HOUSE OF REPRESENTATIVES

Saturday, April 10, 1993

The House met at 10.25 a.m.

PRAYERS

[MR. DEPUTY SPEAKER *in the Chair*]

CENTRAL BANK (AMDT.) BILL

Bill to amend the Central Bank Act, Chap. 79:02 and to repeal certain provisions of and statutory instruments made under the Exchange Control Act, Chap. 79:50, [*The Minister of Finance*]; read the first time.

Motion made, That the next stage be taken forthwith. *[Hon. W. Mottley]*

Question put and agreed to.

The Minister of Finance (Hon. Wendell Mottley): Mr. Deputy Speaker, I beg to move,

That a Bill to amend the Central Bank Act, Chap. 79:02 and to repeal certain provisions of and statutory instruments made under the Exchange Control Act, Chap 79:50, be now read a second time.

Hon. Members would be now be fully aware of the Government's decision to abolish exchange controls and to alter the arrangements for the determination of the external value of the Trinidad and Tobago dollar.

In order to give effect to this decision, it is now necessary to amend certain clauses of the existing Central Bank Act; specifically, section 23(2) of the Central Bank Act now has to be amended to allow for a floating exchange rate, and a whole regime of controls and commissions in the Exchange Control Act now have to be repealed.

This policy shift, Mr. Deputy Speaker, is perhaps the most fundamental and far-reaching economic matter that this country has effected in the post-war period. As Members are aware, the arrangements for the conduct of foreign exchange transactions were established in the immediate post-war period under colonial legislation, that is, the Defence Finance Regulations.

In the early 1950s, we had the British Caribbean Currency Board issuing currency for this country as well as the rest of the Eastern Caribbean. That currency was pegged to the pound sterling. When this country became independent in 1962, we moved quickly to establish our own central bank and to issue our own currency. However, the TT dollar remained pegged to the pound sterling at a fixed rate.

A fixed peg to major international currency was, in those days, the preferred option and, indeed, was the norm. This was because the Bretton Woods post-war arrangement, which established the post-war international monetary order, was premised on a system of fixed but adjustable pegs, so as to avoid the competitive devaluations which had occurred in the inter-war years.

The Bretton Woods arrangements broke down in 1971 when the United States abandoned a fixed price for gold. The pound sterling was floated in June, 1972 and industrial countries began generalized floating in March, 1973. At that time it was normal for developing countries to remain pegged to a particular reserve currency, usually the currency of the country in which that particular developing country traded most, although some developing countries preferred to opt for a basket of currencies.

It was in that context that Trinidad and Tobago reviewed its currency alignments, and in May, 1976, the TT dollar was pegged to the United States dollar—not the pound sterling—at a rate of TT $2.40 to US $1.

One of the inevitable consequences of maintaining a fixed exchange rate arrangement in a situation of scarcity of foreign reserves, is the need to institute exchange controls. Exchange controls, as we all know, are effectively a system of rationing available foreign exchange. Since it is in systems or countries where there is not enough foreign exchange supply to meet the demand, one has to bring a system of rationing into place, usually effected through the medium of exchange controls. Exchange controls, therefore, involve interposing a bureaucracy between the buyers and sellers of foreign exchange since, clearly, the price of foreign exchange, that is the exchange rate, is fixed and the market otherwise cannot click.

Trinidad and Tobago enacted the exchange control legislation in 1970, replacing and expanding the colonial Defence Finance Regulations, and which declared sterling to be a foreign currency.

The point is that until sterling was declared a foreign currency in 1970, residents of Trinidad and Tobago could convert their TT dollars into sterling and thence, in effect, into any other currency. The exchange control function was delegated to the Central Bank, with certain functions delegated to the commercial banks and to the Ministry responsible for Trade and Industry.

Because of the petrodollar boom in this country over the period 1974 to 1982, exchange control regulations were not strongly enforced. The country had large and expanding reserves and there was little need to restrict outflows of foreign exchange. By the same token, there was no need to alter the exchange rate which, in real terms, was appreciating relative to the US dollar. In fact, it appreciated quite considerably during that period.

However, when oil prices began to fall and the foreign exchange reserves began to decline, exchange controls in this country were correspondingly tightened and, in fact, we went into an extreme form, that is the EC-O system, which even extended exchange controls to visible items; and that was instituted, as we all remember, in October, 1983.

It was clear to the authorities at that time that these controls could not, by themselves, be effective in stemming outflows of foreign exchange for legitimate trade transactions, or to control capital flight. The TT dollar was, therefore, devalued to $3.60, in December, 1985, along with a short-lived dual exchange rate regime which was abandoned in January, 1987 and devalued again in August, 1988 to TT $4.25 to US $1.

Over the last 10 years, exchange controls have been progressively loosened, the EC-O system was significantly amended in 1988 and abolished in 1991, and restrictions on invisible trade have been relaxed. Net exporters were granted foreign currency accounts, the restrictions on the use of which were relaxed last year, and the business travel allowance was tripled last year to US $350 per day.

So that it is important that members of this House understand that there was a progression of events leading up to this ultimate step that we have taken. The devaluation and the concomitant relaxation of exchange controls have been part of the pattern of adjustment and liberalization through which many other developing countries have gone in recent times.

The fact is, that over the last 20 years or so, the trend towards the globalization of financial services and the movement of capital has greatly accelerated—and this is a point that I want to stress. Some of the impetus for this came from the activities of multinational corporations, but also as telecommunication links shrank geographical distance, and as automation speeded up transactions, it became easier to effect the movement of funds throughout the world. Capital, it is said, has no nationality. In effect, exchange controls are now a relic of a bygone era, overtaken by developments in technology and the ways of doing business in today's world.

