, well, I am willing to accept that.

Dr. Tewarie: Mr. Speaker, it is hard to do anything in this country without being linked to a lot of NAR-aligned organizations.

Mr. Sudama: We all know that there are religious groups and there are religious groups. There are religious groups, and there are other religious groups. I just want to leave it at that.

Mr. Valley: It is the morality of the thing that bothers me.

Mrs. Johnson: Do you know all the groups?

Mr. Smart: Can you talk about that?

Mr. Valley: I can talk about morality. I am sure about that.

Mr. Smart: How come you are so agitated? What is the problem?

Mr. Valley: It is the corruption—

Mr. Speaker: Order, please!

Mr. Smart: Be calm. Take it easy.

Mr. Sudama: Yesterday, for example, Mr. Speaker, the Member for Tunapuna was at the Manahambre Masjid delivering gifts; food.

Dr. Hosein: No, no, no. Please, please, please.

Mr. Valley: Were you or were you not?

Mrs. Johnson: They are prepared to tell any kind of lie.

Dr. Hosein: Last Saturday, I was at the Manahambre Masjid. It was Aftari for the mother of a good friend of mine. I know he does not know about these things, but you would, Sir. I was not anywhere giving out gifts.

Mr. Speaker: The Member of Tunapuna was receiving food.

Dr. Hosein: Yes, receiving food. Exactly.

Mr. Sudama: In his case, I think he works by the motto: "It is better to receive than to give," so we can understand in his particular case.

Mr. Speaker, I want to just say a word about the Income Tax Act and the question of exemption of tax charged on the interest on savings for those who are 60 years and over. We have made the point in this House that if you are going to induce a larger volume of savings in this country, then you have to provide the incentive for that. It seems to me that to tax the interest on savings for those people who are under 60 years of age, is a great disincentive.

I do not understand why the Government does it. There is a great contradiction in its policy. This Government has deliberately reduced the rates of income tax for the higher income groups of Trinidad and Tobago. It has restructured its income tax proposals. For the higher income groups, a lower rate of tax has been applied, in addition, of course, to increasing enormously the rate of indirect taxation on the average citizen of Trinidad and Tobago.

Now, the purpose behind that, as the Minister himself indicated, was to induce those with higher incomes to have a larger amount of available savings and, therefore, it was assumed that the larger volume of savings, disposable income, would have been applied towards investment. This was their strategy; the more you earn, the less tax you pay, and the less tax you pay, the more money you will invest.

Of course, they did not take into account the fact that you may have high incomes and you may choose not to invest, or you may choose to invest those incomes outside of Trinidad and Tobago; or you may choose to engage in higher levels of consumption.

The Government does that in one instance. It allows high income groups in Trinidad and Tobago to have lower rates of tax and to have more disposable incomes. On the other hand, it is taxing people who have saved and presumably saved from either their employment earnings or their earnings from business. When a man is employed, he would have paid tax. When a man gets income from business, he would have also paid corporation tax or individual tax, as the case may be. Then he puts those earnings in a bank, and from those savings, he gets interest, and now you are turning around and taxing that interest. So it is a case,

Mr. Speaker, of double taxation; of taxing the same income twice. We have already pointed that out in this House.

What we are proposing to the Government is, if it wants to induce a larger amount of savings in the country, then it should get rid of this position of taxing the interest on savings. If the Government is telling this House that if it does that, it is the larger income owners, the larger savers who will benefit, then if that is its argument—it is taxing interest because it wants to catch the larger savers, the larger income earners. How come the Government wants to catch them on interest on savings, and yet, in its income tax policies, it is allowing them larger disposable incomes? This is the confusion in which this Government finds itself. Because it has no thought-out policy as to what, in fact, it is doing.

The savings incentive is for the small saver; what do you do with the big saver? What are the other ways of giving incentives to the big saver. The questions, Mr. Speaker, which they have not really addressed during their four and a half years in Government are: How do you increase the level of savings in the country? What do you do? What incentives do you provide? They have not addressed these questions. We have a very relatively low rate of savings in the country, and we ought to be utilizing our own indigenous resources more for our own developmental purposes.

But the bigger problem which the Government has not addressed is that if you have a larger volume of savings, how do you create the infrastructure and conditions to have that larger volume of savings directed into productive investments? They have not got a clue as to how that is to be addressed. All they are concerned with is trying to get as much external financing in this country as possible, as much external financing by the hook or the crook, burdening the citizens of Trinidad and Tobago with external debt, and doing very little to develop indigenous source of financing.

Whatever indigenous sources of savings there are, it is ultimately being all grasped by the Government through various loan flotations domestically on the market. If it is not the central government issuing bonds, it is T&TEC, it is somebody else issuing bonds and mopping up the savings which are available locally, to the detriment of the private sector. At the same time you want the private sector to prosper, at the same time you are trying to monopolize the savings in the country which would have been available to the private sector.

The Government's developmental strategy, Mr. Speaker, is really to look on the outside. This is why it has increased the external debt of this country by almost

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100 per cent in the space of four and a half years. When this Government took office at the end of 1986, the external debt of Trinidad and Tobago was in the vicinity of US \$1.8 billion. Today the external debt is in the vicinity of \$2.5 billion. We are talking about almost 100 per cent increase of indebtedness in the short span of four and a half years.

What have they done with that money? You see, we are not against borrowing money. The questions that they have to answer, and they will have to answer very soon are: Why did they borrow this money? What are the returns available? How does it affect our export position? Is that investment of a nature which diversifies the economy? Does it improve our export earnings? Does it put us in a better position to manage our foreign indebtedness in the years to come? Those are the questions which they have to answer.

3.00 p.m.

Mr. Speaker, I just want to indicate that these were the actual draw downs at the end of December 1990. There are many loans to which they are committed and which they will eventually be drawing down. From a report of the Central Bank, I am told that new local borrowings amounted to \$79.2 million for the first quarter and comprised draw downs of \$61.4 million on a \$500 million floating rate bond issue. This has only been drawn down to the tune of \$61 million, so they still have available anything like \$440 million which, when they draw down, they will add to the indebtedness of this country. Then they have also drawn down \$17.8 million on a \$285.2 million project financing facility. So when that facility is fully drawn down the indebtedness will additionally be increased by anything like \$270 million.

Mr. Speaker, the Minister of Finance, as well as the Member for Chaguanas, have indicated that in the next six or seven years this Government is committed to borrowing US \$2.5 billion from the outside. As it stands at the end of December 1990 on what has actually been borrowed, our external indebtedness is to the tune of \$10,656 million, and our domestic indebtedness is \$3,952 million, which makes us totally indebted at the end of December 1990, to the phenomenal amount of \$14,608 billion. It means that every man, woman and child of this country, whether he has benefited or not from the Government's policy, is saddled with a per capita indebtedness of TT \$12,274.

I was on the point of indicating how they spent the money. We have had grave reservations expressed, for example, on money which they have committed this country to borrowing to expand and upgrade the Pointe-a-Pierre refinery. I am

told in a report which appeared in the *Trinidad Guardian* of October 9, 1990, that:

"Acting Prime Minister, Winston Dookeran, recently informed the nation that negotiations had begun with the Inter-American Development Bank for financing three large energy projects at a total cost of US \$409 million."

Will these projects, over time, acquire the foreign exchange in order to pay back this indebtedness? In this report, grave reservations have been expressed on that score. If these projects were so viable, why is it that you could not access commercial financing facilities for them, and have them financed on a non-recourse basis? When we formed the Government at the end of 1986, committing the Government to further indebtedness was something we had looked at very seriously and I assumed that we had taken as a policy decision that where there was to be external financing of projects in Trinidad and Tobago, this ought to be done on a non-recourse basis so that the Government would not saddle us with further indebtedness as the last regime unconscionably did.

Mr. Manning: Attack the NAR, not us.

Mr. Sudama: I want to tell you what these three projects are and inform you that they will not recoup from the earnings the amount which had been borrowed in order to finance them. They are: the Point-a-Pierre refinery; Trintoc Heavy Oil Recovery Project and Trinmar's water flood project. They borrowed money to spend on a so-called development in Tobago. I have a report here of February 8, 1991, in which some comments were made on the Deep Water Harbour project in Tobago. "Trying to sell a white elephant by the construction of the Scarborough Deep Water Harbour". Again, borrowing money for investment purposes which will not bring in a return to this country. How long are they going to reschedule indebtedness? Already their projections have been put out of line by the falling trend in the oil prices. What will be the debt service ratio next year? In the middle of 1992 when the grace period for rescheduling expires, where would you find the money in a situation of falling oil prices, reduced foreign exchange earnings for Trinidad and Tobago, in order to service our debts and to meet our other external payments? You are going to leave this county in a worse position than you found it when you took over the reins of Government at the end of 1986—

Mr. Manning: A truer word, I have not heard.

Mr. Sudama:—given the unconscionable manner in which you just borrow money regardless of the consequences.

Mr. Speaker, let me just read from page 10 of the manifesto, which is Government's policy, which has made it plain that:

"Judicious foreign borrowing. This, however will be strictly related to project financing, and done on the basis of projects being able to repay the loans secured. However, foreign borrowings will not be allowed to go to the point at which debt-servicing becomes unmanageable. Specific limits will be laid down."

What are those limits, in light of their projection of oil revenues? There are no such limits, because they cannot have any limits in an election year. In an election year, they have to give the impression of economic well being based on spurious borrowing and make all sorts of make believe programmes, giving the impression that the Government is involved in heavy investment in order to revive the economy of Trinidad and Tobago and put it on a growth path.

I want to tell this country that despite the fact that we have had the benefit of increased oil prices in the latter half of 1990, according to the Central Bank figures, we are still in a position of negative growth. If in that favourable period we were in a position of negative growth, with an increase in oil production and higher oil prices, what will be our position in 1991 and thereafter, when all the rescheduled payments become due? I want this country to be warned that come March 1992, when the grace period has elapsed, we will be firmly into the debt trap, and it will be left to another Government to try to extricate this country from the dire economic position which will be left by indiscriminate borrowing by the present Government.

3.10 p.m.

You know, Mr. Speaker, all their policies have now focused on the energy sector. I have made this comment before. All their policies have now focused on the energy sector and this is why the fate of this Government hangs on the price of oil. What have they done, really, to diversify the economy? We have had the tourist thrust. How has that benefited the diversification of the economy in Trinidad and Tobago, given the amount of money which has been expended?

Mr. Speaker: The speaking time of the hon. Member has expired.

Motion made, That the hon. Member's speaking time be extended by 30 minutes. [Mr. R. Palackdharrysingh]

Question put and agreed to.

Mr. Sudama: Let us take this great export thrust—the development of the free zones, export processing zones, (EPZ). I think in order for this to get off the ground maybe the Member for Caroni East may have to make another trip with a larger entourage to the Far East, and having that trip all lavishly laid out for him to hoodwink this country into believing that we are going to get investment in the export processing zones and the employment situation will be relieved in Trinidad and Tobago. What is the position? The Minister of Finance ought to have—since he has introduced in this bill certain measures to exempt people who invest in the export zones from paying land and building taxes—explained what is happening to the export processing zone. How many jobs have been created in the export processing zones, when you are allowing people who put investment in these free zones almost complete exemption from all forms of taxation: corporate taxation, land and building taxation and import duties? You have exempted them from all that. What is the position? Is it another attempt at deception on the population of Trinidad and Tobago? We raise the point. Why are you doing this in the export processing zones and denying people the opportunity outside the free zones, of all these exemptions? What about the people who are in the non-export free zones who merely transfer to the export free zones? What will be the net effect on the economy and the unemployment situation in Trinidad and Tobago? As I have said, they really cannot get away from the propaganda. They are committed to propaganda.

The one area which could have provided a measure of relief in terms of diversifying the economy was the agricultural sector, and they have consistently ignored this sector. As I said, they are concentrating on the energy and energy-related industries incurring this country into additional and onerous indebtedness. We are far away from even attempting to deal with the unemployment situation in Trinidad and Tobago.

Mr. Speaker, in the *Trinidad Guardian* dated March 8, 1991 captioned “More People out of Jobs says the Central Statistical Office”. There is a turnaround, we understand. They say there is positive growth and turnaround, and the Minister was flapping his wings in December, 1990 when he presented the last budget. Yet, three months later, the Central Statistical Offices says that there is an increase in

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unemployment in Trinidad and Tobago. There is an increase in unemployment, obviously, because their investment strategies, their economic policy are such that they are investing in areas which will not increase employment opportunities in this country to any significant degree. Methanol Plant, \$1 billion investment, 150 jobs created; oil industry, US \$409 million investment in three projects, how many jobs will be created? Any new government of Trinidad and Tobago must address its mind, really, to the other areas of Trinidad and Tobago as possible options for investment which will not only result in true diversification of this economy, but will also result in creating more employment opportunities. It is a serious need and it is obviously something which this Government cannot, because of its myopia, because of its blindness as to the realities of the economic situation in Trinidad and Tobago, really address.

Mr. Speaker, Given the fact that there is going to be a shortfall and the Government has anticipated, as a result of the \$19.00 a barrel oil price projected for the rest of the year, that its revenue loss from the oil sector will be approximately \$771 million, and the Minister of Finance gave this House certain figures that they intend to achieve savings of \$229 million in expenditure, they are going to cut back on expenditure. They did not say where; whether it is in development expenditure or recurrent expenditure; and in what areas they would cut back. I am suggesting to them that if they have to cut back, if the situation requires that they cut back on provisions, first of all, they have to cut out all these electioneering programmes that have been put in place; the waste and corruption that is associated with all these electioneering programmes must be eliminated.

As far as I am aware, the Government has made precious little effort to maximize the benefits from certain given levels of expenditure. There are many areas where you can look to cut out fat and waste. But I am convinced that they cannot do this in an election year because that will affect their chances of returning to power. They are not going to do that. But you must not play hide and seek with the population. You must tell them where you are going to cut to the tune of \$229 million. Are you going to further take away money from the local government authorities whom you are victimizing consciously, simply because most of those authorities are not under the control of the NAR Government? Is this where you are going to do your cut back? Are you going to cut back the moneys that you make available under social services for old age pensions and public assistance? You have already cut back on school books. What are the areas? Are you going to

cut back on the health services, on the deplorable health service conditions in Trinidad and Tobago?

3.20 p.m.

Mr. Speaker, after having put the nurses of this country through some of the worst conditions of work and caused them to flee Trinidad and Tobago, today they are going overseas to recruit. They are going overseas to recruit nurses for the Eric Williams Medical Sciences Complex and for other areas, in a situation where you have a 22.2 per cent unemployment rate in Trinidad and Tobago. It is a great indictment of the health policy of this country, that given a situation where you have so many thousands and thousands of school-leavers, thousands and thousands of people who are coming out of the other institutions of higher learning, who cannot find employment, yet you have opportunities created in certain areas, for example in the health services, and you have to go outside of Trinidad and Tobago to fill those. Could you not have anticipated that in 1987, and put a programme of training in place so that our own citizens would have been in a position to fill those vacancies today? They have no such foresight. All they are concerned with, is how to propagandize, how to run to all the foreign multinational institutions to borrow money without a thought as to how this money is going to be used and whether effective investment will result and whether you will be in a position to repay your indebtedness. There is no strategy whatsoever to deal with the areas of skilled shortage in Trinidad and Tobago; no strategy to deal with the intractable unemployment in this country.