I think it is important that Members of this House understand that. Just to carry home the point, I want to quote extensively from a book called *The Twilight of Sovereignty*, written by Walter Wriston, former chairman of Citicorp, that is the renowned international bank. On page 59 of this book, Mr. Wriston states:

> "The convergence of computers and telecommunications has created a new international monetary system and even a monetary standard by which the values of currencies is determined not by the arcane manipulations of central banks, whose total reserves are now dwarfed by a single day's trading on the world's currency markets, but by myriad facts that are now instantaneously available.
>
> We sit at home and watch a live broadcast of riots in a country on the other side of the earth and a currency falls, in minutes. We hear by satellite that a leadership crisis has been resolved, and a currency rises…"

He goes on to say, on page 67:

> "There is no longer enough money in the central banks of the world to hold an unrealistic exchange rate in the fact of bad economic policies."

There are many other quotations in the same vein, but it clearly establishes, as Trinidad and Tobago moves more and more into that kind of world, the futility of trying to keep the old form. In taking this step now, courageous step that it is, it clearly signals that it is part of a whole series of movements which we have undertaken in tandem.

Recognition of this fact has come slowly, but surely, to all parts of the developing world and, as the recognition has grown, these countries have abandoned exchange controls and, necessarily, have abandoned the defence of a fixed parity.

To illustrate, Mr. Deputy Speaker, in 1976, the year that we pegged to the US dollar, 63 per cent of developing countries were pegged to a single currency, while only 14 per cent had some type of flexible arrangement. But, by 1989, only 38 per cent of developing countries were pegged to a certain currency, while 33 per cent had flexible arrangements, and another percentage had somewhat almost flexible arrangements.

According to the latest IMF data, that is September, 1992, now only 28 per cent of the Fund's member countries are pegged to a single currency. The vast majority have, therefore, now gone on to flexible and similar to flexible or floating regimes.

Let me give you an idea. Of course, all the major countries are on some sort of flexible exchange regime, that is the United States, Canada, the United Kingdom, Europe et cetera. But then, many Latin American countries have gone that way.

— Bolivia moved to a flexible exchange rate regime in August, 1985;

— Brazil, in March, 1990;

— Costa Rica in February, 1992;

— The Dominican Republic in January, 1991;

— El Salvador, In June, 1990;

— Guyana, February, 1991;

— Peru, August, 1990;

— Venezuela, March, 1989;

— Jamaica, September, 1990.

And the list goes on. It is not by any means an exhaustive list, since I had to do this preparation over quite a short period.

I thought that it would be of interest to note that it is not only Europe and Latin America that have gone this route. Only last month, my Cambridge colleague and friend, the Minister of Finance in India, Mr. Manmohan Singh, floated the Indian rupee. If I could just give some quotations from the *Financial Time*s of Wednesday, March 3, 1993:

> "The floatation of India's rupee, announced in the annual budget at the weekend, got off to a smooth start yesterday, with the currency rising modestly against the US dollar.
>
> The rupee closed at Rs 31.85 to the dollar yesterday, compared with Rs 32.78 at the opening.
>
> It was 'a very smooth transition', said a dealer from the Bank of Baroda, an Indian bank, and quite unlike the hectic trading which prevailed when the two-tier rate system was introduced only a year ago.'"

[HON. W. MOTTLEY]

If I could quote again from another article:

> "There are some welcome surprises in Mr. Manmohan Singh's third budget, unveiled on Saturday. In floating the rupee and sharply cutting tariffs, he has gone further than expected and shown that he remains committed to reforming and opening up India's economy.
>
> The government's argument is that the past 20 months of cuts in the budget deficit, subsidies, inflation and balance of payments deficit, coupled with the removal of many bureaucratic hurdles in the way of investment, have provided a base from which to accelerate economic growth."

This article speaks about India and getting India integrated into the international economy. It all sounds very familiar.

Mr. Deputy Speaker, the trend is clear and has been occurring for a variety of reasons, including the trend towards globalization mentioned about and to the unsustainability of fixed peg regimes and exchange controls in a world where capital has no nationality.

At a press briefing earlier this week, I reported to the Trinidad and Tobago population that studies which we had commissioned revealed that over the last five years, this country lost over US $1 billion in capital flight, and although the studies did not review the period before, I would imagine the situation was probably even larger then.

Capital has become more fluid with all these developments such as we have illustrated here. Exchange control is an anachronism and we have to recognize that. We cannot rail against it; we have to adapt and point our ship in another direction.

Exchange controls effectively only stop the small man who is trying to move a small amount of actual physical currency. It has not proved to be any restraint on larger movements of capital. That is the international experience.

So, therefore, in the face of all these developments, this country, essentially, had two options open to it. We could either attempt to insulate ourselves from worldwide developments, making ourselves an island not only geographically, but also in terms of our trading and investment relationships, or we could attempt to insert ourselves into this competitive global village and make our way forward, becoming competitive and modern.

It is clear that the government has chosen the second option as the only way forward for this country. This conviction in no way fails to acknowledge the difficulties and risks which are inherent in this strategy.

Mr. Humphrey: Would you agree that a combination of the two is a clear alternative?

Hon. W. Mottley: Mr. Deputy Speaker, a combination of the two is an addled, unclear strategy likely to leave us in a situation where we gain no advantage and all the disadvantages and risks of both regimes.

This conviction in no way fails to acknowledge the difficulties and risks which inhere in this strategy. Success will require all the entrepreneurial skill, managerial talent and mastery of technology in particular niches which we are able to command. It will require us to be clever and also to have some good fortune. We will need to be resilient to deal with the disappointments which must come and humble in success, because we will need to know that the international game of competitiveness is a never-ending game, and your comparative advantage today does not last forever. The whole country needs to understand this.

From our own experience, we were on top of the world in the late 1970s and 1980s, with the oil and petroleum advantage that we had. But, as we know, we moved too late in changing our petroleum legislation after circumstances had changed. For too long we attempted to attach to exploration licences certain kinds of commitments which served as deterrents. In fact, therefore, we did certain things which precluded us from getting the latest technology in exploration available to us early enough, and so did certain things that we paid for in our petroleum economy. We have quickly and rapidly under this Government remedied all of that. But we have lost time and lost our position as a result.

I make it clear that as a result of actions which were recently taken, we are making enormous strides to recover that pre-eminent position. But it is not only Trinidad and Tobago that made errors. We only have to look around at other Caribbean countries who were cock-a-hoop in the tourist industry not too long ago and who have seen deterioration in their plant and competitive position, and are being taken over by other Caribbean countries who have been more aggressive, whose populations have been more flexible and who have seized the advantage; and today we see the difference in outlook between those two Caribbean economies.