Mr. Speaker, they have made certain amendments to the Value Added Tax Act and I want to draw the attention of the Minister of Finance to the complaints which I get on a regular basis as to how this value added tax mechanism operates. In the purchasing of items, value added tax is paid on the purchase price when you sell. You would have paid to the Inland Revenue, of course, before-hand and you will recoup from them at a later date. I am told that there are millions and millions of dollars of value added tax which is to be refunded to business people in Trinidad and Tobago and they cannot get their refund.

Is this also an item of governmental fiscal strategy, that you collect money from people, utilize it and when it comes to refunding them the money which is really due to them, you give them all sorts of runaround. Of course, if the citizens of this country owe the Government money, not only does the Government run people down to get that money, but they have to pay interest on that money.

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We understand one of the reasons for the introduction of the value added tax, is to give the Government a floating fund to do as it pleases, to provide for all sorts of expenditures in an election year, to try to win votes. In my own constituency there is one Senator who is running around and telling people: "I will give you anything you want, I am in charge of LIDP, I am in charge of Self-Help, I am in charge of ECHO, I am in charge of YTEPP. You just make your request and it will be given onto you. Just make your request, whatever you want. Of course, these things have to be funded. They must be funded in some way or the other. Now they are telling us here that they are not engaged in electioneering in 1991, and this is what is going on in all the constituencies; an attempt to bribe the population in an election year. I am convinced that bribery is partly financed by the refunds which are due to businessmen under the Value Added Tax Act, it will be financed by indiscriminate domestic borrowing as well.

Mr. Speaker, the issue which we have to address with this Finance Bill of 1991, is whether it puts this country in a better fiscal situation or puts it in a worse fiscal situation; whether this bill will in any way put the Government in a position to deal with its fiscal deficit; or whether it will aggravate the fiscal deficit, whether the amendments being proposed in this bill will increase our export earnings or whether it will not increase our export earnings; whether it will enable greater investments in the export processing zones; whether it will induce the creation of greater employment opportunities or whether it will not do so; whether the common external tariff—where the Government has introduced some flexibility in this bill as to whether it can be suspended without notice, quite apart from creating a great deal of confusion—is going to adversely affect our manufacturing capability in Trinidad and Tobago; whether that common external tariff will increase the cost of living in this country and whether implementing the common external tariff will put the manufacturers and exporters of Trinidad and Tobago in a worse position, *vis a vis*, manufacturers and exporters in other Caribbean countries.

These are the questions which this Government, of course, ought to answer. These are the questions which the country would like to have answered and not just come here and pretend in the middle of April 1991, that everything is going smoothly; that your budget of 1991 which was presented in December, 1990, was God's law, that all the provisions—according to that budget—have been implemented smoothly and all your projections are in order and that the

Government is not creating greater burdens for the people of Trinidad and Tobago.

We come to the question of accountability, to the question of truth in Government. I had introduced a motion in this House asking for the Government to introduce truth in lending legislation. They have agreed in principle to do so, but I am convinced that this legislation would never be implemented in this session of Parliament. I am convinced of that. It would not even come before the election because the banking lobby in this country is too strong. Of course, they are in the back-pocket of big business in this country—the financial and other institutions. It is too strong for his kind of legislation to be introduced here.

I think I will have to introduce another motion for truth in Government legislation. This bill, as I said, has in fact, provided the Minister of Finance with a great opportunity, if he wanted to utilize it, to level with the people of this country with respect to what is happening in the economy of Trinidad and Tobago in the first few months of 1991. It is a great opportunity to come to the people and tell them in all humility, “my projections have been wrong, our policies are not bearing the fruit which we thought they would bear; that you are in for an extended period of hardship and austerity in Trinidad and Tobago.” And at least if you lose the election, you would have lost it with decency; with a sense of honesty. When you lose the election you would have lost it in different circumstances.

Do not come and tell this population that everything is in order. People on the outside are experiencing the greatest hardships that they have ever experienced in the history of Trinidad and Tobago: starvation, pauperization, people are losing their homes; increase in vagrancy, and not just vagrancy on the street that we look at, despair and desperation; increase in crimes. All these things are happening. There is an increase in the unemployment rate and the Government behaves as if everything is under control in Trinidad and Tobago; as if its measures are having the greatest possible beneficial effect on the economy and on the people of Trinidad and Tobago.

Mr. Speaker, I merely wish to conclude by saying that it would have served the Government very well to have come in the middle of April 1991 and presented to this country a comprehensive review of the economic and fiscal position which confronts it. If that position is not as the Government had anticipated in December 1990, then it should tell this population in the clearest possible terms with the greatest specificity. Tell them that this is what we would have expected. We would

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have also expected the Minister of Finance to let this House know that if his fiscal deficit is going to increase as a result of the fact that he was wrong in making his projections—and anybody can be wrong in making certain projections, but when you are wrong and you do not admit that you are wrong, then there is something perverse about that. If you are wrong, you admit you are wrong and you come here and you say, “our deficit will increase”, and you ought to tell this country how you are going to finance the deficit.

In 1990 when the budget was presented, he gave this House figures of gross foreign reserves and yet he did not tell this House what were the net foreign reserves and what kind of import cover we would have on the basis of net foreign reserves—another attempt to “hood wink”. Gross foreign reserves in a situation where we had borrowed from the IMF and we had to pay back the IMF within three months and so on. We had, according to the Central Bank figures, anything like US \$443 million owing under international organizations. When you took away that from your balances, what was your net reserves and how many months cover that would have provided for?

It was an attempt to use figures in order to mislead the population. He is continuing to do it. Will you go to the Central Bank of Trinidad and Tobago and borrow money to finance your deficit? And if you are going to do so, why not tell the people of Trinidad and Tobago that this is what you are going to do; that in the election year when you may not be able to borrow money on the domestic market, you will go to the Central Bank and you will direct them to lend you money—something against which the Prime Minister himself had objected when we took over the Government in 1986? He was very critical of the manner in which the last PNM Government borrowed money indiscriminately from the Central Bank.

I want to know in 1991, is that the same recourse which you are going to take in order to finance your fiscal deficit? Come 1992, if you are projecting that far, how will you deal with your foreign indebtedness? What is your projection for export earnings? What other areas, apart from the petroleum sector, do you hope to get increased export earnings and to what extent do you hope to get this? What will happen to your debt service ratio and what is your commitment to borrowing more in 1992 up to 1997 and further burdening this country with external indebtedness?

All these questions we ought to have answered. All these questions will be asked in the next few months. We intend to take the economic performance of this

Government to the country; we intend particularly, to take the manner in which they have borrowed indiscriminately. This question has to be answered: What has been the efficacy of that borrowing? That particularly we have to take to the country. If ever Trinidad and Tobago was within the jaws of the debt trap dragon, it is now. It is in 1991 that we have entered into the jaws of that dragon. I am afraid that to extricate ourselves from the jaws of that dragon, it will have to be another captain or knight in shining armour to come and deal with that situation in 1992, to which you have committed this country.

Mr. Speaker, this Government has much to answer for and we would like it to start answering now, to the population. When the time comes, I am convinced that this population will give it the appropriate response.

Thank you.

Mr. Patrick Manning (*San Fernando East*): Mr. Speaker, the Minister of Finance has finally begun to adopt some of the attitudes of his boss, the hon. Prime Minister. The hon. Prime Minister has now developed the practice of coming to this Parliament accompanied by a large entourage of security personnel. Today, the Minister of Finance came with his very large entourage of advisors. In one instance, it is fear and in the other instance, it is incompetence.

Mr. Speaker, I have listened very carefully to the hon. Member for Oropouche this afternoon and it is not very often that I find myself agreeing with much of what he has to say, but this afternoon is an exception. I want to take this opportunity to congratulate him on the way he presented his case to the hon. Parliament, today.

Mr. Speaker, this is the last occasion in this parliamentary term on which the Members will have a chance to debate a Finance Bill. This will be the fifth Finance Bill which we would be debating and it must be seen as a culmination of the fiscal measures which the Government has sought to put in place from 1987 to now, in the quest for what is acknowledged to be a most desirable objective for Trinidad and Tobago. It is the objective of the economic recovery and placing the economy of Trinidad and Tobago on a sound footing so that, among other things, we can generate the jobs that Trinidad and Tobago so desperately requires.

On the occasion of the debate on this Finance Bill, it is a most appropriate time to seek to review the performance of the Government in the economic realm. Permit me to remind you Mr. Speaker, and hon. Members through you, that this Government faced a particular situation when it acceded to office in December,

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1986. And the occasion of the debate on this Finance Bill, is a most appropriate time to seek to review the performance of the Government in the economic realm.

3.40 p.m.

Permit me to remind you, Mr. Speaker, and honourable Members, that this Government faced a particular situation when it acceded to office on December 16, 1986. It met an economy that had gone into decline a few years earlier, to a very large extent, as a consequence of the recession that had visited the countries of Western Europe and North America and the adverse effect that recession had on oil prices in the first instance; and secondly on the prices of the primary products that we now make in Trinidad and Tobago: iron and steel, methanol, urea, ammonia, products which constituted the PNM's attempt at diversification within the energy sector. This policy recognized the existence of natural gas on the east coast and elsewhere in Trinidad and Tobago; it recognized the enhanced financial position of the country as a consequence of high oil prices in the decade of the 1970s and it sought to utilize our natural resources in the best manner that could benefit Trinidad and Tobago.

The diversification policy, as I am sure you would recall Mr. Speaker, was a policy of diversification within the energy sector in the first instance while attention was turned to the much longer term objective of diversification of the economy away from petroleum on the whole. I hasten to point out that quite early the Government stood accused of taking an approach to energy that suggested that it was a crime for Trinidad and Tobago to be in possession of oil and gas resources. I distinctly recall debates in this honourable House, where the attention of the Government was drawn to the fact that the best place to start must be with what we have and that there are many countries in the world which would have been extremely pleased to be in possession of the oil and gas resources that Trinidad and Tobago now possesses and possessed in 1987 and would have sought to utilize those.

Instead, not only was there a condemnation of the approach that had been taken by the PNM prior to 1986, but the manifesto of the ruling party today clearly outlines the direction in which they propose to take the economy in respect of the energy sector, as they put it, introducing new sub-sectors, condemning the mega projects, but introducing new sub-sectors as their manifesto clearly states, the viability of which is guaranteed on the basis of the domestic market. We have had an opportunity in the past to point out that that was a most unrealistic approach.

The minute you begin to talk about oil and gas, you are talking about technology that can only result in economic production on a scale that, of necessity, will drive you in the position of exports and that the viability of sub-sectors based on the domestic economy was as an elusive dream as the economic turnaround of which this Government continue to talk.

It was admitted by all, that the developments of 1986—where oil prices collapsed catastrophically—had as it were, almost negated the effects of the programme of economic recovery that had been put in place since 1983. Reports from the Central Bank had put that in a reasonably clear perspective where the financial managers of the country in 1986 felt that essentially the fiscal policies that had been put in place prior to that were policies that had been working—the last of which was a major currency devaluation in 1985—and that the economy was poised at the end of 1985 for a selective stimulation, as they put it, in certain areas of economic life. All of that went through the window when the oil prices collapsed. That therefore was the situation that faced the Government in 1987.

Mr. Speaker, from a situation where no clear policy emerged in the first instance, the Government eventually moved to a situation where it began to adopt an approach to economic recovery that had been applied in other countries of the world, such as the United Kingdom and the United States of America. I hasten to point out that the approach adopted by the Government from 1987 to now, was a perfectly legitimate approach and articulated by my good friend from Oropouche. But permit me to restate it. What they sought to do was to increase the disposable incomes in the hands of the upper income groups. It was the Minister of Finance himself who argued in one budget debate, that these are the persons who are in the best position to save and in the best position to invest. Therefore as you increase the disposable incomes in their hands, so you can look forward to a higher level of savings, look forward to a higher level of investment and the savings could be mobilized for investment in the country in a manner that can stimulate economic activity and can bring about the creation of jobs and by that mechanism you will have the trickle down effect and, therefore, you will have well being in the entire society. That was the approach as outlined by the Minister of Finance on many occasions prior to today and that approach digressed significantly from the approach that was being pursued by the PNM prior to 1986.

What was that approach? The approach was different. The approach of the PNM prior to 1986 was that you increase the disposable incomes in the hands of

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the lower income groups. That was the PNM's approach. As you increased the disposable incomes in the hands of the lower income groups, so they will spend; as they spend, economic activity is stimulated, the economy begins to pick up and the jobs that the country requires will be created. Those were the two approaches. Admittedly, the Government considering that the approach prior to 1986 had failed, moved away from that approach and sought to adopt an approach which in its considered opinion was one that could have brought about the economic stimulation that this Government sought.

In instances where the economic recovery appeared to be taking a little longer than anticipated, it tried desperately over the last few years to talk itself and the country into economy recovery. Indeed, when you look at some of the newspaper headlines of the last few years, you can see very clearly, the direction in which the Government was seeking to take the economy. One such headline is, "Government Halts the Slide." Not a question of performance but merely creating an impression in the minds of the population for whatever reason. But one of the reasons must be, as people perceive the economy to have turned around, so they will have greater confidence themselves and stimulate the kind of spending that will generate an economic turnaround. That was the point of view. April 17, 1987, exactly four years ago "Government Halts the Slide" but "Economy Still In Crisis"—*Express*, April, 1987.

January, 1988: "Dookeran Sees Sources of Growth Reappearing", my good friend, the hon. Member for Chaguanas. Hope, you see! February 28, 1988: "Dookeran Lets Out Government's Best Kept Secret". He let it out Mr. Speaker. "Turnaround has started", this was 1988, Mr. Speaker, no turnaround. There was no reason to believe that any turnaround has started but you see it was part of the Government's approach, not only to create a psychological atmosphere that it believed could have led to an economic turnaround but it was also part of the approach where it consistently was not levelling with the people of Trinidad and Tobago that sought to give an impression that was very different from what was the reality.

3.50 p.m.

Indeed, let me spend a minute on my good friend from Chaguanas. It is somewhere here when I get it I will refer to it. "Turnaround has started", that was the statement made by the Member for Chaguanas. In fact, you begin to wonder if that statement was not made in fulfilment of a prediction which he had made some

time before, reported in the *Express* of Friday, August 14, 1987 on the eve of a local government election, where the headline of that particular article stated: "Dookeran: Economic Turnaround in 18 months."

They were trying to create that atmosphere and in so doing—not necessarily sticking to the truth, or what they believed to be the truth, or what they believed to be possible. It goes on, if you look at the newspaper headlines again, "Turnaround by year end, says Prime Minister". This is January 1, 1989, *Sunday Guardian*. "TT on the Road to Recovery", this is February 16, 1989. That is the hon. Prime Minister talking. It is the *Trinidad Guardian* of that day. And so you go on: December 6, 1989—I do not know if he took a truth serum—"No Economic Turnaround, Dookeran." Dookeran again, "Turnaround would accelerate in 1990". That is followed by a statement by the hon. Prime Minister in the *Sunday Guardian* of August 27, 1989, "County Council Week Opens: PM, We shall overcome". "PM predicts movement in key areas", *Trinidad Guardian*, August 31, 1989. "No Turnaround Yet Says Demas", December 2, 1989, *Trinidad Guardian*. "Tewarie, IMF World Bank Tax Restricting Revival Bid". So they start now to blame others rather than themselves. Then, of course, the blockbuster of them all, the *Trinidad Guardian* of July 11, 1990, "T&T can be in the first world in five years, says Tewarie".

That is what the country has been subjected to for the last few years. Not so much economic performance, as an attempt by the Government to create an impression that was entirely out of order, inconsistent with the facts as the figures were demonstrating then, but a determination on the part of the authorities not to deal with fact, but to deal with public relations; to deal with fiction; to deal with the creation of impressions which may not be correct, in the hope of finally grasping that elusive dream of economic turnaround. And they put their approach in place.

One of the things which they inherited was a public debt and the public debt was a fraction in 1986 of what it was at the end of 1990. The internal debt at December 31, 1986 was approximately TT \$1,552,000,000. The Central Bank at the end of last year, in its document which was only laid today in this honourable House, identified the public debt outstanding and the local debt outstanding at the end of 1990 at \$3,952,000,000, or more than twice the domestic public debt inherited by the Government of Trinidad and Tobago on December 16, 1986 when it took office, in circumstances where the country was led to expect that Trinidad

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and Tobago was on the brink of a new day; that new managers were coming in to correct the gross mismanagement of the PNM, as they had put it. This Government led the country to believe that not only did it have the wherewithal to bring about that economic recovery of which it had spoken, but that it was in a position to do it in a relatively short time—18 months, one year, just now, and so on; that is how it went.

Mr. Speaker, the belief on the Government's part, which was a legitimate belief, it was legitimate enough for the Government to believe that the economic measures which it has put in place, are measures which would work. Against the background of that belief, it saw as a temporary measure, borrowings. It felt that to tide it over the period when the economy is being adjusted, it will go, both domestically and internationally, to the markets to borrow money, assuming that its economic policies will work, that its economic policies will generate the cash returns and the foreign exchange reserves which the state will need to be able to borrow today, and to give the country the wherewithal to pay it back in the not too distant future.

Mr. Speaker, when the economic recovery was delayed and when it was beginning to become a little clearer to the Government that it could not turn around, or it was unable to turn around the economy in the time frame in which it had anticipated, they went to the International Monetary Fund and committed us, not just to more borrowings, but to a programme of economic adjustment which was consistent with a particular ideology to which it subscribed. All of that is legitimate. If you feel that your measures will work, then it is legitimate for you to borrow against that possibility. The trouble is that the economic measures have not worked, and that is the problem. The economic recovery of which the Government spoke in 1986, 1987, 1988, 1989 and 1990, continues today to be that most elusive dream. The economy has not turned around.

Mr. Speaker, they have even resorted to gerrymandering the figures. I do not want to get too much involved in that today. I want to refer you to the *Review of the Economy, 1989*, a document which was laid in this Parliament and which formed a part of the package of documents associated with the 1990 budget. In that document, Mr. Speaker, I draw your attention and the attention of this honourable House to Appendix 16, "Gross Domestic Product of Trinidad and Tobago at Market Prices, Constant 1985 Prices, Growth Rates 1985—1989". GDP 1985—1986, minus 1.6 per cent. The economy was declining in 1986.

Mr. Speaker, at the end of 1986—the *Review of the Economy*—the figure was minus 1.6 per cent for the year 1986. For the year 1987, the year after the Government took office, the first year in office, the economic performance of the country deteriorated remarkably. It went from minus 1.6 per cent—a contraction of the economy by that amount in 1986—to minus 6.7 per cent in 1987 which should have been the first indication to the Government that something must have been radically wrong for the rate of economic decline to have accelerated to such an extent in the first year in which it took office, and in the first year in which it was entrusted with the responsibility for the economic management of the affairs of Trinidad and Tobago.

Dr. Tewarie: Am I to understand him clearly that he is blaming the economic performance in 1987 on one year of this administration and rather than for, let us say, the five years before?

Mr. Manning: Mr. Speaker, I am merely examining the facts. It was not us. The hon. Member for Caroni is suddenly becoming jumpy. I understand that he said recently that they saw the economic recovery and it was conveyed to them by the Member for Ortoire/Mayaro. He saw it. As a consequence of which he has decided to donate his eyes.

Minus 6.7 per cent in 1987. Minus 4.3 per cent in 1988. They slowed the rate of decline in the following year but still it was substantial and a far cry from the promise which they had made to the electorate, and the promise was, to turn the economy around. Unemployment in 1986 was 17 per cent when the PNM demitted office. That is what the figure was. It was high. The PNM admitted that the figure was high and agreed with them, as indeed we agreed with the aspirations of the national community, that priority No. 1, had to be the reduction of the high level of unemployment, because we knew, among other things, that it is in circumstances of high unemployment that the social security of the country could be breached.

In 1989, they slowed it again to 3.7 per cent, but still significant. Still too high and still very much higher than the 1.6 per cent decline in 1986 when oil prices collapsed so catastrophically to \$9 a barrel. The new economic managers should have been warned that something does not seem to be right in the way they were approaching the economic affairs of the country and that prudence should have dictated that they sit and reconsider their position and see whether there was a need to make any adjustment at all to the economic approach on which they had

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pegged, not only the economic well being of the country, but also their political hats. They should have sat and reconsidered it. Perhaps they did that. I am in no position to say. When they went to the IMF and when we got more of the same, I was convinced myself, as indeed, we on this side of the House were convinced, that the Government was determined to go down the road with an approach even though it was being demonstrated that the approach was not having the desired effect.

Minus 6.7 per cent, 1987; minus 4.3 per cent, 1988; minus 3.7 per cent, 1989. And come the *Review of the Economy* last year, the projected economic growth for the year 1990 was 0.7 per cent. That is the document which the Minister of Finance laid in this Parliament. That was a projection. I am sure you will remember that when that matter was the subject of some deliberations, there were those who took the position—we took the position outside the honourable House that we could see no basis, when we looked closely at the way the country was being governed and the economy was performing, for a projection of economic growth in 1990, notwithstanding the fact that developments have taken place in the Middle East which will have the effect of significantly increasing oil prices, which they did. They significantly increased oil prices but a clear study of the performance of the economy in the third quarter told us that it was not possible to have economic growth by the end of the year for Trinidad and Tobago. Yet the Government projected for 1990, economic growth of 0.7 per cent.

It was on the basis of that projection, alongside the analysis of the Central Bank in its third quarter report, that the Government went in a bye-election in Diego Martin Central and touted itself as the great economic manager who was able to turn the economy around. We said it was unrealistic. We said that the economic measures have failed for yet another year.

Today, the Central Bank's report was laid in the Parliament. And this is no projection. This document is being laid four months after the end of the year. This is no projection as opposed to what is involved in this document *The Review of the Economy*. The Central Bank says that the economy declined further in 1990 by 0.4 per cent. The economic turnaround of which the Government has boasted and for which the country has dreamed, continues to be a most elusive dream. That is only part of the story.

Mr. Speaker, remember, it was on the basis of their anticipating that the economy will perform properly, that they committed the country to a heavy debt

burden. That would have been a reasonable approach if the economic measures had worked but there were those of us who were saying from the start that they could not work, but the Government did not accept that. What is the position today? It is a \$1.552 billion internal debt at the end of the year, 1986, and at the end of the year 1990, it is \$3,952,000,000. It is more than a 100 per cent increase in the size of the debt. What is dangerous about all of that is that we have just come out of the second standby facility with the International Monetary Fund.

It was the Minister of Finance who boasted on the basis of the superior management capability of the Government, that Trinidad and Tobago will not draw down on the third and fourth tranches of the second standby facility. I do not want to go into an aspect of that. It was not a question of unwilling, it was unable at that time because of the high oil prices. The agreement clearly states that but that is what they came and said. That was touted in the Diego Martin Central bye-election. Remember that the budget was read here on December 7, and the campaign was already under way. Their statements on economic recovery and superior economic management must be seen in the context of the important bye-election campaign which was under way, and the fact that they were gambling very heavily. So that it was all strategy. It is not performance because when you cannot perform you talk, you lie, you misrepresent and you create an impression that bears little or no relation to the fact. That is what they did. Today there is no economic turnaround.

4.10 p.m.

What was the size of the public debt? What was the size of the external debt? The Central Bank report says that it is US \$2.503 billion at the end of the year. It is a total debt of some TT \$14 billion. What did they meet when they came in? It took the PNM 30 years to amass a total debt of just over \$6 billion. In the short period of four years—because we are talking end of the year figures, 1990—they have put this country in a position where the debt has more than doubled and worse than that, where the country has no wherewithal by which to repay those debts.

The economy has not turned around. What in fact is happening with the economy is that the decline continues and it is about to hit rock bottom. When it reaches rock bottom unless they can take steps to kick start the economy again, it is going to flounder at that level, plus today; minus tomorrow and so on. That is what is likely to happen.

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We are now saddled with a debt. Last year, the Development Loans Act was amended in such a way to give the Government access to \$2 billion more in borrowings. We made the point. You are coming for permission of the Parliament, to get the authority to borrow \$2 billion more on the eve of a budget. The Parliament was not treated with the courtesy of the Government telling us the purposes for which it wanted the authority to increase the borrowings of the state by \$2 billion. We were not told, but, of course, we did not have to be told because they have the majority. It is a simple question of the Members of Parliament who support the Government saying “aye” and it is passed. The PNM Members can talk until they are blue in their faces as indeed we did, but it made no difference to them. What they got was a blank cheque for \$2 billion extra, in circumstances where not only did they not deserve it, but to give them the ability and the authority to borrow more, is to put Trinidad and Tobago in a much more difficult position than in fact it was before that particular amendment came to Parliament.

We read recently that they are getting in \$1.1 billion from the IADB. I do not know if that was the particular item that caused them to go that route. Just to digress a little, one of the conditions of that agreement is that they would rationalize the petroleum sector. There are those in the Government who are seeking to give the impression that the Government has consulted with the Leader of the PNM on rationalization of the energy sector. Today, I want to place it on the record that this is not so. Not only is that not so, but they have been seeking to give the impression that I have been consulted and that we have agreed to the approach being taken by the Government. I have neither been consulted, nor do we agree with the approach of the rationalization of the energy sector being taken by the state.

They are making the cardinal mistake, a mistake that I have warned about time and time again, of putting all our petroleum and energy eggs in one basket. It is a holding company and everything in the energy sector under that holding company, including the National Gas Company and National Petroleum and the petro-chemical—

Mr. Sudama: Could the Member give way to a question? Could he inform this House whether putting all our eggs in the petroleum basket was also a policy of the PNM regime?

Mr. Manning: Not in the way in which the Government is now seeking to do it. As I said earlier on, the PNM had sought to diversify from oil, but within the

energy sector, taking into account the natural gas resources that we had. I am not talking about that.

I am talking about the management arrangements that are now being set up and you are looking at a company, if it is implemented in the way they are now seeing it, with an asset base of \$6 billion. It is going to be a state within a state. What is to be gained by putting the assets held by Trinidad and Tobago in Fertrin, or Tringen, under a petro-chemicals division of a holding company? By taking that approach it also prejudices the position of Trinidad and Tobago in respect of divestment. In fact, I am wondering if by doing that the Government is now saying that it is not as committed to divestment of the assets of the state in the way in which they appear to have been committed in 1987—89 when they first came to office in this country.

The examples of that approach going wrong are far too numerous around the world for a country of Trinidad and Tobago to ignore them; the Nigerian example, and Pertamina in Indonesia. It is not that they do not know these examples; they know them, but continue to take the approach of theoretical politics rather than taking into account the experience of this and other countries, as we have all sought to walk the road to economic recovery. Theoretically, read a book; it sounds good and you put that in place. That is how they approach it. It is going to get us in far more trouble than they have anticipated. It does not matter to them because they know that following the next election this country will have new political leadership and, therefore, the responsibility for rectifying the problem will not fall on their shoulders. They just do not care.

The Member for Caroni East has raised the question of what approach do we take. I was not going to go into it but since he has raised it, I think I should just tell this Parliament that the approach which the PNM favours was clearly outlined in a speech delivered on Sunday, October 9, 1988. Perhaps they were not listening. They raised the question about divestment. Permit me to quote from the document:

"We see the future role of the State in the commercial and industrial sectors as essentially being both the facilitator and the investor. The State could therefore invest a whole equity in investments where:

1. The industry or enterprise is of strategic importance, for example, oil and natural gas.

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2. The enterprise provides a major social service, for example, TTEC, Water and Sewerage Authority, Public Transport Service Corporation.
3. The industry or enterprise is essential to the economic diversification drive and the private sector is unwilling or unable to channel financial resources into such investments, for example, downstream petrochemical plants from urea, methanol or natural gas.
4. A foreign investor without State joint venture would be willing to be exposed to political or country risks but is interested in a significant export oriented project.

The position of the PNM has been outlined since October 1988:

"With particular regard to self-determination and control of strategic resources, the policy of the PNM will be for the Government to seek out new foreign investment actively participating in joint ventures. The PNM's view is that the State should, in an orderly fashion, divest its interest in any State enterprise which does not fit any of the criteria outlined above.

Our policy and divestment is clear, and in fact it is clearer than as I understand it has been outlined:

"The divestment programme itself should facilitate investments in new enterprises which fit the general criteria outlined earlier. In addition..."

Mr. Wilson: Would the Member for San Fernando East be kind enough to identify the document from which he is reading?

Mr. Manning: It is a document called "With The PNM There Is Hope". He has a copy of it. I sent it for him earlier. It is dated October 9, 1988. *[Interruption]* What are you trying?

"The divestment programme itself should facilitate investments in new enterprises which fit the general criteria outlined earlier. In addition, financial proceeds from divestment should be used to invest in profitable enterprises both locally and abroad in a manner designed to give Trinidad and Tobago a greater measure of economic security by:

1. Protecting our market position.
2. Diversifying our investment portfolio.

3. Giving Trinidad and Tobago access to essential research and development results.
4. Reducing the political risk to potential investors in Trinidad and Tobago.

It is all there. Because the Member for Caroni East cannot understand the approach, he describes it as, "I do not know what it is." All of that is predicated not only on the experiences of the PNM, but as we watch the NAR perform from 1987—88 we began to see shortcomings in their approach from quite early.

4.20 p.m.

Today I was able to outline the position of the PNM prior to 1986 and the economic position that the NAR is now pursuing. Permit me to tell you the position of the PNM. Because you see, we have had to adjust our approach. We have had to. We looked at it. We looked at the approach that was pursued. We saw where the approach may have fallen down, Mr. Speaker. We saw where the approach was successful, and we kept what was strong about it and sought to modify it to close any gaps in which there might have been weaknesses.

Today, Mr. Speaker, the position of the PNM is a combination of our position prior to 1986 and the position being pursued by the Government today. Because, you see, yes, we agree, but for a different reason. We agree, Mr. Speaker, that you had to reduce the levels of high income tax in the upper income groups. We agree you had to do it. The reason for that is this: That those who were subjected to the high levels of taxation considered the system to be inequitable. Because of that, there was a high and increasing level of non-compliance.

Indeed, Mr. Speaker, in 1983, the level of compliance was some 71.8 per cent of those who were eligible to file income tax returns; 71.8 per cent of the persons filed. In 1986, it fell to 56.9 per cent. That is the point. That is the point, since we recognized that there was no equity in the system as perceived by those who were in the higher tax bracket an adjustment had to be made.

Mr. Sudama: Would the Member give way to a question?

Motion made, that the hon. Member's speaking time be extended by 30 minutes. [*Mr. T. Sudama*]

Question put and agreed to.