I cite these examples because it is fundamentally important that not only Members of this House but, through the media, the whole of the Trinidad and Tobago community understand what it is we are talking about, because Trinidad and Tobago's economic survival depends upon a deep understanding of these issues.

One of the things that we have been accused of is that we are moving too quickly. We do not have a choice. The only choice that we have is to educate the population as rapidly as we are moving. Trinidad and Tobago has no choice as to how quickly we move, because if we do not move as quickly as the rest of the world is moving, we will be damned economically and we will not be able to save our population from ever more decreasing standards of living. We have to understand the imperatives of the competitive economy that are now the global situation.

As little islands, we may believe that hope will come if we fail; but with the change in the global economy and politics, that assumption is no longer valid!

Mr. Robinson: I am very sorry to interrupt, but will the hon. Minister say when the decision to float was taken by the Government?

Hon. W. Mottley: Mr. Deputy Speaker, I will come to that in time.

This is the general background to the decision taken to float the TT dollar and to effectively abolish exchange controls. The legislation which is now before this honourable House, in fact, seeks to achieve two purposes: Firstly, to amend the Central Bank Act, Chap. 79:02, to provide that instead of fixing a rate for the Trinidad and Tobago dollar, the President will fix the basis by which a rate will be determined. And, secondly, the Act seeks to repeal various sections of the Exchange Control Act, Chap. 79:50, which require prior approval to be obtained from the Central Bank or the Minister before conducting any transactions in foreign exchange. Other sections which require residents to surrender receipts of foreign currency and consequential repeals of subsidiary legislation are also included. The proposed Presidential Order has been circulated to Members.

Permit me now to describe in outline how the new system will work. Tax receipts from oil companies and loan receipts and other official inflows will continue to be lodged directly with the Central Bank, which will use these resources to meet scheduled debt service of the central government. It is not expected that the Central Bank will be a frequent direct participant in the foreign exchange market, although it will effect continuous oversight and influence on the market.

The Central Bank may occasionally have to enter the market to purchase foreign exchange in order to meet a particular cash-flow deficiency. It may also occasionally sell foreign exchange to the market.

The foreign exchange market arrangements will allow for two types of dealers: Banks which are now authorized dealers in foreign exchange, by virtue of the Exchange Control Act, will continue to operate in this capacity. A second type of dealer will be the foreign exchange bureau which will operate under the terms of a licence issued by the Central Bank under the provisions of the Exchange Control Act. The bureau will not be allowed to establish correspondent relationships with banks abroad, nor to borrow or lend foreign exchange nor to accept deposits in TT dollars or in foreign exchange. The bureaus will not be allowed to deal in documentary credits or open letters of credit on behalf of customers. The bureau may purchase foreign exchange from the public and from other bureaus and authorized dealers and may sell foreign exchange to them. The licences of bureaus will not be transferable or assignable.

Residents of Trinidad and Tobago who wish to sell or purchase foreign exchange for any purpose will approach any authorized foreign exchange dealer or foreign exchange bureau. Each dealer will have publicly displayed the rates at which it is prepared to buy and sell US dollar currency and instruments and the rates at which it is prepared to buy and sell other currencies, calculated as cross-rates relative to the US dollar.

The publication of these rates will not in any way bind the dealer to purchase or sell any foreign exchange to any customer, nor should such publication be construed as a willingness to purchase foreign exchange or an indication of the availability of foreign exchange for sale to any customer. Residents may purchase and sell foreign exchange in unlimited amounts and may tender and receive TT dollars or any other currency acceptable to the dealers. Rates quoted will be inclusive of a spread or discount, but exclusive of any commission or charge, but the commission or charge must be displayed, and dealers may charge a minimum fee or commission. The Central Bank will initially specify the percentage spread or discount. Dealers may change the rates of exchange during the course of a working day. Foreign exchange transactions will not be subject to VAT or any other levy or impost.

10.55 a.m.

Members of the public may go to any dealer and obtain or sell foreign exchange for any legitimate purpose. In respect of trade transactions, the customs documentation relevant to the transaction will have to be presented to the authorized dealer in the normal fashion. EC approval will, however, no longer be required for remittance. It should be noted that the rate of exchange for the calculation of duty may be different from that used by the authorized dealer to effect remittance since the customs rate will be a rate supplied by the Central Bank close to the time that the goods are cleared. The customs duty rate will not be relevant to payments effected by authorized dealers.

Let me say at this point, the order that we referred to, and some of the regulations that we will impose will allow, without previous permission, the exportation of currency to the value of TT $20,000 or US $5,000. Any amounts in excess of that, just as obtains in the United States, will have to be declared. This is one of the mechanisms that are being imposed, particularly in the light of concerns about illicit activity of one type or the other; specifically against money laundering.

Exchange controls in themselves have not served as a deterrent to illicit activity and money laundering, in that, especially in relation to the drug trade, they are infamously not reputed to observe law and order. Therefore, it is not a sound argument to say that in moving to this system, we are exposing the country inherently to any greater dangers. The fact is that it is at the level especially of the commercial banks that the defence mechanisms lie. Towards that end, the Central Bank and the Ministry of National Security, not now, but over the last several months and years, have been conducting a series of courses on techniques to spot, to avoid—international co-operation agreements have been entered into to deal with this specific problem of the illicit drug trade and money laundering.

So that even though I recite this particular regulation, I do not want Members to believe that it is in some written piece of legislation that we are going to protect ourselves in this particular instance. It is only in practice in international co-operation and being alert that the country will be protected.

Mr. Mohammed: Having regard to what you have said, would you agree that at the end of the day, there will be much more US liquidity on the streets—and the US dollar is used invariably for the purchase of the same drugs that we are talking about—so that more will be available for the buyers?

Hon. W. Mottley: More of it will be available to honest citizens; but, Mr. Deputy Speaker, it has always been available to those who have been prepared to go for it.

Mr. Humphrey: As I understand it, from what you have said, citizens can go to a bank or any authorized dealer to buy or sell foreign exchange. What is the situation with a citizen who has foreign exchange and offers it to a friend? Is there anything in the law that says he cannot do that?

Hon. W. Mottley: Yes, Mr. Deputy Speaker, although we confess it will be difficult to police such transactions, the law stipulates that we should be dealing with authorized dealers who will be the banks, the bureaus and so on. That is how it should be.

Dealers are free to buy and sell foreign exchange among themselves and to exchange information on volumes and rates directly or indirectly. In this regard, the Central Bank will, as soon as practicable following the institution of the new arrangements, seek to facilitate live quotations among banks and perhaps bureaus over telecommunication lines and computer facilities. Rates quoted by individual dealers will reflect their own best judgment. Dealers may quote or negotiate different rates for large transactions. Banks may also establish forward rates. However, any contract entered into must be fully honoured, and failure to honour transactions will be subject to the suspension or cancellation of the dealer's licence or authorized dealer's status.

The Central Bank will collect and collate each day the volume and rates at which transactions were conducted and will calculate and publish a weighted average rate for the US dollar for the day. The Central Bank may also publish periodically the buying and selling rates quoted by all or some subset of dealers. The weighted average rate calculated by the Central Bank may be used by official agencies—Customs and Excise Department, Board of Inland Revenue et cetera—as well as private sector agents as the market rate for that day.

Dealers will be required to record each transaction in a form and manner to be prescribed by the Central Bank. Authorized dealers, that is, banks, will be required to note the purpose of the transaction where it involves remittances overseas, for example, payments, imports, debt service, gifts, vacation and business travel et cetera. Documentation submitted to the Central Bank for statistical and rate calculation purposes will not bear the name of any transactor; it is required merely to keep our statistics up to date.

At the end of each working day, dealers will be required to submit in the prescribed form by fax or by hand delivery, a statement of the transactions undertaken for that day, including the amounts and the rates at which sets of transactions were undertaken. On a daily or weekly basis, authorized dealers will submit to the Central Bank long and short positions for each traded currency and for spot and forward markets separately to allow the bank to detect, on a timely basis, large inflows which may require a macro-economic response, and/or to detect potential problems in the trading positions of individual authorized dealers.

11.05 a.m.

There is no gainsaying the difficulties that may arise in the initial days and weeks of this new system. The freedom from exchange controls which this new system allows will have its costs and risks, and it is only fair that these be identified, although every effort—I should stress—is being made to minimize them. Firstly, there is almost certain to be some depreciation of the exchange rate at the outset, for the very simple reason that the demand for foreign exchange at the rate of $4.25 and the supply are not in balance.

The market will evolve to a new rate at which demand and supply are brought more nearly into balance. The facts are, though, that on the street in the period preceding this particular move, and over Carnival, there was, in fact, not much difference between the street rate and the official rate. In our highly open economy, where the import content of production and expenditure is high, this depreciation of the rate will mean some increase in the level of prices. However, there will be no inflation, that is where inflation is initiated by continuously rising prices, unless the exchange rate continues to depreciate. It will be the function and responsibility of the monetary authorities to ensure that such continual depreciation does not take place.

Mr. Deputy Speaker, let me emphasize that, at this moment and over the course of this long weekend, the Central Bank will be meeting with high officials all of the commercial banks with a view to working out the details of the operations of the system and to come to some consensus at where this rate should open. Mr. Deputy Speaker—

Mr. Humphrey: Market forces.

Hon. W. Mottley:—arising out of these discussions, which will come out of the discussions with what the banks' particular positions are, which in fact are the market forces—

Mr. Humphrey: There are no market forces—totally manipulative.

Hon. W. Mottley:—the rate will be—at least the initial rate—determined for opening of business on Tuesday. I should say that it is the clear intention, arising from those kinds of discussions, to try to open at a rate that will be sustainable and therefore there is no need for trades people to be concerned about rushing the market in anticipation of serious movements away from that rate.

The threat of an increase in the cost of living will also be reviewed as an opportunity for the citizens of this country to confront our taste patterns which seem to favour imported goods. Some increase in the prices of imported goods will make locally produced goods and services more competitive and will help to activate our production capacity for local goods and services which, I am sure the Members, on the other side especially, will appreciate.

Perhaps, more importantly, Mr. Deputy Speaker, a depreciation is necessary to correct the appreciation of the real exchange rate which has come about due to the reduction of tariffs which we have agreed with Caricom and which we have implemented at the beginning of this year, with further cuts in the tariff rates due at the beginning of next year.

A second potential problem related to the risk of the continuous depreciation is that of speculative attacks. It is understandable that some citizens may wish to anticipate a continued depreciation of the exchange rate. This is a human reaction, but it will be misplaced, untimely and counter-productive. Someone who converts his savings into foreign exchange with the hope, or expectation, that he will gain on re-conversion, will be disappointed to find that because of the depreciation he would have helped to bring about, the real value of his re-converted savings would be the same as when he converted, since prices would have risen.

What may be worse, is that the speculator may find that the market does not validate his expectations of depreciation and he may be worse off. Indeed, as happened in India, the value moved the other way and if, as we confidently expect because of the history of this in Latin America, there should be initially a slowing in the rate of capital flight following this decision, and as confidence comes into the system, in fact, the reversal of capital flows, there may well be currency appreciation and the speculator, for the first time, will have to deal with a situation not of one-way movement of the exchange rate, but with the possibility of two-way movement in the exchange rate. This is what has happened, in several Latin American countries and, indeed, in the Caribbean.

The short-term difficulties will be more than adequately compensated for by the real gains that the economy will realize in the medium term. In this regard the Government is pleased with the response of all sections of the national community to this initiative since its announcement.

Mr. Maharaj: Would the Minister give way? Would the Minister tell us which sections of the national community he is speaking about—apart from the business community or the selected business community?

Mr. Humphrey: Yes, it is only the organized business community.

Hon. W. Mottley: Mr. Deputy Speaker, we have had conferral with several members of the national community—

Miss Bhaggan: Trade unions?