Mr. Sudama: Mr. Speaker, I merely wish to inquire of the Member for San Fernando East if he is admitting that under his regime the rate of compliance has dropped from 71 per cent to 56 per cent. Is this an indictment of the political directorate, or is it an indictment of the Inland Revenue Division?

Mr. Manning: Mr. Speaker, I was talking about the policies being pursued by the PNM. It is the political administration that sets policy, not the Civil Service. I am sure that the Honourable Member accepts that. What I am saying is—you know, the Member is giving me the impression—

Mr. Sudama: Are you saying that the Inland Revenue was not doing its job?

Mr. Manning: I am saying no such thing. I am saying that the PNM's approach to it is one that had those consequences and, therefore, the approach had to be changed.

Mr. Sudama: Who is responsible for compliance?

Mr. Manning: You see, Mr. Speaker, we have no crystal ball, and there is no clearly right and clearly wrong road. It is a question of your own circumstances and what you believe to be best in the circumstances. And as you articulate and implement policies, Mr. Speaker, you assess them as you go along. That is the point I am making.

When we assessed the tax policy being pursued by the PNM, we found that to be the result. If that was the result, then there was need for adjustment to the policy. And, therefore, as you adjusted that policy, it would have the effect, Mr. Speaker, of increasing the disposable incomes in the hands of middle and upper income groups.

It is going to be offset by the higher level of compliance that you can expect. Indeed, on Friday last when the Minister of Finance addressed this Honourable House, he said that they have to review the budget because of a loss in oil revenues, but that at the end of the third month, they anticipated \$164 million more in non-oil tax revenues over and above what was anticipated when the budget was predicated on December 7.

Two things are responsible for that, Mr. Speaker. One is value added tax, and the other is a higher level of compliance as a consequence of reduced top marginal rates of income tax.

The other aspect of PNM's policy today, is a continuation of the approach of increasing the disposable incomes in the hands of the lower income groups. If you do not do that, not only do you deprive the economy of the spending power of the lower income groups and the economic activity that could be generated therefrom, but you create a social situation in the country that has already led to the developments of July 1990. Better watch it!

Unemployment has increased from the 17 per cent in 1986, which they met and which admittedly was high, to over 22 per cent in 1991, Mr. Speaker. How could they be talking about "superior economic performance?" Far from it. Unemployment is worse today. The debt situation is worse today. And what really faces this country is that as well-meaning as they might have been in 1987, when they put their economic policies in place, and when they borrowed against the assumption that the policies would work, today, the policies constitute a total and abject failure and Trinidad and Tobago is saddled with a heavy debt burden without the ability immediately to repay it.

You rescheduled debt because you assumed that by 1992 your policies will work and that you will be able to repay it. You are not able to do it and, therefore, when 1992 comes, you will have to reschedule debt again.

I do not know if you have been taking cognizance of the debt profile and debt service of Trinidad and Tobago. Debt service in 1990 was US \$341 million. In 1991, it is estimated to be US \$315 million. In 1992, debt service is going to jump to \$512 million. That is where it is going to jump, to US \$512 million. In the following year, 1993, it is going to jump to US \$672 million, multiplied as of now by 4.25. In the following year, 1994, it goes to US \$673 million.

I ask the question: Where are we going to get the money from to service that when the Minister of Finance came to the Parliament just a few days ago to tell us that in 1991 the deficit on the budget is going to increase to over \$600 million dollars and that he is going to have to suppress expenditure to the extent of TT \$229 million, without telling the Parliament the areas in which there is going to be a suppression of expenditure? The country does not have the ability to pay it.

We do not have it, Mr. Speaker, because of the policies they have pursued, and notwithstanding the fact that they were warned; they were cautioned. It was not going right. You are creating social problems. You are ending up in a situation far worse than the one you inherited. They did not listen, Mr. Speaker. And today, we in Trinidad and Tobago are going to be all the poorer for it. We in Trinidad and

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Tobago have to continue for some time to endure the standard of living that is considerably lower than the standard of living they inherited when they took office.

It was not too long ago that the Member for Naparima—you see, they are wrong on every count. The Member from Naparima raised a motion on the adjournment in this Parliament. It had to do with the Middle Eastern situation. I think it was the hon. Minister of External Affairs who took the position, after I had made a contribution to the debate. Let me tell you what my contribution said.

4.30 p.m.: *Sitting suspended.*

5.10 p.m.: *Sitting resumed.*

[MR. DEPUTY SPEAKER *in the Chair*]

Mr. Manning: Mr. Deputy Speaker, when we took the tea adjournment, I was making reference to a motion which the hon. Member for Naparima raised some time ago. In reference to the impending intervention of the US and other UN forces in Kuwait, which had been occupied by Iraq from August 2, 1990, I argued that the Government was behaving as though a world war was about to break out and Trinidad and Tobago was the centre of the universe. The country was made to endure the speculation of the state, that if nuclear weapons were thrown in the Middle East, somehow fall-out will get caught up in the stratosphere and, like the Sahara dust, will be deposited into Trinidad and Tobago and, therefore, we were at great risk as a consequence of the possible outbreak of hostilities.

The Government led us to believe that chemical weapons could have been used in the Middle East and, by the same mechanism, Trinidad and Tobago could have been affected. We were led to believe, here and elsewhere, that food shortages could have developed in Trinidad and Tobago as a consequence of the need to maintain a very large fighting force in the Middle East and the consequential diversion of the international transportation mechanisms to keep that fighting force well fed.

I remember arguing at the time, that those kinds of statements, emanating from the state, of the possibility of food shortages in Trinidad and Tobago, constitute a self-fulfilling prophecy because the minute somebody in authority begins to talk in that way, what in fact happens is that you convey to the minds of the electorate the possibility of a food shortage; they panic buy and the food shortage of which you speak, is immediately realized. That is what happened in January of this year.

I pointed out that one informed source went so far as to say that an outbreak of hostilities in the Middle East could lead to a postponement of carnival. Well, Mr. Deputy Speaker, you know very well that there is no line up of tourists jostling each other to get into Trinidad and Tobago. There are alternatives available to them. And as the question of a possibility of a postponement of carnival is raised, people are going to re-adjust their plans. They do not propose to sit and wait until the Government of Trinidad and Tobago, or anybody else for that matter, decides that the carnival will or will not go on. So they go to Rio, New Orleans or one of the many other venues of the world in which they can see carnival or spend a holiday. The reality has been that 1991 carnival has been one of the worst carnival which we have had from the standpoint of a patronage of the carnival from persons outside of Trinidad and Tobago. And the Government of Trinidad and Tobago is not without liability in this matter.

I made the point that all of this was part of the Government's plan to divert attention away from pressing domestic issues, including economic and social ones, so that for the time being the wrath of the population will be diverted away from the Government. I made the point then, and I wish to make it now, that what I saw at the time had nothing to do with nuclear and chemical weapons. For Trinidad and Tobago there was one implication—oil price.

I further went on to say that no matter how I looked at that situation, no matter which scenario I examined, it always came back to a low oil price, and it is to that the Government ought to address its attention. That is a position that was placed on the record of the Parliament before the war broke out. If we in the PNM could see it, why is it that the members of the Government could not see it?

Time and again, the Government has been making the wrong assessment and, therefore, they have been applying prescriptions based on the wrong premise. Therefore, when you get a catastrophe in the economy, such as we are experiencing today, then you begin to understand that the blame can be placed at the doorsteps of nobody else but the political masters of the country, who continue to misread situations and, therefore, take actions which have had the effect of putting Trinidad and Tobago in a more and more tenuous economic situation.

Mr. Deputy Speaker, when the Minister of Finance came here last week Friday and spoke about a low oil price and him having to go back to the IMF, that constituted a condemnation by the Minister of Finance of the policies of the Government of which he forms a part. You see, when oil prices went up in August

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1990—and you had high oil prices in August, September, October, November, December—when they came to the Parliament in December with this package of fiscal measures which we are debating today, they did not say it was high oil prices, you know. What they said was that it was prudent fiscal management. That is what they said, Mr. Deputy Speaker. You should listen to one of them. I think it was the Member for Caroni East. This is what he said:

"Imagine, a Government which had moved this country from recession to growth and from decline to expansion, that Government is being charged with mismanagement of the economy. It is unreasonable in the extreme, Mr. Speaker, to make those kinds of charges."

What happens today, when what he said was growth turns out to be further decline? What do you say? You understand the point, Mr. Deputy Speaker. We had made the point before. When the Minister of Finance came here last week and talked about the need to go back to the IMF and that that is occasioned by low oil prices—when the oil prices were high and they were projecting economic growth, it was not high oil prices, it was prudent fiscal management. Now that oil prices are low and they have to go back to the IMF, it is not bad fiscal management, it is low oil prices. That is how the Government has been operating. The reality is clear. They have misread it again.

In the event that he does not know, let me tell the Minister of Finance that what has taken place in the Middle East is a shift of the control of the international oil pricing mechanisms from the oil-exporting countries to the oil-consuming countries which are at this time in recession and, therefore, which have a vested interest in keeping oil prices relatively low. You are not going to get high oil prices for some time in the future. You must understand that. So it is no temporary situation; it will be so for some considerable time, at least until the recession in the developed countries goes away.

When the United States went into Kuwait, when they put a large force in the Middle East, do you think that the objective was purely in defence of Kuwait? It was done in self-interest because they knew that if Iraq was not stopped, after Kuwait, the next stop would have been Riyadh, Saudi Arabia, and the large reserves of oil that are in Saudi Arabia and the imports on which the US economy depends. So it was national security for the United States of America. You could be very sure that they are not going to put half of a million people in the Middle East to stop a situation there, to allow oil prices to skyrocket the next day or the

day after. The question which arises is: What is the price that Saudi Arabia would be called upon to pay for the security that has been provided to it by the US and UN forces? It will be low oil prices.

I do not want the Minister of Finance, or any one of them, to come and say that they did not know. That is what they will tell you: "We did not know; we did not have a crystal ball." If you have the responsibility for running a state, you also have a responsibility, especially in Trinidad and Tobago, to look at international trends, particularly the trend of the commodity that gives you the revenues and stability that your country requires. It is not like 1986 where the collapse was something that nobody foresaw. In 1991, it was said in this very Parliament before it took place, but, as is customary, whatever the PNM says, by definition, is bad. That is how they see it. Therefore, when we say something, they ignore it, not listening and trying to glean from what we say what they consider to be true or what they consider to be relevant.

They are now facing the spectacle after trumpeting themselves as good economic managers and having boasted of not having to draw down on the third and fourth tranches of the second standby facility and no further standby after that. The Minister of Finance was subjected to the indignity of having to come to the Parliament on Friday last and announcing to the national community that he has taken steps—not that he will take—to draw down on the third and fourth tranches.

5.20 p.m.

He has admitted to this Parliament that the economic policies of the Government have failed. Therefore, when you come today with a packet of fiscal measures that constitutes a part of those economic policies, a part of that economic plan that had been pursued by the Government since 1987, you cannot expect us in the PNM to agree to it because the facts are too clear. It has already been demonstrated that those policies have not been successful, and the Government now finds itself in a position where, it either has to change its course or demit office. In fact, they should demit it now. I do not think they could change course at all. I do not have any confidence in their ability to do it. They should call the elections. It is time that the country adjudicates on this situation and not allow them to continue with their failed approach, that can only get us deeper and deeper into financial, economic and, therefore, social troubles. That is the reality. Five years later, no economic turnaround, and that is facing us.

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Mr. Deputy Speaker, almost everything on which they put their hands has failed. You will recall as part of the plan for the restructuring of the economy, they talked about tourism. Much was said about it. In fact, one Minister went a little crazy and in seeking to condemn the PNM's approach, which was essentially an oil approach, the Minister said, "One satisfied tourist equals six barrels of oil." Do you remember that, Mr. Deputy Speaker? You would understand why he is no longer with us. That is how they went.

I have newspaper clippings here from the *Trinidad Guardian*, Mr. Deputy Speaker, dated January 3, 1989: "190 cruise ships over the next 12 months." I wonder if the Minister responsible for tourism—and I do not know who it is now—could get up and tell us how many cruise ships came over the last 12 months. Just one year ago they projected this. Mr. Deputy Speaker, do you think it is easy with your colleagues? *Sunday Guardian* dated August 27, 1989: "One hundred thousand tourists coming by April, 1990." Port-of-Spain is supposed to be awashed with tourists today on the basis of what has been said here. Mr. Deputy Speaker, where are the tourists? It all constitutes a part of the plan which this Government has had, where if it cannot perform, it must give the impression that it can perform, in due course, in a manner that is consistent with the country's aspirations. This too has failed.

As I am going through my papers, having congratulated the Member for Oropouche on his contribution this afternoon, I said to you that I could not always agree with some of the things he said. Wednesday, April 22, 1987—he was the first one—"No devaluation, assures, Sudama."

Mr. Sudama: I was not there in 1988.

Mr. Manning: I see. So had you been there in 1988 there would have been no devaluation. I take the point. That is their approach. The PNM holds that Government responsible.

Mr. Sudama: On a point or order, Mr. Deputy Speaker. The Member is trying to mislead the House on that particular issue. At that point in time there was intense speculation as to whether there was going to be a devaluation of the Trinidad and Tobago dollar. Therefore, we had to give some assurance. That assurance was given and no devaluation took place in 1987. That is the basis of that statement.

Mr. Manning: Mr. Deputy Speaker, did my good friend from Oropouche say, no devaluation or did he not say it? Did he or did he not say it? Yes or no. I would like to know.

Mr. Sudama: You like to take things out of context.

Mr. Manning: Mr. Deputy Speaker, do you understand? We are taking things out of context. I hope he has changed his ways because when he was with them he was like them. He would get up and say anything whether it bears any relation to the truth or not. But I think he is well on his way to redemption. That is the situation.

We will never forget how we were concerned in the first three months of 1987, that the economic problems of the country were not being addressed. We became so concerned about it that on April 1, 1987, I outlined a comprehensive short-term plan for economic recovery, knowing that a short-term plan was necessary to ensure that things did not get any worse than they had already gotten, and that you need to put something short-term in place while you put your longer term plan, as indeed, they had sought to put in place.

On April 1, 1987, speaking at the Fyzabad Senior Comprehensive School, I outlined a comprehensive set of proposals which constituted a short-term plan for economic recovery that the Government could have used. It was commended to them but they did not use it. They did not use it, and while they did not use it, they were spending their time with internecine warfare, an internal matter in which I do not want to get involved. While they were fighting and squabbling in 1987, the people's economic business was not being looked after and Trinidad and Tobago was going down and down. Economic growth which had reached minus 1.7 per cent in 1986, accelerated to minus 6.7 per cent in 1987.

Mr. Deputy Speaker, this debate today in the Parliament is going to bring to an end the deliberations of this Parliament and the economic policies of the Government. This is the last Finance Bill that we would be debating before a general election. The Government's record is now very clear. Rather than come with a Finance Bill and a set of proposals that will take into consideration what had happened between 1987 and now with the proposals they have put in place; rather than recognizing that those proposals have failed, and recognizing the need now to adjust if Trinidad and Tobago is to be given any chance at all for any proper economic recovery, they have come with more of the same, a set of proposals that

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are consistent with the proposals that they have been advancing to us since 1987, proposals that have led us to the IMF with the stand-by facility and the conditionality; the proposals that have led to higher utility rate in the country; the proposals that have led to an increase in unemployment from 17 to 22 per cent; the proposals that have led to a significant increase in the size of the public debt both internal and external without the country being provided with the wherewithal to repay that debt in due course, proposals to which we on this side cannot agree. I thank you.