Hon. W. Mottley: We have got open support from several and understanding from most, of the situation and the requirements of Trinidad and Tobago at this time.

Mr. Humphrey: What did Natuc say about it?

Mr. Haniff: The labour movements.

Hon. W. Mottley: Some of the gains, which are likely to accrue to the national economy from the removal of exchange controls and currency liberalization are the encouragement of re-flows of capital. And I think it is important that the national community understand that under the old regime, for as long as we continued down that road that was not in harmony with either trade liberalization or the present fix of the international trading community, we were imperilling the return of growth to this country. And that whereas there are some short-term uncertainties surrounding exchange control liberalization, there is, in fact, significant potential for gain. We note that, whereas in the past every time we attempted to grow this economy—most noticeably back in 1991 when attempts to grow the economy originally funded by the windfall from the Saddam Hussein affair—but as that effect petered out the growth could not be sustained. From the middle of 1991 we began to burn up foreign exchange at an unsustainable rate. And if this new liberalized regime, with the return of confidence, can at least see the stemming of capital flight and ultimately its reversal, as has happened elsewhere in this hemisphere, then we have the possibility of breaking that foreign exchange constraint which we have argued so much about in this House and especially the concerns and constraints that we have tried to explain to the Members, especially the one for St. Augustine, in growing the economy.

If we can break that foreign exchange constraint, then we can start this growth process in the economy of Trinidad and Tobago again; and with that growth we hold forth the prospect of increased jobs. This is happening not as an isolated mechanism, but it is occurring in the context of other initiatives that we are taking in promoting investment, in bringing a whole series of legislation that will be before this Parliament from next week on, and the promotion of domestic investment and foreign investment. Indeed, the removal of exchange controls represents the removal of a major investment constraint cited by both the potential domestic and the foreign investor. So that I want you to see this new regime in the context of its real potential for Trinidad and Tobago—to see it together with the other measures that we are putting together, as a move for the promotion of investment, for growth, and ultimately, for jobs. This is what this measure represents. It is not pie in the sky. Experience elsewhere suggests that we will succeed.

11.15 a.m.

While on this subject, let me turn to an area, since I have cited a large number of countries which have done this—India being the most recent—that in Trinidad and Tobago this experience is coloured by the fact that another Caribbean country took this step back in September, l990. I refer specifically to Jamaica. Jamaica has now seen through this process and, in fact, there are significant and massive inflows of foreign currency into Jamaica as a result of the step they took on September l7, l990. We do know, and the population knows, that Jamaica went through a very difficult initial period with this particular mechanism. So that, if you speak to any Jamaican today they will tell you that it was worth the while, but that it nevertheless caused an undue amount of initial difficulties.

I want to explain why we expect the benefits without having some of the same difficulties that the Jamaicans went through. The Jamaicans started with mini devaluations, a formalized parallel market with multiple exchange rates. Then they instituted an auction system in March, l984. They suspended the auction system in November, l989, and then started an inter-bank market in September, l990. In other words, they had a whole series of experimentations.

When they, in fact, started this new system—I want the Trinidad and Tobago population to understand—Jamaica had foreign exchange reserves of minus $825 million, with the Central Bank having net foreign reserves of minus $552 million. Jamaica's situation, in other words, was radically different from Trinidad and Tobago in that respect.

In other respects, our own foreign exchange reserves, the Central Bank gross reserves at the beginning of April amounted to approximately US $110 million, and that is after meeting massive debt service earlier in this year, including one payment of US $86 million, the highest single debt payment that was ever recorded in Trinidad and Tobago. In other words, despite all of that, we are radically different from Jamaica in our reserve position.

Our country has been following a progressive series of measures, each one building on the other, each in the same direction, instead of the wild fluctuations in policies in other Caribbean countries. Moreover, the Central Bank's monetary policy here has been tight over the last two years. The money supply was contracted by 6.6 per cent in l992 and inflation has been as low as 3.8 per cent in l991 and 6 per cent in l992. In Jamaica, their money supply increased by 73 per cent between September, l991 and September, l992. I want the population to understand that. Whereas the money supply was contracted by 6.6 per cent in l992 and our inflation rate is roughly about 5 percent, in Jamaica, their money supply increased by 73 per cent between September, l991 and September, l992, with an increase in prices of over 70 per cent in the period. Our situation is not even anything like the Jamaican situation.

Furthermore, as we are all painfully aware, this Government of Trinidad and Tobago is implementing a policy of fiscal restraint, fiscal discipline. We are all painfully aware of the consequences. With that fiscal discipline, we have shrunk our budget deficit and are projecting zero surplus, zero deficit this year. We are not, again, similar to Jamaica in this respect.

Finally, as distinct from Jamaica, the Central Bank here receives oil tax receipts in US dollars directly. It comes into the Central Bank, and the Central Bank, unlike the Bank of Jamaica, does not have to go out and hire agents to get into the private sector to try to mop up US dollars to bring into the Central Bank to assist with debt service and so forth. In fact, in certain periods, we contemplate the Central Bank going to the assistance of the commercial banks.

So that our situation on all counts is different and our likely experience is going to be different—not likely to be—it is going to be different. We have mopped up loose TT money. There is no big set of TT money out there to chase

US dollars. We have tight fiscal, tight monetary policies, and the Central Bank just does not have to go out there and mop up foreign exchange to deal with our debt service. We are not in the same situation, and I want the Trinidad and Tobago community to understand that.

Therefore, this initiative was one that was well thought out; it was an initiative that was clearly stated in the manifesto of the party for the last general election. We did it after a lot of consultation, research and advice. It is our initiative. We are committed to making it work in the best interest of the people of Trinidad and Tobago. We solicit the support of this Parliament, the business community, the trade union movement and the national community at large, in what is the most significant departure in our economic arrangements for many years, a departure which will put us in the mainstream of international developments.

The Government is fully confident of the capacity of the people of Trinidad and Tobago to be successful in this new environment.

I beg to move.

Question proposed.

Mr. Trevor Sudama *(Oropouche):* Mr. Deputy Speaker, as you are aware, we are in a very significant period in the annual calendar. After having heard the Minister and the initiatives of the Government, all I can say is that we have to pray, and pray much harder than we ever prayed in the past. I hope that this period also records, historically, a certain act of betrayal; and let us hope that after that act of betrayal, for the sake of this country, we have a resurrection of this economy in the interest of the people of our country.

As I listened to the Minister of Finance, I was a bit hazy whether the purpose of this removal of exchange control and the floating of the TT dollar, was because other countries were doing it, and since they were doing it, we, therefore, jumped on a band wagon, or whether this removal would have specific benefits for the economy in the short, medium or whatever term they would like to talk about and, if so, in what particular regard and how.

11.25 a.m.

The Minister of Finance talked about the creation of good jobs; that once exchange control is removed, there will be an inflow of capital and investments on a scale never contemplated in the past and there would be the creation of good jobs. I say to him, that over 100,000 people in Trinidad and Tobago would want

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any job whatsoever, good or otherwise. We have to get the population to denude the illusion under which the Government is trying to befuddle them with this pie-in-the-sky promise that it has been making for the last year and three or four months.

As I proceed with my contribution, I will question the rationale of this particular initiative that has been taken, and also question whether, in fact, we are not along a path where we are looking for a quick-fix solution, a panacea, as we have had in the past—I think it was a form that was introduced—the ASYCUDA—to liberalize and make everything hunky-dory in the import business. Today, we have the flotation of the dollar and the removal of exchange control, which would bring about all these multifaceted benefits to the economy which will, in fact, lift us out of the rut in which the economy has found itself since 1982, we are told.

I warn this population, and this House, that there are no quick-fixes as the propaganda of the Government would have the population believe. In his contribution, the Minister spoke about the present measure as being the most fundamental decision of an economic nature taken in the post-war period. Therefore, he gives the impression that this most fundamental decision will solve all our economic and other problems.

First of all, I question who had, and who did not have, foreknowledge of this flotation of the dollar and the removal of exchange control. If some people did not have foreknowledge, I want to know why so many people were rushing to purchase US currency to settle their bills before the announcement by the Minister of Finance? Secondly, who knew, and who would have benefited from speculative endeavours, by purchasing US currency in the very distinct possibility that when the market re-opens next week, and the rate is established, there is going to be a depreciation of the TT dollar *vis-a-vis* the US dollar and, therefore, they will have more TT currency in their hands as a result of this? The speculators, those who are near and dear to the PNM Government. So, we start to see, from the very beginning, who are the beneficiaries of this measure and how it will work itself out in the longer term.

I emphasize the point that what is happening today in Trinidad and Tobago is an effective devaluation of the Trinidad and Tobago dollar. I have heard the Minister of Finance go to all lengths to try to get around that saying, "You know, we are floating the dollar and there is the possibility that the currency will depreciate." If the Government had advice that the currency was overvalued—and we are told that they had foreign consultants telling them this is the right time to devalue the currency, to float the dollar so to speak—then, obviously, the expectation is that when the market opens next week, there is going to be a depreciation of the Trinidad and Tobago dollar. I will talk later on about the effects of this devaluation and finding the parity at whatever level it may find itself next week.

First of all, what is this removal of exchange control supposed to do in the long run, the short run or whatever run they want to talk about? In a statement by the Minister of Finance, it was "to arrest the economic decline over the number of years we have been suffering, to lay a solid basis for economic revival," and for this purpose, we need to establish open trading and investment regimes. So that, the long-term objectives are economic growth, economic revival, a sound foundation for the economy and the creation of good jobs, according to him. He has not given us the benefit of his thinking of what good jobs are.

The rationale for this measure, we are told, is to give manufacturers who are exporting a competitive advantage because we are gradually doing away with the tariffs and so on, which they face; therefore, they need an advantage on the export side. That advantage could only come if the currency depreciates and is devalued. Exporters can arrive at no other benefit, except there is a devaluation of the TT dollar. I also ask the question: How much will this economy benefit? All manufacturing now comprises less that 10 per cent of the gross domestic product. How much of that is geared for export? Let us be charitable and assume that 50 per cent of that is geared for export. What money volume of export may stand to benefit as a result of this impending depreciation of the TT dollar?

Then, a lot of these manufacturers have substantial import content, which, of course, will rise when the TT dollar is devalued. My question is: What then is the net advantage that is going to accrue as a result of this measure? It is being mooted on the other side that this is one of the major benefits that would accrue as a result of the floating of the TT dollar.

11.35 a.m.

We are also told that when the currency depreciates there is a curtailment of imports—and this is also as a direct result of a devaluation of the currency. So that what is achieved in the short-run would also have been achieved by a formal devaluation of the Trinidad and Tobago dollar. We are talking about flotation of the currency, but this is in effect what would happen.

We have been told that the floating of the dollar will avoid speculation but people thought there was going to be an impending devaluation—in fact, that was on the cards since January 1992 when the Prime Minister made his statement—therefore, in order to avoid the speculation they floated the dollar, leaving it to achieve whatever parity it may as a result of so-called forces of supply and demand. What in fact has happened—because this rate is going to change from day to day—is that they have built-in speculation in the system as a result of the flotation of the Trinidad and Tobago dollar.

I am told also, and the Minister has confirmed it today, that this move will arrest capital flight from Trinidad and Tobago. He indicated that in the period 1987 to 1991—why he chose that period I do not know—capital fled this country to the tune of US $1 billion. He did not indicate to this House what happened before 1986—whether their research went back to the period when there was a dual rate of exchange.

Mr. Mottley: I was not ascribing any blame. I was merely trying to recite an experience of Trinidad and Tobago, and those were the figures available then. In fact, I am quite prepared to concede that in the period prior to that research, there might have been even greater capital flight.

Mr. T. Sudama: I thought his research may have gone back a little further because at the end of 1985 they took action which, in fact, facilitated capital fight in this country—by instituting a dual rate of exchange at the end of 1985—*[Interruption]* You were a Minister of Cabinet and so was the Member for St. Ann's East, as well as and also the Member for Arouca South. You were all part of this financial irresponsibility.