Dr. Tewarie: Mr. Deputy Speaker, I rise on a point of clarification. Is the Member saying that there is need for modification of the policies put into place by this Government? Did I understand him to say that just now?

Mr. Manning: Mr. Deputy Speaker, I said that there is need for a new government.

Dr. Tewarie: I ask if your policy would have been—

Mr. Manning: I would have told him, had he asked me, that our policies are outlined in a series of documents, some of which I have made available this afternoon.

5.30 p.m.

The Minister of Planning and Mobilization (Hon. Winston Dookeran): Mr. Deputy Speaker, I was somewhat surprised to hear the presentations this afternoon, by the Members for Oropouche and San Fernando East, for they premised their contributions on the fact that the economic situation in this country has deteriorated over the last four years and that the economic programme and policies of the Government have not been working. But the very document that was laid in this Parliament today, the *Annual Economic Survey*, done by the Central Bank of Trinidad and Tobago demonstrates in no uncertain terms the progress that has been made in the last four years in order to stabilize the country's economic situation and to put it on a platform upon which we expect to see further developments taking place.

I was quite disappointed that the Member for Oropouche and indeed the Member for San Fernando East did not really look at the document that was laid here today. So that the premise of their arguments—some of which I would deal with—does not stand up to empirical scrutiny. Where did the story all begin and where are we today? I need not go back to the period before 1986 but that is

important for us to remember at times. Let us today start from 1986, in fact, it is somewhat a credit to our society today that we could have presentations of this nature done by the Members for Oropouche and San Fernando East but with the full knowledge that tomorrow we would not be in the crisis from which we have come.

From that standpoint, that itself is evidence of where we have come over the last four years. You will remember when the Member for Oropouche, as the Minister in the Ministry of Finance in 1987, spoke so eloquently of the financial and economic crisis that the country had met in 1986 and articulated a programme of action from these very benches; a programme of action that reflected the gravity of the situation in 1986, the state of continual crisis; a situation that reflected itself in daily closures of firms and rising unemployment—we have seen and heard of some of the figures today—shortages in foreign exchange, incapacity of the Government to meet its wage bill. These are but some of the symptoms of that era when we as a nation could not have any comfort with the workings of the economic system and the policy framework that was in place.

That is when the story started in modern and recent times and when we read the document laid before us today, and I would just read one or two things—

"The most optimistic development was the robust performance of the goods producing sector of the economy which collectively posted a growth rate of 3.7 per cent in 1990."

This report was laid today. That piece of statistic indicates to us not only that there has been a structural change taking place in four years, but gives us the comfort that the growth that we are talking about is emerging in the goods producing sectors of the economy, 3.7 per cent in 1990. The overall situation, according to this report, showed a decline of 0.4 per cent, but let us look at the figures. We cannot simply use headlines and slogans and those type of things in order to draw large conclusions about the economy's performance. This is what the Member for San Fernando East had been doing.

Even the concept of turnaround and what it means would have to be explained to our Members at sometime for we create it with the growth rate. But there are so many other aspects of it. For instance, the mere fact that the goods producing sector of the economy in 1990, registered a three per cent increase in its output, is itself an indication of structural change that is taking place in this country

which is part of the process of turnaround which is part of the process of an entire system changing.

We had two problems in 1986. We had an expenditure pattern in the country that generated negative economic growth and we had a balance of payments problem that we could not support. Both of those problems are now well under control and we have a system in place that will ensure that the expenditure pattern is one that would generate growth rather than decline. The evidence is here, and the balance of payments problem has now been well under control and contained.

Those are the issues, Mr. Speaker. When we look at turnaround these are the things we should look at: whether or not we have put into this country a national expenditure plan that is supportive of a growth process. What you had before was a national expenditure plan that was generating negative growth and that took many adjustments in the public and private sectors. Over the last four years this period of adjustment has been completed, and the situation of stability has been arrived at so I do not understand the premise. I got the feeling that the mere fact that the Minister of Finance having announced last week that he was drawing on some reserves that we had already negotiated from the IMF, led the Members of the Opposition in a gleeful mood to suggest that our economic policy have not worked and I believe Mr. Deputy Speaker—

Mr. Sudama: Would the Minister give way to a question? It was the very Minister who came to us a few months ago and said that he was not going to draw down any further on the IMF availability. Did he not say so?

Mr. Dookeran: There is no question about that, Mr. Deputy Speaker. We said in December, that we had not expected to utilize these resources and we came sometime later and said that we are going to utilize them. But do you draw the conclusion from the use of resources that we had negotiated, that all of a sudden, everything had gone bad? Here you have a report saying just the opposite at page 1 of this report:

"The unemployment rate is estimated to have declined from 22 per cent in 1989 to 20.4 per cent in 1990..."

Mr. Valley: I wonder whether the hon. Minister would tell us what the unemployment rate was in 1986.

Mr. Dookeran: I am merely alluding to the report that has been laid today in Parliament and pointing out some of the very relevant statistics in order to respond to the points that have been raised: that all of a sudden things have gone bad and economic policies are not working. I will come to the mobilization of external resources, which was made a big issue of during the course of this debate.

We can go through this report. This is the Central Bank Report, clearly outlining evidence of substantial shift in the economic performance over the last four years. I do not have to say that it took four years to design the policies, effect them and now see the delivery of them in order to redress what was clearly a situation of total incompetence in economic policy for the substantial period before, if not the full 30 years or some period before. All that had to be put into place and this is now testimony to the changes that are taking place.

5.40 p.m.

There has been a gradual shift overtime. It is reflected in almost all aspects of economic life. Today, we go home without any feeling of anxiety regarding our capacity to pay our wage bill in the public sector; without anxiety about substantial closures of private firms, or about how we will seek out foreign reserves to support our basic needs and import requirements in the country. We do not have that anxiety but four years ago those were key issues and it is a capacity that many of us have to stand up to those hard times to argue the case through and to go through that period, that today, the Member for Oropouche, who understands that, comes up to draw conclusions, and he knows quite rightly that he cannot draw conclusions on the basis of that statement from the Minister of Finance. I do not know how the Members for San Fernando East and Oropouche could have drawn these large conclusions when they have evidence before them of substantial changes.

You can look at the report and in almost all aspects there are changes. I will not take the time of the House to go through all the details but let me look at, for instance, the question of public debt. Page 96 of this report, talking about Public Sector External Debt: 1988—1990: The central government debt is as follows:

Year	US \$m
1988	1,490.7
1989	1,451.4
1990	1,528.7

Government guaranteed debt over this period:

Year	US \$m
1988	536.4
1989	384.0
1990	281.2

Central Bank debt:

Year	US \$m
1988	125.1
1989	258.9
1990	400.2

The total public sector external debt is as follows:

Year	US \$m
1988	2.402
1989	2.398
1990	2.507

I have raised these issues merely to point out the stability of that economic statistics over the last three years. When the impression is being created that each year there is a substantial increase that cannot be supported, nor financed in the future, it does not stand up to the scrutiny of the levels of that at least over the last three years. Admittedly it has increased over the last five years and these figures do not carry us back to 1986—87 but it has been a relative stability and we know how.

The impression that the Government is simply seeking external support in order to support domestic expenditure that would not generate income for its repayment cannot be supported here on the basis of these last three years. What is important—and we made this point on many occasions—is whether or not the new borrowings are going to be productively employed, and that is where the debate must take place; and whether they will in fact generate the income in terms of Government's revenue and foreign exchange to support this investment.

I do not know if we will have the time in this debate to do that but that is a relevant question that must be answered. I have no doubt that we will give a proper answer to that in terms of what is the productivity of the borrowings that have taken place over the last five years, not to mention that the borrowings which were accumulated prior to that—I remember in a budget debate in this Parliament I took the trouble at that time to go through all the borrowings to suggest their application and to find that they were being used largely for supporting the current expenditure, certainly not developmental in nature, and to suggest that was part of our problem in the accumulation of previous debts in order to support a recurrent budget when you had a rise in prices at that time. That was a point that the Member for Oropouche made on many occasions on this side when he looked at the borrowings in the past and those borrowings which we had to reschedule because we had to find ways and means to bring the debt under control to be able to repay it.

Today that situation is quite different. We had reached a stage in 1987, when the international financial community would not even talk to Trinidad and Tobago because of its chaotic financial situation. I remember going to the World Bank at that time and they argued—it took us a long time to even get a discussion taking place—that Trinidad and Tobago had to put its financial house in order domestically and externally and rightly so, because we had found ourselves in a situation where that was not in order, and it was reflecting itself in all the various ills in the society not to mention the social ills about which I have not yet spoken.

To argue that there is a problem with respect to this new dispensation, is to misread the very document before us deliberately. I hope that the press and commentators would analyze this document in some detail so that they would be able to see clearly what has happened over the last few years.

Some mention was made by the Members for Oropouche and San Fernando East of the substantial facilities that we have been able to put together for the petroleum sector. It was not long ago that the international financial institutions will not address the problem of financing Trinidad and Tobago at all, outside balance of payments support, and that is what we had worked out with the International Monetary Fund. But we were able in a very short period of time to put together one of the most ambitious co-financing packages to support investment in so many areas in the petroleum sector: the refinery operation; and secondary oil recovery process; the Trinmar exploration activities.

5.45 p.m.

All these were put together and they were done after substantial, professional work by a number of individuals and firms and supported by the financial institutions. One of the conditions that we laid down at all time was that such investment—to use the term of the Member from Oropouche—should be non-recourse. It should be self-financing. It should generate income not only for the enterprise, but for the country and for the Government and foreign exchange.

Mr. Sudama: On a point of order, Mr. Deputy Speaker. I cannot really permit the Member for Chaguanas to mislead this House.

Is the Member implying that the Government has no liability under these borrowings from the Inter-American Development Bank; that they are non-recourse to the Government; that these borrowings are self-financing and that the Government has no liability for them? This is what I understand by non-recourse.

Mr. Dookeran: Mr. Deputy Speaker, I was going beyond that. The Government takes responsibility for borrowing. In fact, it is done in the name of the Government of the country. I was going beyond that to suggest that the outcome of that investment must be to create profitability for enterprises, revenues for the country, and foreign exchange for the nation.

We will need to lay in this Parliament the details of that set of work that was done, for those are preconditions upon which this major financial package was put together.

In fact, the financial community is amazed that Trinidad and Tobago could have got the multilateral financial institutions, on relatively soft terms, to finance such a development in Trinidad. The argument was that this should be done through private enterprise and private capital at higher costs.

It was because of our new relationship with the multilaterals that we were able to get them to finance something in the energy sector of such a nature, bringing together resources of the Inter-American Development Bank, the European Investment Bank, the Export/Import Bank of Japan; breaking new grounds for the first time. These three institutions have gotten together to give such substantial support to a sector in a small country like Trinidad and Tobago on the firm knowledge and analysis that was made, that the returns to the enterprise, to the country, and to the nation in terms of profit, revenue to the state and foreign exchange to the country are going to be substantial.

The actual rates of returns that are projected must be discussed. Whether they will be realized, people will talk about that. But the fact is they were made after substantial analysis by a number of parties.

When you look at the figures and see that the foreign debt has increased by that amount, and you do not look at the quality of that debt and the productive use of that debt, you are misreading the figures before you. That is the point I am making.

When the Member for Diego Martin Central said that he had the figures from previous years, I have no doubt he had them from previous years. What he must look at is the application of those figures, then and now, and see the qualitative difference in the application of loan financing, for not only the energy sector, which is going to be a major input and will require a substantial investment to the tune of \$400 million over the next five years, the Government itself committing to supply some part of that.

I had the opportunity to finalize the Export/Import Bank arrangements—the Minister of Finance—with the European Investment Bank and today the international community, as expression of confidence in the economic management, financial policies and economic performances of the country during the last four years, has agreed to such a substantial exposure in Trinidad and Tobago. Those are the realities, and those are the facts.

The Member for Diego Martin Central laughs. He believes you can walk into these institutions and have an inappropriate set of policies and get substantial support. We do not do it that way. You do not get these facilities—countries of Latin America all have them. The entire problems with Latin America in terms of financing flows have been there, and the absence of such policies have led to those doors not being opened.

The Government of Peru renounced everything with respect to the international community, came back recently in order to put the house in order, in order to access the external funding which will supplement your local resources.

So we must not argue, as was argued here by the Member for Oropouche that the Government is relying on external financing. We have said that we will have to mobilize external financial resources on terms and conditions that are appropriate to us and for purposes that are to our long-term benefit, and must also supplement the local programme.

If you were to devise a programme only on local resources, you would not have a ghost of a chance to invest yourself out of that crisis in which we have found ourselves.

So the main argument that has been put forward, that this increase in the indebtedness of the country is creating a burden, has to be analyzed in some detail, and I invite Members to analyze in detail, to look at the rates of return that are expected and the changes that must take place—

Mr. Sudama: We must have the information. We must have all the documents.

Mr. Dookeran:—in order to effect the proper performance.

This Government has been very open about this. We have laid in this Parliament almost all of these documents so far. We have laid the World Bank structural documents, the IMF programmes. We have never kept anything out. That is what we meant by open Government. Open accountability, not open to say everything, everywhere, at any time. Many people misunderstood what we meant by that term at that time. I think we should provide the details of these loan arrangements when they are properly signed.

In fact, this has been the policy of the Government, to lay in Parliament the details of all of these arrangements. They have been negotiated; they are not yet completely signed. I believe sometime in the month of May we will have some further signatures—it takes time to arrange that—and then they will be laid so one would be able to make a proper assessment.

What else have we borrowed money for? We have borrowed money for agricultural credit. It was suggested here that the Government is not paying enough emphasis to agriculture. The very first loan that was signed by the NAR Government was for agricultural credit and for the development of the agricultural sector. The now Minister of Environment was then Minister of Food Production, and he had the honour of signing that loan, I remember, in 1987.

Substantial resources were put into the Agricultural Development Bank in order to give it the financial resources to undertake the changes that were necessary for the provision of loans to enterprises and individuals for the production of agriculture on terms and conditions that will ensure repayment.

In the old days, when the Government borrowed, it was expected that nobody would repay; and hence, the PNM today, assumes that all the loans will not be repaid.

In fact, we found this out many times in many of the institutions. We found in the institutions, the Development Finance Company, that all the loans that were granted, there was a psychology that you did not really have to repay these loans to public bodies.

Mr. Valley: What is this? What is this?

Mr. Dookeran: The facts are there. The documents are laid. I am giving you the details, Mr. Deputy Speaker. We talked about the energy loan; we talked about the agricultural loan, which is done on a commercial basis, and which we need to get faster disbursement, but the resources are being put into place. So the charge that has been laid, that we are not putting resources into agriculture, cannot stand up to scrutiny. These are old songs that have been sung for many years, and because many people have heard them so often, it is now expected they will believe them again.

Mr. Sudama: Would the Minister say what amount has been put into physical infrastructure for agriculture, such as irrigation, drainage and access roads?

Mr. Dookeran: Mr. Deputy Speaker, I am sure the hon. Member would be able to get the answer from all the documents before us.

This is the problem. We are talking about loans. He said that we were not borrowing the money for the right purposes. He said that we were ignoring agriculture. I am telling him one of the first loans—he was in the Government at the time and participated in its finalization—was for the agricultural sector, was for agricultural credit. [*Interruption*] Maybe shortly thereafter, but he probably had some input at some stage. The fact is that it was done for the agricultural sector and was done on a basis which will ensure its repayment. Disbursements will have to take place similarly with the energy loan.

The other major area of activity with the Inter-American Development Bank was for the Settlements Programme, dealing with a critical social need and providing the basis for homes in the country for those who have been denied that. Even in that, there is an element of recovery. Part of that will have to be funded by the Consolidated Fund, but that is the kind of purpose.

So when we talk about the details of this external resource mobilization, we must get down to the specifics of what they are and then be able to draw the conclusions that have been drawn so loosely in this Parliament, that because you are having this increase in loan funding you are now mortgaging the future and you will not have the capacity to repay it. The end result of all of that will be to provide financing support for critical social needs; as in the settlements loan, and more recently in the YTEP Programme, which deals with young people; in the energy loan and in the agriculture loan. Those have already been worked out and those have been in place, as indeed the education loan, which has been put into place.

We will need to provide greater access to information on these particular things, lest it be misunderstood as the Member for Oropouche misunderstood or misrepresented to the Member for San Fernando East.

I was very amused by the Member for San Fernando East when he said that his party's policy will be a combination of the policies that were followed prior to 1986 and the policies followed after 1986. And I was wondering how can one arrive at a policy framework by simply combining periods of policies.

He went on to say that he had given Government some credit for policies in 1986. He will combine what happened before with what happened after and arrive at a mix of policies. This is coming from a potential Prime Minister of this country.

Mr. Wilson: Aspiring.

Mr. Dookeran: Aspiring. Once he was Leader of the Opposition; I just cannot understand that that is how you will formulate policies—combination of the pre-1986 and the post-1986 policies.

The truth is there is very little option in the country. We are trying to create options among ourselves, but in a country like ours there is very little option. The policies that are being enunciated are policies that must be put in place. The only option is the speed at which you move and the degree to which you give emphasis from one aspect to the other. And in all areas, we have put this new policy framework.

I turn to tax reform. On one hand, we hear that there is no policy initiative. On the other hand, we hear that there has been substantial shift in the composition of tax revenue, and this document goes on, Mr. Deputy Speaker, to suggest what has happened in the field of taxation. For many, many years, the country was grappling with the problem of an inefficient taxation system. Radical changes were put into

place in a short period of time. The Minister of Finance moved in this Parliament these bills pertaining to changes in the fiscal regime.

The suggestion that was being made that the fiscal regime that has been put into place is predicated on some kind of transfer from the poor to the rich raises really the question of the distribution of the income in the country.

To look at that situation, one clearly has to look at the total balance, where you have your social programmes, where you have your economic programmes, where you have an appropriate expenditure between both, to arrive at the most appropriate balance between the sectors, and to try and isolate some specific aspects and say because you moved to more indirect taxation, that you therefore have a regressive tax system. It is true that by itself it is regressive, but taken in totality with the other measures, it has to be progressive.

A number of specific steps were taken in order to alleviate some of the real concerns of the lower income groups. I am reminded here that 90,000 lower income persons were taken off the tax roll altogether. We had introduced the policy that people earning \$12,000 annual income would not pay income tax. At one stage—I do not remember the figures offhand—the Minister of Finance had given all the detailed figures to suggest that what we have done is to remove large groups of people in the lower income levels from taxation altogether. So that the suggestion that was made does not stand up to empirical scrutiny, and it is reflected here. I was looking at the taxation aspect of this report—to suggest the fundamental changes that were taking place in the structure of taxation. *[Interruption]*.

6.05 p.m.

Mr. Deputy Speaker: Order please! Order please!

Mr. Dookeran: Mr. Deputy Speaker, I speak largely out of the work of the Central Bank document which was laid here, explaining clearly what were some of the implications of the changes. So when the assertion is made, and I keep hearing it all the time, that there is no clear-cut policy on what this Government is all about—on the one hand you are told this; on the other hand you are told that what you are doing is wrong—there was a policy on expenditure that led to a number of changes in the public sector, from which we have benefited and we have begun to restore some of those cuts which were put into place. It was necessary and it had to be done.

We have re-organized the taxation system. If there was an area where there has been substantial change, it is in the fiscal policy aspect of this country. It is that very area that has led to this sense of greater confidence today in the country. It is the presence of those inefficient policies in the past that led us to where we were. When I hear the Member for San Fernando East talking about the policy that his Government had for what he calls, "selective stimulation of the economy in 1985", and today, he will have a combination of policies from the post and pre-1986 period, all this set of jargonizing policy making has become part of the resources of the Opposition, in the absence of a clear response to the policy documents put forward by this Government. The *Macro Economic Plan 1989* outlines in every area—the *Medium Term Plan*, that was laid in this Parliament; each budget debate where there was a statement on public policy.

But what we get is this sort of jargonizing as a response to it. The Member for Oropouche said, "no clear-cut policy". He also talked about the health surcharge, making an appeal that it should now be removed, failing to recognize that we had put into place the machinery for the establishment of a National Health Insurance Programme, for which we have received grant funds through the Inter-American Development Bank and the Government of Canada to support all the necessary operational work. This is expected to become the basis for financing of such a programme. So one has to look down the road in order to be able to utilize some of these things to provide the basic financing for such a programme.

Mr. Richardson: Who instituted the health surcharge?

Hon. Member: The PNM.

Mr. Dookeran: That is right. They have instituted and misused it. What we are doing now is trying to put it into a wider context. And we have been talking about the National Health Insurance Programme which we are working on. It takes time but we have to put it in. We have always argued that it is the absence of these kinds of buffer institutions that has led this country to the situation where it was. When the economy went down, everybody went down with it because there were no institutions to support the change.

Mr. Deputy Speaker, I believe that, so far, the Members who have spoken attempted to put forth a case that there has been non-performance in the economic side of the country. And they seemed to have come to that view based on a recent decision to access resources for which we have already negotiated. But what they

have not given credit to the Government and the country for, is that we now have the financial resources in place.

I heard someone talk about crowding out the private sector by public sector borrowing. If he looks at the liquidity system in the banks today and the availability of resources, that problem does not arise. It used to arise before that period of selective stimulation in 1985.

In fact, we have two problems now: how to create a demand for the resources that are now in place; and how to implement our programmes quickly and efficiently. Those are the two national problems that we are faced with today; quite a different set of problems to those which we had five years ago. And those are areas in which we need to do some more work—how to access these resources that are now in place. We have in the Development Finance Corporation, substantial resources for on lending, but the pipeline of projects need to be increased. We have in the commercial banks, by and large, the same situation.

Mr. Valley: Mr. Deputy Speaker, I wonder if the Minister would inform us whether the inability to have a pipeline of projects is connected, in any way, to the low level of business confidence in the economy.

Mr. Dookeran: Those are questions that ought to have been asked during this period of “selective stimulation in 1985”. There were no resources. The resources that were there were borrowed and never utilized for productive purposes. That is a matter of record. We re-organized the Development Finance Corporation, brought in a number of partners—the IFC, the Inter-American Investment Corporation, European Investment Bank—provided the resources, restructured the organization and began a line of projects. We did not have those resources before because the resources that were there were not being productively used. The line has started and there is now need for a greater sense of entrepreneurship on the part of the private sector to utilize these resources that have been put into place by the Government's programming of these resources for economic development.

When I say that there are two problems which we are faced with today, that is one of them. We need to have an accelerated demand for the use of these resources by the private sector; and we need to have a greater speed of implementation by both the private and public sectors. Those are the national issues of our times. It is not what has been identified here by the Members for San

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Fernando East and Oropouche. Those are old songs that have already been sung. We have moved from there, and we see the evidence of it today.

It is not to be denied that the country will always remain very sensitive to developments in the international petroleum sector. Even if we totally diversify our economy to the extent that we would like to, the mere fact that our substantial resources are in petroleum, will always be sensitive to developments in the international petroleum sector. That is part of our situation. So one cannot be oblivious to changes that are taking place outside. We would like to become less and less dependent but certainly it will always be part of our thinking. So when the Member for Oropouche says that to speculate on the price of oil is what the economic strategy of the NAR Government is all about, he is simplifying major issues in these little jargons. No one in high school would give any real substance to a statement like that—"speculation on the price of oil is a substitution for economic strategy." We have to understand what is going on abroad and take appropriate steps when these developments move against or for us, but that is not to say that that is a substitute for economic strategy.

6.15 p.m.

I was very pleased to have seen the debate taken place with so little rancour. Many ideas came out which, in my view, do not stand up to scrutiny, but I believe this is one of the purposes of this Parliament. I congratulate hon. Members for such a dispassionate way in which arguments were put forward. Although most of them were wrong, it does not matter. I think that makes parliamentary debate very interesting and enjoyable. I must say that the debate has been kept at the level of interpretation of policy and I hope that I have had the opportunity—I am sure the Minister of Finance would elaborate further—in trying to clarify, in a broad sense, some of the issues that were raised so that the country at large can, in fact, see the evidence of what is taking place and our resolve to tackle the further problems as we move on. In a society there will always be problems. The real test is whether we identify the right problems and tackle the right problems at the right time, or we continue to tackle problems of the past, today. That is where they are. We hope that we are in the future.

I thank you.

Mr. Kenneth Valley (*Diego Martin Central*): Mr. Deputy Speaker, as I listened to my friend on the other side, I could not help but remember that it was the Minister who, way back in 1988, kept telling us that the best kept secret was

that the economy was turning around. I cannot, of course—I would not—mention private conversations, but then he explained this stand over tea, so let us just leave it there. *[Interruption]* Mr. Deputy Speaker, obviously, there are those on the other side who want to speak. I would willingly give way to allow them to do so.

When I look at the Finance Bill for 1991, I noticed that we are either correcting errors, or we are converting to the metric system. Other than one part, which is Part IX of the bill, which increased old age pension by some \$15.00, from \$245.00 to \$260.00, the rest of this bill, the other 15 parts, correct errors made by the Minister previously, or convert to the metric system. You do not have to believe me, you can look at it. For example, Part I talks in terms of—*[Interruption]* The guru, Mr. Deputy Speaker, the one who will cut cane in white because it makes a good picture, he does not know of what I speak. He should be quiet and listen and learn. I heard that you have other people bowing to you, is that not sufficient? Mr. Deputy Speaker, I shall continue.

Mr. Deputy Speaker: Hon. Member, you would be well-advised to address the Chair and ignore the cross-talk.

Mr. Valley: Thank you, Mr. Deputy Speaker. I was making the point that the Finance Bill before us, really, when you look at it, we see a bill that is correcting past mistakes. Part I corrects an error made in the past. They did not consider, at the time, the need to ensure that the Airports Authority was able to keep a certain amount of the tax, although they passed legislation.

Part II, Shandy: There is a system in place where beer is allowed some favourable tax status and of course, they did not consider that you make shandy from beer, so they now have to put something in place for that. The entire bill goes along in that line. One can look at it, one does not have to take my word for it; one simply has to look at the different parts of the legislation. I make that point to say that a Finance Bill is a very important instrument. Although the raising of revenue was an important ingredient of our Finance Bill, I think in our current economic environment it is the fiscal tool element that must hold sway. I think that all Members on this side of the House, and my friend, the Minister of Planning and Mobilization, understand that quite clearly. Of course, when I say that, it does not mean that the revenue raising aspect of a finance bill is unimportant. What it does recognize is the important role that taxation must play in getting the economy moving, especially an economy that has been on the decline for some eight years.

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If we want to return to economic growth, we must contribute and understand the important role taxation plays. Your Minister does not understand that.

Mr. Deputy Speaker, in my review of the legislation I was very much concerned with identifying measures that would provide an impetus for employment generation, foreign exchange earnings, increased savings or for economic expansion. So when I look at the Finance Bill, I look at it with those things in mind to see whether the Minister was really doing anything of importance, rather than merely correcting here, changing that there or giving old age pensioners another \$15.00. That is how I analysed the bill.

Given that background, I would like to look at the bill. We look, first of all, at employment generation measures. Of course, I want to go to my favourite, EPZs, because when I looked at the bill there are only two items in this bill that one can say has anything to do with employment creation: the provisions with respect to the EPZs and the provision with respect to the common external tariff.

I turn, first of all, to clause 21 of the bill on page 12 which states:

"Section 50 of the Act is amended by inserting after subsection (2) the following subsection—

2(A) For the purposes of subsection (1) payment made to a person not resident in Trinidad and Tobago for services rendered to an approved enterprise under the Trinidad and Tobago Free Zones Act is a payment outside Trinidad and Tobago."

6.25 p.m.

Of course it is in keeping with the concept that the export processing zone is an enclave that it is really considered outside of Trinidad and Tobago. Although in Trinidad and Tobago it is considered inside of Trinidad and Tobago. In a sense, therefore, that also is a correction of an error. Because if you are setting up for an EPZ and if you are following the logic, one would see, if you are doing that, that follows—merely a logical process.

I am going to the other section because I want to take EPZs as a whole. You would remember, we heard so much of EPZs way back in 1988. I remember when I was in the other place, the Minister could not finish the debate. It is the Minister of Finance who had to finish that debate because the Minister had to catch that flight because there was—the same thing we are hearing now—a line of people waiting

to invest in Trinidad and Tobago and they were waiting for him over there. He had to go to the Far East or somewhere about the place. Well, he has gone back to his former place of abode, from whence he came, and what has happened? How many jobs have been provided so far by the EPZ?

This thing was supposed to be the panacea for employment in Trinidad and Tobago. We were supposed to be getting jobs coming out of our ears, as it were. We told them then, that it was a stupid idea and it remains a stupid idea today, because the classical type EPZ would never work in Trinidad and Tobago. It does not matter what you do. They do not understand that. Let us look at the provisions in Part XII—a whole long provision. I am more interested in the tax relief. The questions I ask as I look at this are: Will this assist in creating employment or are we really play-acting? Are we really going through a motion? Are we really doing anything for our economy?

We could give a lot of high-falutin chat. We could get all types of people to write things and come here and read them, but do we understand what they are doing? That is the issue.

Page 34 dealing with land and building tax relief. All right they are giving exemptions from land and building taxes.

The marginal note to clause 53 states: "Income tax relief in relation to activities involving export of services." No problem. We have that with respect to goods, now you are giving it to services. My question there, first of all: If you are giving it to the EPZs, why not give it all over Trinidad? If you are exporting services, why not? Right now there is a provision where export sales are not subject to corporation tax. If you are extending that provision for export services, why are you restricting it to the EPZs? Why do you not extend that to any individual—a quality surveyor. First of all, this one is for non-Caricom, as I understand it. One can understand that but why can you not allow an individual who is providing services to other islands, to be free of tax?

You either want to push exports or you do not. Why do you want to push export of services only in the EPZs? Why do you want to do that? The thing will not work. Do you understand? It will not work. The classical type EPZ will never work in Trinidad and Tobago. You have got to go down stream from your natural raw resources—natural gas. Set up an EPZ so that you can really add value.

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Consider what you are doing here. You have to ask yourself: "What am I really getting from these EPZs?" They are not paying any taxes. What are you really getting from them? What you are doing is setting up a white elephant. Why can you not see that?

You have got to—*[Interruption]*. What labour? If you look at the research all over the world, the labour component is extremely small in the classical type EPZs. Add real value. Go downstream. Use the abundant supply of skilled manpower you have in Trinidad and Tobago. Use your natural resources. Make springs for motor vehicles all over the world; specialize in that. Go downstream from ISCOTT. But no, you want to allow ISPAT to export at the primary stage rather than go downstream, rather than ensuring that ISPAT sells to the people in Trinidad and Tobago, of course at a fair price. Rather than ensure that they can get their supply, you are allowing them to ship the thing out. So we go back to the pre-1956 stage.