Mr. Manning: Mr. Deputy Speaker, let me advise the hon. Member for Oropouche that I was a member of the Cabinet that took the decision to establish a dual exchange rate. We did that at the time as a policy which we believed to have been in the best interest of the country. One of the consequences of that policy was that there was an unusual outflow of foreign exchange from the country. The Government that came in subsequent to us rectified that. It was rectified in 1987 by the Government of the hon. Member for Tobago East. In fact, had the PNM won the elections of 1986, I have absolutely no doubt that a PNM Government would have rectified it. It was part of the experience of the country. We paid a price but that is how we have learned.

Mr. T. Sudama: We understand what went on in the past. We cannot understand the present. This is the point I am trying to make. They took measures which facilitated capital flight, and come today to talk about millions of dollars which went out of the country. There was the case of Dennis Davidson, a confidant of Ministers of the PNM, a confidant of persons in the Central Bank and in other places, who whittled away over US $200 million out of this country. Today, Dennis Davidson walks a free man. This is their legacy. This is their encouragement, involvement and facilitation of capital flight out of Trinidad and Tobago. And today they come and talk about capital flight. In every country there is a measure of capital flight. I am arguing that they encouraged that. *[Interruption]*

Let us look at the way that repatriation *[Interruption]* This whole question of removal of the exchange control in luring repatriation of currency is really, in my view, a kind of illusion. Why would people repatriate currency when they took it out of the country? They would want to do that for two basic reasons: Firstly, they will want to speculate by repatriation. The Government gave a long discourse on how they have all kinds of controls and checks with respect to speculation— We will wait and see. This is what is called the movement of hot money and it is temporary.

The other reason people would want to bring back capital into the country, to repatriate currency which they have taken out, is that they see opportunities for investment in the economy and, therefore, they bring back the capital for the purposes of longer term investment. In order to do that they would have to have confidence in the economy of Trinidad and Tobago, in the Government of the country, and in the environment in which they are coming into—the stability of the country. On Tuesday we will understand what can happen with respect to the perception of stability in Trinidad and Tobago. And here the Government is throwing the line that capital is going to be repatriated.

Then, we are told that one of the things that foreign investors object to is the existence of exchange control regulations. If you remove them, that will signal to the foreign investors that we are a free regime with respect to foreign transactions and, therefore, they are more likely to come in and invest their money. I want to point out, that, at least in my experience, when foreigners come to invest they enter into an agreement with the Central Bank or whatever agency and they are allowed by and large—I have not known of any agreement which did not permit foreign investors to repatriate profits and dividends. It is already there in the system.

[MR. SUDAMA]

How will the removal of exchange control add or facilitate anything which is already in the system in order to free repatriation of profits and dividends by foreign investors? I do not understand. Maybe they are trying to latch onto anything to build a case for the removal of exchange control provisions.

11.45 a.m.

Finally, we are told that exporters would have access to the foreign exchange they earn. Under the present system they do have access to and control over the amount of foreign exchange they earn and they can utilize it for their particular purposes. They are able to open foreign currency accounts. What difference will the removal of exchange control make to the current situation where you are giving exporters that kind of facility to have control and to manage the earnings of foreign exchange.

As we look at the reasons and rationale for the introduction of this measure, we do not see any overriding reason or justification for its introduction, at this particular point. There are many problems which we have to confront, both in the short and long-term.

The Minister did make reference to the fact that in the petro-dollar boom years of 1974—1982, there was no restriction on outflows, and of course, there was a dual exchange system implemented at the end of 1985. My question to him is this: When the economy appeared to be in a sounder position and the reserves position was very strong and in a healthier state in the 1974—82 period, why did the Government not consider the flotation of the TT dollar at that particular time? Why not at that particular time when we would have had reserves to withstand the speculation and withdrawal that is going to take place from our foreign exchange reserve, as a result of the impending devaluation of the TT dollar which is going to create havoc with the amount of our net foreign exchange reserves?

Mr. Mottley: Do I understand that the Member agrees with the measure, but it is just that we are wrong with the timing?

Mr. T. Sudama: I am not saying that. Any measure is related to the economy of the country—and I will come to the economy—and the status of the economy of Trinidad and Tobago at this particular time, and what that measure is likely to do.

We are told that capital has no nationality. But people have nationality. When you are liberalizing and freeing up the system, labour is one commodity that does not have free movement. As long as that commodity does not have free movement, you cannot have a free competitive system. You cannot talk about comparative advantage, when you cannot have all the factors of production achieving the same mobility that you are striving to achieve for capital.

That is one of the reasons why there are differentials in the living standards of various countries, such as industrialized countries, poor countries and Third World countries—because of the fact that that commodity is not freely mobile. Therefore, we have to look at the question of liberalization in a new context, given that fact, and how best we protect the interest of our nationals. This is something which the Government fails to understand or does not care about, because the majority of people in Trinidad and Tobago will hurt from the impending devaluation of the TT dollar.

We are told that we must make our country and economy competitive and modern. In order to do that, we have to exploit our comparative advantage in Trinidad and Tobago. This brings me to the nature and structure of our economy. What are our comparative advantages? To talk about comparative advantages, we have to talk about the resources which we have and build from that, in order to maximize our comparative advantage. When you look at that, you will see that this Government, of a party that has been in office for 31-odd years, has done precious little in order to exploit and maximize our comparative advantage, starting with the resources that we have in order to create a better quality of life for the majority of our citizens.

There is a lot of assumption in this whole issue of liberalization. We do not have a country like Japan where there are very little raw materials and physical resources, and almost all their inputs are imported. Japan possesses technical and scientific capability, productivity, the capacity for thrift, which we do not have. When they combine all this, which really is manpower, orientation, skill and technical capability of its human resources, built up to a position where, without physical comparative advantage, they are able to be one of the most dominant economies in the world.

What have we done? Our economy continues to be one which excludes participation of large sectors. That is the eventual thing you want to achieve, that people participate in the economy of the country, in one form or another, as wage-earners, entrepreneurs or investors. What is happening in this country is that fewer and fewer participate in the economy, and it has the tendency to exclude more and more people through the processes of retrenchment and, as they say, the lack of availability of capital. We are doing very little to give greater incentive to the mobilization of local capital to achieve that thrust, let alone in the improvement of the skills and capability of our people, so that they would be able to participate in this economy.