Let us make sense, so that when you look at this, you see clearly that the EPZs and this tax treatment that you are giving to the EPZs, will do nothing

The other item that I found in the bill that, when you stretch it, could possibly have some effect on employment, is the introduction of the common external tariff. Of course, I just heard a voice crying in the wilderness over there, talking about people who do not read history. But if he reads history, he would know that the whole concept of the common external tariff really has its genesis in Dr. Williams' writing, *The Economics of Nationhood*. He knows nothing of history. He does not understand.

In *The Economics of Nationhood*, where in the Caribbean federation, Dr. Williams saw a strong union. He said: "Listen, we cannot just try to get together at the top, we must have common external tariffs; we must create one economy, one market." Of course Jamaica wanted no part of that and that led to the breakup of the federation. Of course my party, the People's National Movement, persisted and tried to get agreement at the trade level, CARIFTA, CARICOM, a movement towards common external tariff. So we are in agreement with that. I said that in that debate. *[Interruption]* Mr. Deputy Speaker, if they want to speak, I would willingly give way, otherwise they should sit and learn.

Mr. Deputy Speaker: The hon. Member is being disturbed. Can we have order, please!

Mr. Valley: I continue, Mr. Deputy Speaker. As we look at the common external tariff, we see right away that every one of them, country A to Y, asking for suspension of this and that and we see clearly here also, that there is a provision to allow suspension of some clauses of the bill from time to time.

In spite of that, one sees that as the only item here that can possibly create employment, because to the extent that you are talking about common external tariff, to the extent that the rates for third countries would be different from that for Caribbean countries, or rather to the extent that within the Caribbean there will be an absence of duty, one sees or expects that there will be more trade within the Caricom. And one hopes that because we are ahead of our neighbours in terms of the manufacturing process, we would benefit from that so that we would be able to employ more of our people.

When we look at the figures—and the last speaker, the Minister of Planning and Mobilization made a lot about the fact that the goods producing sector posted a 3.7 per cent growth rate, that is a fact, and the manufacturing sector posted a 5.8 per cent in 1990. That is due to the infrastructure placed there by the People's National Movement—the strong manufacturing base. I do not know what they are taking credit for.

Dr. Tewarie: Mr. Deputy Speaker, on a point of order. The hon. Member is misleading the House. The statistics will show that between 1983 and 1986, the manufacturing sector in Trinidad and Tobago had its worst performance following the oil boom; and that in the period between 1987 and the present time, we have had significant diversification and expansion of that sector, including increased export earnings.

Mr. Valley: If he looks at the figures he would see that in 1985 there was growth in the manufacturing sector. That is the point; I do not know where he got his figures. Look at it. It is the People's National Movement that set the infrastructure for the manufacturing sector.

6.35 p.m.

In agriculture, they have done nothing. We move on, Mr. Deputy Speaker. We are looking at the bill and we ask: What is there in this bill that would assist this country in earning more foreign exchange? I had identified two items until the Minister in his opening mentioned a third. He said Shandy. He said that the fact that they are now providing this tax break for beer going into shandy for export,

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that would push export sales. Now, I mean, by how much? Would it be significant in our foreign exchange?

The other one is the EPZs. I have argued before with respect to employment generation, that in fact the EPZ would do nothing in terms of foreign exchange earnings. We can expect little or nothing coming from the EPZs over the years. The EPZs just would not work in Trinidad and Tobago.

The third one is the common external tariff and I have every hope in it, within the concept of the one market, one economy. I hope that there would be rationalization of production and that we would be more competitive with the outside world, and in the long term that the common external tariff would be another movement towards a Caribbean integration, would assist us in earning more foreign exchange incrementally over the period.

[MR. SPEAKER *in the Chair*]

With respect to foreign exchange earnings, one sees that the only item in this Finance Bill that provides some hope is the common external tariff with which we agree and which has its genesis in the writing of Dr. Williams of long ago. [Interruption]

Dynamics of Western Integration by Havelock Brewster and Thomas came long after Dr. Williams' writing. Do you know that? *The Economics of Nationhood* came before Havelock Brewster and Thomas. Why do you not sit and learn? Simply to put you into the discussion Mr. Speaker, I was making the point that when I looked at the Finance Bill I did so with respect to four ingredients. I wanted to know how this bill would assist employment generation; the earning of foreign exchange; increased levels of savings in Trinidad and Tobago, and fourthly what it would do for economic expansion.

I am now looking at the savings aspect in the Finance Bill. There seems to be one thing, they call it the SAF-T account which is at clause 19 on page 9 of the bill. This SAF-T account, what does it say? It takes about three pages. I do not know why, whoever wrote this thing, wasted their time, because I can give them the assurance today, as I promised them—well I cannot even ask them because they are not going to be here next year because it is said that at the end of the year Central Bank must report on the number of accounts opened under the SAF-T account. It will do nothing.

Listen to what they are offering. They are telling the citizens of Trinidad and Tobago, “look, go and open an account. Any interest on the account would be free from tax.” As you know, if I earn interest on my savings, if I am under 60, I would pay 15 per cent tax. “Listen, rather than having to pay the 15 per cent tax, you would not have to pay any interest on the following conditions: you cannot put more than \$4,000 in the account in the first year; in subsequent years not more than \$2,400; the account cannot be used for collateral; you cannot interfere with the account for five years; only the interest is tax deductible.” There are a number of other conditions.

At the side of the thing—I hope this is a parliamentary word—I just wrote “crap” because that is what it is. I do not know what the Minister had in mind. One has to understand that this is coming after the Minister has taken away all the tax incentives for savings. We had a funny situation in this Parliament. I remember, I think it was in October 1988, the Minister came to Parliament and introduced TTMF tax free bonds.

First of all, that was a joke, because we had a \$12,000 Government tax free bond where one could have deducted as much as \$12,000 per year and get a tax reduction. People went for that and it worked. This Government did not like that. It encouraged persons to set moneys aside. In the last year they were getting about \$98 million out of it. I cannot remember; I am sure the Central Bank Report would have the figure. They got quite a bit out of it. The first thing they did, they said, “look, you can only get a tax deduction of 75 per cent of the amount you save up to a maximum of \$12,000”, so that if one wanted the maximum deduction one had to put \$16,000 and get \$12,000 tax deductible. Fine! The Minister did that in 1987 and in 1988 he allowed TTMF a \$12,000 maximum bond, 100 per cent tax deductible. So immediately everybody started buying TTMF bond rather than the Government bond obviously because rather than having to put \$16,000 to get \$12,000 you now had to put \$12,000 to get \$12,000.

In the budget of 1989 he did away with the whole thing in his tax reform. He said no more incentive for savings. That is the action of the Government. In October you do one thing. You spend a lot of time doing this and by January of 1989 you take the thing away and you say forget it. You wonder what they are doing. They have removed all incentives for savings and coming and telling me about SAF-T account, taking three pages, wasting the public servants' time. This is play acting. And then they want to know why people are not using it.

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6.45 p.m.

Everywhere I speak, I speak about the business expansion scheme. If you talk to your small business guy when he comes looking for money, I say, “Listen, do not come here looking for money. You set up a venture capital scheme, and you are going to get funding.” You ask the Unit Trust. I told them to do that.
[Interruption]

Anybody—if I were not coming to take your job, I would have set up one long ago. But you know, this is what it is; so that we see nothing again in the bill that is going to generate increased savings.

Now, way back in 1988, at our convention of that year, our political leader addressed the issue. Because you would know that in spite of all the old talk about moving towards economic growth, the economy has continually declined. I would have more to say about that in a while. And we, in our planning, in our preparation for taking over the reins of Government, as it were—because that is what we are concerned about, you know—I have said on a number of occasions, we have gone past the general elections. We are preparing for government. We want to ensure that unlike them, when they pull the curtains, they will see actions rather than rehearsals.

At our convention in 1988, where the political leader, after outlining a long-term economic strategy, he spent some time—

Mr. Toney: Fantasizing.

Mr. Valley: You could never win Toco/Manzanilla again. I am willing to put money on that now.

Yes, Mr. Speaker, that was an aside. I was making the point that the political leader at the time, realizing that it would be some time before our long-term plan can bear fruit, saw the need for a short-term economic recovery plan to return this country to economic growth.

I simply want to touch on some of the salient features of such a recovery plan. The first, we said, and this is 1988, Mr. Speaker, before the Government embarked on its tax reform programme. This was around October 1988. The first one, the adjustment of the tax structure to reduce the high incidence of personal income taxation so as to stimulate individual savings and investment.

Now, Mr. Speaker, the tax reform undertaken by the Government has gone some way towards that. However, as a fact, it has not gone far enough. The savings incentives have been removed. As I mentioned a while ago, the business expansion scheme is informative.

To us, the imperative for economic growth requires a short-term economic plan that includes the reinstatement of the incentives for savings. We would agree that perhaps there ought to be adjustment. Rather than having it over a five-year period, perhaps you may stretch the maturity longer; make it a ten-year bond, but bring the thing back. You have got to encourage middle class individuals to save.

Secondly, Mr. Speaker, we have advocated that rather than a tax deduction, one should allow a tax credit on savings. We say on savings items, that is where you use tax credit. On personal exemptions, there ought to be deductions. The Government has it all wrong.

We are saying that one ought to allow the 25 per cent credit on a ten-year government bond with a maximum credit of \$12,500. In other words, looking at 50,000 maximum contribution. There is no reason why one ought not to be allowed to put 50,000 per year and get a tax credit and stretch the bond over 10 years. One has got to do things to encourage middle class persons to save.

Secondly, in that document, we advocated the elimination of corporation taxation on small firms, particularly those engaged in productive activities in the agro-processing sector, handicraft industries, and cottage-type manufacturing or service firms in order to encourage those firms to use retained earnings to finance expansion.

We are saying, really, Mr. Speaker, if one understands that, corporate taxation is the flipside of personal taxation. Through the use of the dividend grossed-up provision, eventually, the person is taxed at his marginal tax rate. If we want to return to economic growth, then we have to encourage the small firms, at least, to finance expansion via retained earnings. Let them keep more of their profits to expand. That to us seems very simple and clear cut.

Now, obviously, if one does that, there is a timing gap. In other words, rather than getting taxation in year one, the Government may eventually get the tax from that firm in year three or year four. The point is that, obviously, one has got to make an investment.

Mr. Wilson: What rate do you recommend?

Mr. Valley: Zero for small firms, a firm of sales not exceeding, let us say, \$5 million; approved firms.

The point I am making is that it is the flipside. I am saying dividends will still be taxable. Whatever money the guy takes out of the firm, that is going to be taxed. And if you understand it, corporate taxation is merely the flipside of personal taxation. That is the whole purpose of the dividend grossed-up provision. So let us allow the small firms to do things.

But we are going further. We are saying that the general rate of corporation tax ought to be reduced to 25 per cent. So that while we are not advocating a zero tax break for the larger firms, we are saying that their rate of taxation, corporate taxation, ought to be lower. Because, really, we want to move to the abandonment of corporation taxation.

This is why in the UK they moved to advanced corporation tax, because it is the realization that, in fact, the shareholders pay tax at the marginal rate. That is what happens; however you cut it, however you slice it. Because of the funding needs of Government, you have got to have a system so that, at least, somebody at the corporate level pays taxes on a continuing basis.

If we want to return to economic growth, we have got to put things in place. It is not going to happen by magic. It is not going to happen simply because we say so. It makes no sense when we cannot fix the economy to have growth that we fix the numbers, as the Government is prone to do. You cannot fix the numbers and simply say, "Well, yes, we have growth." That makes no sense. And this is 1988 I am talking about.

Mr. Sudama: We are prone to deception.

Mr. Valley: Mr. Speaker, we also advocated in 1988, the movement towards indirect taxation. My political leader, the Member for San Fernando East, made the point a while ago: yes, when we looked at it, we saw that there was a high incidence of non-compliance, and we thought a movement towards indirect taxation was in the best interest of the economy.

7.00 p.m.

We cannot agree with a VAT tax rate of 15 per cent. I agree with the VAT system. I would think that as an introductory rate, it ought to be 10 per cent. More importantly, Mr. Speaker, when one realizes that—I think it was in the 1989

budget speech—the Government was attempting to make a profit on the value added tax; in other words the amount that they were giving up via direct taxation was lower than the amount it expected to get via the value added tax system, one sees clearly that the Government threw away the whole concept of tax neutrality—which, I think, was a stupid idea in the first place. That went through the window and the Government was in fact trying to make a profit on the tax reform.

In an economy that is in decline, when the Government appropriates more and more resources from the economy for its own use, obviously the economy would continue to decline; unless, of course, the level of exports increase dramatically. That is what we had. I advise the Government—I know that it is not going to be here very much longer—that it ought to attempt to do things to move the economy to encourage savings and to expand.

That brings me to the last area, economic expansion. As I said, when I looked at the bill, I was concerned with these four areas, and the area of economic expansion was extremely important to me. I found nothing in the bill that would aid the expansion of the economy. When we go back to the budget speeches which we have had over the years—and we can start with the budget speech of 1987, where on page 5—remember page 5 was the page on which they talked about different dragons, and avoiding the IMF, and we know what has happened to the IMF. The budget objective for 1987 was spelt out on page 15, where the Prime Minister and Minister of Finance said:

"Mr. Speaker, one of the imperatives for us this year is to begin our economic turnaround."

We started hearing that word since 1987.

Mr. Speaker: The hon. Member's speaking time has expired.

Motion made, That the hon. Member's speaking time be extended by 30 minutes. [*Mrs. M. Donawa-McDavidson*]

Question put and agreed to.

Mr. Valley: Thank you very much, Mr. Speaker. I continue:

"We have to make a start on the reduction of unemployment and we have to get economic growth started again. To do this, we must generate new practices and improve our levels of investment."

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We know that in 1987 the economy declined by some 6.7 per cent, from 1.6 per cent in 1986. So that they started in 1987. And we told them that their plans for 1987 would not have aided economic growth.

On page 26 of the 1988 Budget Speech—again we are talking about the objectives for 1988—the Minister spoke about the longer term objective for the economy and then he said:

"In 1988 our specific objectives are to:

1. Engender the return of business confidence."

We know what has happened to that—

- "2. Get a resumption of real growth in the economy."

Again, we know what has happened to that. Real growth in 1988 declined by some 4.6 per cent.

Dr. Tewarie: What were the previous years' figures?

Mr. Valley: In 1986, it declined by 1.6 per cent.

Dr. Tewarie: That is not what I asked.

Mr. Valley: Which of those years are you asking for? This is the *Review of the Economy 1989*. Let me read it: Decline in 1986—1.6 per cent; in 1987—6.7 per cent; in 1988—4.3 per cent; in 1989—3.7 per cent.

With respect to unemployment, the situation is just as bad. Mr. Speaker, one of the objectives, since 1987, was to increase the level of employment. According to the Central Bank report which was laid today, in 1990 there were 370,200 persons with jobs; In 1986 there were 390,500 persons with jobs. So that in the short period of four years our Government has lost some 20,000 jobs for us. Unemployment in 1986 was 17.2 per cent. At present it is 20.4 per cent; it got to a high of 22 per cent in 1989.

The point is very simple. Over the years we have had a Government that really has been using its Finance Bill simply as a revenue raising mechanism. Even when they talk about tax reform, they attempt to make a profit on the thing. They have down-played the fiscal tool element of the Finance Bill and thus they have done nothing to assist this economy in returning to growth. And that is in spite of the fact that in every budget speech presented since 1987 there was the objective of growth and employment.

I think the classic was 1988, Mr. Speaker, when you would remember that for the first half of the budget speech, the Minister of Finance said a number of nice things. It was music to my ears: that we must return to growth, employment, and all of these things. Then he took a five-minute break, and one wondered whether it was a different person who presented the second half of the budget, because everything he said in the first half, he contradicted by his measures in the second half. One wondered what had happened during the break. I think that was just before they had the split, and some people said that one side wanted to go up and the other side wanted to go down, so they could not make up their minds. That is not my business.

We see a continuation of the pattern by the Government. The 1991 Finance Bill is the same. There are no measures to aid economic expansion. The SAFT account will do nothing to aid savings. The EPZ has created zero jobs, so far, and cannot be expected to aid employment, in spite of what they try. The classical type EPZ will not work. The common external tariff which has its genesis in Dr. Williams's *Economics of Nationhood* may aid employment and it may also aid some foreign exchange earnings. That is the only ray of hope, and that requires some hard work. But given this Government's record with respect to the business expansion scheme, one does not expect that they would do anything to advance the one-economy, one-market concept. So that other than limited help from the CET, the bill contains no provisions that are geared towards generating foreign exchange. My regret is that when I look at this five-year period, I see that we may end up losing about three years; we lost about a year and a half at the beginning.

7.10 p.m.

You will remember that the whole of 1987 and the first half of 1988 were lost—when they were fighting—they did not know what they were doing. The Prime Minister, I think he said something afterwards that the people were new and had to get acclimatized and so on. But we lost a year and a half and it seems as though we are losing another year and a half, because since July 27, 1990, nothing has been happening. We see it in Parliament. Consider today, Mr. Speaker. On the last day we were here debating a bill; the House was adjourned at 4.30 p.m.; we come back today. I do not know how my friend, the Member for Nariva feels, but if I were in his position I would really take affront. I am supposed to be doing a job, here I have a piece of legislation that is going to assist me in doing what I am supposed to do.

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For the last two months the Parliament has been adjourning at 4.30 p.m. Now I have my bill before the House, they push me aside to bring the Finance Bill, when at 4.30 p.m. last week we went home. We are play acting. Nothing is really happening. They are making up time while they attempt to shore up their image.

I am coming back to the bill, Mr. Speaker. The fundamental point is that in this five-year period we would be losing three years. Even when we look at the two-year period, from about August, 1988 to about June, let us look at what they did during the two-year period. They started with a devaluation which came at least 12 months too late. That is when they went to the IMF. When we were telling them in early 1987 they should go for CFF, they went there and found themselves in the grips of stand-by.

Mr. Speaker, EPZ and privatization. When you look at TELCO—and I have to come back to TELCO. I will deal with TELCO on another matter because we have a little separate fight. I have set up my constituency office and I applied for a phone and they are charging me business rates. I am not running a business at my office. They have this nice logo. They say “call first.” I like that. So I decided to call. I called the Customer Services Department and they asked me to hold. I was holding for about half an hour. I called the Managing Director, Mr. Davis, on three occasions, he has not returned my called. I am going to write him and send a letter to the press because when you look at TELCO, it seems to me that all business rates in Trinidad and Tobago ought to be reduced and more rates for non-business should be established. Today I am asking TELCO to take steps to reduce business rates. In 1990, they expected to make about \$85 million in profit. Today I am making a call on TELCO to reduce business rates.

Mr. Speaker, with the limited time, I simply want to deal with a few other issues on the bill. I want to deal, first of all, with the restoration bonds on page 8 of the bill. Again, I want to ask the Minister—I do not know what they think of—very simply, if we are talking about bonds, which is a long-term instrument, the market for that would be insurance companies and pension funds. At present, pension funds pay zero tax on their investment earnings and insurance companies pay a 15 per cent tax on their statutory fund. So that you cannot really create a demand for this bond by providing or making it tax free. Nobody would buy it. If they do, they only do so for sentimental reasons. It makes no sense to say that I could go to the market with an eight and a half per cent tax free bond, when in the market you could buy Government bonds at 10 per cent or 10 and a half per cent

because the pension funds would pick those up. They do not have to pay tax on their interest in any case. So that this thing about restoration bonds being tax free is another idea that just would not fly. Ask the TTMF about that, they tried it years ago in spite of advice. It just would not work.

The other thing is the Miscellaneous Taxes Act on page 16, Part VIII, where the Minister informs us that because of the lack of clarity in a provision certain items which ought not to have been subject to a tax were caught. In other words, they were caught in error. The Minister is now attempting to correct the error, but he is saying that the provision would apply only from May 1. In other words, finders keepers; losers weepers. Those persons who paid the tax since the implementation of the Provisional Collection of Taxes Order, would have to stand their losses. That is why we say that we are dealing with a government that does not care. They made the error but they are asking the business people to pay for it. That is a lack of caring. There must be some way. As long as the people have their receipts and can show proof that they paid the tax, they ought to be able to get their refund. It is your error. That is simple, as far as I am concerned.

Then there is the stamp duty on page 29 of the bill. The issue here, Mr. Speaker, is that the Minister wants the power to exempt certain imports from stamp duty without publishing the order making the exemption. He claims that that causes administrative delay. Now, Mr. Speaker, really, the whole purpose of gazetting these notices is to give notice to the world. If you are saying now that we do not want that, then I have to ask you: Do you have something to hide? Do not tell me about administrative delay. If you are importing, there must be a period. I cannot understand how gazetting that notice can delay that process. So I have a problem with that provision.

In conclusion, Mr. Speaker, we see that we have a Government that has failed, in spite of its promises to fix the economy, so it is fixing the numbers.

You would remember that in 1986, we had the “man with the plan” who was going to roll back the recession, who was going to—and he is still saying that he has rolled back the recession in spite of continuing decline. *[Interruption]* You met 1.6 per cent not 6.7 per cent. They believed public relations could rule the world. That is not so.

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7.20 p.m.

So that, whereas in 1986 we were hearing all this talk about “the man with the plan”, in 1991, we now hear about the “Robinson's model of coming out of the IMF in two years.” We were hearing about that just about a month and a half ago. Lo and behold, Mr. Speaker, we were informed last week that, no, we are still in the grips of the IMF. And in spite of what the Minister says, looking at what is happening, we feel that come September—and they will most likely call the election by then, because the way they are going, we are going to have further decline this year—they are going to access the third standby. Whenever they say “Run”, old people say “Stand up”. They said, “we are not going to the IMF. We are not going to devalue”, but it is exactly that you are getting. That is the situation in Trinidad and Tobago. We are play-acting. The Government has been a dismal failure, in spite of its public relations. The Minister of Planning and Mobilization quoted from the Central Bank report to show, what good boys they were. But let us look at the document. Talking about 1990, the document, in the first paragraph says—

"The most salient feature of this performance was the turnaround in the petroleum sector, which was the factor most responsible for slowing the downward momentum of the economy."

In other words, the non-oil sector declined by some 1.5 per cent. The petroleum sector that they were lambasting way back in 1986. I continue:

"...the unemployment rate is estimated to have declined from 22 per cent in 1989 to 20.4 per cent in 1990, but this is qualified by certain limitations in the data available for 1990."

Even that figure is a preliminary one. It says—

"The decline was the net result of a fall in the number of persons without jobs and a small reduction in the labour force."

The participation rate—

"...which has fallen from 59.1 per cent in 1986 to 55 per cent."

People got so fed up they are not even looking for work any longer. Then you have the whole set who have migrated and they are talking about performance.

It continues—

"The external performance of the economy deteriorated in 1990...the external payments deficit widened to the equivalent of 3.5 per cent of GDP from 3 per cent in 1989..."

I do not know what he is quoting. We continue—

"...gross capital formation increased much less substantially..."

than in prior years. It says here—

"...gross capital formation declined from an average of 27.4 per cent of GDP in 1974—82 to 23.1 per cent during 1983—86, and fell further to an average of 18.1 per cent of GDP between 1987 and 1990. Capital formation, though having showed some recovery in 1989, reflecting mainly state-financed capital projects in the energy and tourism sectors, was severely hampered by the contraction in real output and income over the years."

Dr. Hosien: I do not want to disturb the Member, Mr. Speaker, but can I ask him if he intends to keep his promise to wind up?

Mr. Valley: You see why you must not give way, Mr. Speaker. They had the poor fella in the Ministry of Health—

Mr. Speaker: You have five minutes.

Mr. Valley. Thank you Mr. Speaker. You know, they had him in the Ministry of Health, they had to move him. They are trying with him.

Mr. Speaker, I am one of those who in 1986, after the election, was prepared, when I was asked to become a Senator, to cool myself for 10 or 15 years. Here you had a party where everybody was together, and they squandered that. Do you remember the Sunday after the election? Everybody in Trinidad and Tobago joined in the clean-up campaign, the high point, and they squandered that, because of a lack of caring for our people.

The key point, Mr. Speaker, is never what you do, it is how you do it. One must always exercise care and this Government will go down as a dismal failure because of that lack of caring. They could say what they like, they can try and talk up the economy, that would never work. They would be seen for the incompetents, that they are. Thank you, Mr. Speaker.

ADJOURNMENT

Motion made, and question proposed, That the House do now adjourn to Friday, April 19, 1991 at 1.30 p.m. [*Hon. B. Tewarie*]

**Lake Asphalt Company
(Non-supply to Local Market)**

Mr. Trevor Sudama (*Oropouche*): Mr. Speaker, I have a motion on the adjournment which has been pending for quite sometime. I promise to be very brief and dispose of it this afternoon.

Mr. Speaker, I am raising a matter which has been drawn to my attention by small business involved in the manufacturing sector. This matter has to do with the refusal of the Lake Asphalt Company of Trinidad and Tobago to sell refined asphalt to people engaged in utilizing that product in manufacturing. It seems to me to be something which is antithetical to the acclaimed policy of the Government to encourage the use of indigenous raw materials for the purposes of manufacture, import substitution, creating employment, and so on, and here we have a fully owned state enterprise refusing to sell refined asphalt which is a key ingredient in some of the manufacturing processes of those firms who have written to me.

I merely want to read a couple or paragraphs from the letters which two of these firms have written to me, which put the matter in a nutshell and put their complaint in a certain light. In a letter to me one of the firms states as follows:

"Lake Asphalt of Trinidad and Tobago has now informed us that they cannot supply asphalt to us."

That is refined asphalt—

"On Wednesday 13th March, 1991, our truck was turned away from Lake Asphalt and the driver was informed that:

- (1) Lake Asphalt was fulfilling export orders and could not supply the local market."

7.30 p.m.

So here you have the export market being given preference, with respect to raw materials, preference to the local domestic market. The same thing, of course, they have done with the teak, the same thing they want to do with gas and with almost every raw material which they can put their hands on and sell to satisfy the export market to the detriment of local value added in Trinidad and Tobago. I continue:

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“(2) We should have called beforehand.”

Note that they required 20 drums and they had been informed previously by Mr. Bethel of Lake Asphalt, that this was an extremely small amount and they could supply thousands of drums if required.

“(3) The driver should state the purpose for which the asphalt was to be used.”

This is Lake Asphalt a fully owned Government enterprise.

"It appears ..."

says the letter,

"that Lake Asphalt has adopted a new policy which is likely to cause considerable hardships for a number of small businesses which rely on a regular supply of asphalt and this will certainly lead to further unemployment and hardships."

This is a Government-owned state enterprise behaving in a way to put certain businesses out of business, to create a monopoly situation. I have another letter from which I will read parts to you. It says:

"Due to the declining economic situation which was apparent, we had embarked on the research of products that could be manufactured from locally available raw materials".

As far back as 1983 information was shared with Lake Asphalt Trinidad Limited—

“A lengthy period of research and development culminated in the production and marketing in 1986 of the following fine quality products, which used refined asphalt: Gold Star water tank paint; Gold Star bituminous paint; Gold Star automotive under coating; Gold Star sealing compound; Gold Star body seal; and Gold Star chassis paint.

It is disappointing and disgusting to say the least, when earlier today, your staff refused to sell asphalt to us. Our driver was informed by Mr. Bethel that he had instructions from your management to refuse sales from all competitors of your Lasco range of products. "

What has happened is that Lake Asphalt has developed a product which it has put on the market and in order to liquidate the competition it has decided not to

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sell the raw material to its competitors. This is a state enterprise and this Government speaks about encouraging small business. It makes a big song and dance in the newspapers about what it will do to encourage small business in the country to make people employ their own initiative to create employment.

"What makes his action even more disgusting is the fact that Lake Asphalt is under the direct control of the Government which, we are aware, encourages small businesses. It is very clear to us that this action by Lake Asphalt is carefully calculated to put small businesses like ourselves out of business, thereby eliminating your competition and giving you monopolistic access to the market."

When a government-owned enterprise is behaving in this way, it speaks volumes for the attitude of this Government towards small business in this country.

"We consider this action by Lake Asphalt to be very oppressive and disadvantageous."

These letters were written to me sometime ago. As I said, this matter has been pending for a while and it is my duty to draw the attention of the House to this aspect of the behaviour of a state enterprise.

It is up to the Minister to inform this House whether such an attitude by Lake Asphalt Company is in conformity with Government's policy, either with respect to the creation of employment or the restriction of monopoly practices or giving encouragement to people who use indigenous raw materials and resources, in order to manufacture products to assist in the import substitution drive and to conserve foreign exchange in this country.

These quotations from these two small manufacturing firms are really an indictment of a state enterprise to the extent that that state enterprise reflects Government's policy and indeed are an indictment of the Government. I would love to hear the Minister's response to this.

The Minister of Industry, Enterprise and Tourism (Dr. The Hon. Bhoendradatt Tewarie): Mr. Speaker, on this matter the Member for Oropouche presented only one side of the story. In his presentation the deck was entirely stacked against the state enterprise which is involved, in this case Lake Asphalt.

Lake Asphalt has made a response to the allegations in the two letters that have been read in part by the Member for Oropouche. Based on the information

which I have emanating from the company, first of all, it seems that there is more than one side to the story.

Secondly, Lake Asphalt did not act unreasonably in the circumstances. The first thing is that recently, Lake Asphalt has had two problems. One has to do with trade and trading practices and the other one has to do with security. It seems that companies which are engaged in the marketing of products which are in competition with products produced by Lake Asphalt are misrepresenting the fact that they are sourcing material from Lake Asphalt which they are not. That is to say, they are giving a false impression to the public, or at least one company is. This is the information which I have, that the base of the material that they manufacture comes from Lake Asphalt when it does not.

The second matter involves security. You may have been able to read sometime ago in the newspapers that asphalt was re-packaged and sent abroad and cocaine was found in one of those packages. As a result, firstly, because of the trading malpractice and secondly security considerations—and on one occasion Lake Asphalt Company had to pay US \$10,000 which it can ill-afford—in March, the company decided to temporarily suspend all sales of its product and to review the sales policy with specific reference to its implications on trade and security matters.

I am advised that this matter has now been resolved and the various customers have been communicated with, and based on dialogue, assurances have been given that will allow for the recommencement of sales to those who require the product in order to do business. That is the information which I have.

Question put and agreed to.

House adjourned accordingly.

Adjourned at 7.40 p.m.