What is happening? I was told that the Minister of Finance said our net foreign exchange reserves position at the end of March was positive to the tune of US $110 million. On the other hand, the Governor of the Central Bank told us that we have been in a negative net foreign exchange reserve position since November 1991, to the present time. I do not know whom to believe.

Mr. Mottley: Gross reserve.

Mr. T. Sudama: Your gross reserve, not your net reserve. Therefore, your net reserve is still in a deficit position. You are saying that is one of the reasons why you have had to open up the system so that you can increase your net foreign exchange reserve. Has the Minister contemplated the possibility that he could accentuate the deficit as a result of the increasing cost of imports and the liberalization which he has undertaken?

11.55 a.m.

The experience of 1991 is here with us. In 1991, particularly in the last couple of quarters, the external payments deficit moved to 6.3 per cent of the gross domestic product. It moved from 3.8 per cent in 1990, to 6.3 per cent, with a corresponding fall in our net foreign exchange reserves as a result of the liberalization measures which the government have undertaken. Now, are they arguing that there will be a compensating inflow to offset the heavy haemorrhage which is likely to occur from the increased cost of imports and the greater tendency to import as a result of the liberalization package?

What has happened to the economy in 1992? In 1992, under the regime of the PNM Government, an overall deficit of $749.4 million was recorded by Government in its fiscal operations which compared to a deficit of $277 million registered in 1991. This is the Government which came to us with talk about fiscal prudence and responsibility, ending up, in 1992, increasing the overall deficit.

Today we are told that gross domestic product fell in 1992 after an increase of 2.7 per cent in 1991. So that this measure is really recording and trying to deal with a failure of the Government in 1992—mismanagement and failure to revive this economy, failure to put this economy on any kind of path for sustainable growth.

We are told to look into the future, into Never-Never Land, and they are giving the population a lot of wild and unjustified hopes that things are going to improve in the future. It does not seem so from what we have witnessed. So that the net foreign exchange reserves position continues to be in deficit; continues to be on a negative growth path. In fact, the Government has failed the people of Trinidad and Tobago on the promise of 1991. When I spoke about an act of betrayal, this is exactly what I was referring to—an act of betrayal on the part of the present Government.

Let us look at the nature of this economy; how it is structured. I have already referred to the very small portion of the gross domestic product which is accounted for my export-oriented manufacturers which is measure is designed to benefit. Our major earnings of foreign exchange are in the form of oil taxes and royalties and some other payments that the government is receiving.

I hate to back to the past, and they do not like to hear it, in terms of irresponsible fiscal and financial management of this economy. But as I have said, if we do not go back and understand why we need these measures and why we are on bended knee looking for foreign exchange and capital to come in—if this economy was properly managed in the 1980s, today we would not have been in the position that we have found ourselves.

Do you know what they did in 1983 to 1986? The member for San Fernando East—collective responsibility—the Member for St. Ann's East, the Member for Arouca South, they increased the borrowing internally by $792 million. When the foreign exchange reserves of this country, at the end of 1982, were $7,162 million, we had enough reserves and if the PNM Government had husbanded that properly this country would not have been in any problem with respect to our external relationships.

Not only did they do that; they also drew down accumulated balances and borrowed from the Central Bank to the tune of $4,051 million; and not having satisfied themselves with that, they went and borrowed in the 1983/1986 period $4,640 million, and this is the Government that comes here to talk about prudence and financial responsibility. So over a three or four-year period, the PNM, the Member for San Fernando East, a Member of the Cabinet—collective responsibility—oversaw the splurge of $9 billion of our money, much of which was in the form of the depletion of the foreign exchange reserves of this country. This is one of the reasons we are in this position that we are today in 1993.

Let us come back to the nature of this economy and what we are trying to do. The nature of this economy continues to be that we are heavily dependent on one industry and the export earnings of that industry. We are not in a position where this economy is resilient enough, where it is diversified enough, where its potential is being exploited sufficiently so that we can have a relationship with the outside world which does not buffet this economy and bring undue hardship to the vast majority of our citizenry simply because we continue to be so heavily import dependent, and rely on one commodity, basically, for our foreign exchange earnings. That is the economy as it was in the past; this is the economy as it is today.

How will the removal of foreign exchange control improve the basic nature of this economy? When we had the wherewithal to put this economy in a situation where it could have held its own externally, where we could have dealt with the question of floating of the TT dollar because the economy was soundly based, resilient enough and could have responded quickly enough, we did not do so. Today, when this economy is on its knees, virtually, they want to institute the removal of exchange controls.

Secondly, we move to the question of the markets. The market is going to solve all our problems for us; just leave it to market forces. Market forces and the private investors will solve our unemployment problem; market forces are going to solve the inflow of currency; market forces are going to bring larger and larger pools of investment capital to Trinidad and Tobago. It is "leave it all to the market."

At least, when we had a regime of exchange controls, we could have had a vision of what we wanted our economy to look like, what we wanted it to be in the future, and provide incentives and access to foreign exchange through a process of allocation. We could have done that in the past. Therefore, if we had a rigorous implementation of policy where we could have identified the nature or what we intended the economy to be and then implement a policy to achieve that, we could have done so.

Today, that mechanism has gone out. Today, it is the market which is going to decide where we are going to invest and so on. Now, if the market decides that we are going to invest in an area which is a non-priority in Trinidad and Tobago, and then they are going to monopolize foreign exchange for that purpose, where does that put the Government of Trinidad and Tobago? Merely as a passive observer of how this economy moves along or progresses otherwise. How else? Because they have abdicated any kind of responsibility for the improvement, growth and development of our economy let alone, of course, for the creation of jobs.

The kind of investment which they want to bring into Trinidad and Tobago which will have a dual purpose—inducting growth and solving the unemployment problem can be unrelated. You can have massive investment coming in well, not massive, but you can induce investment at all costs, like Nucor, and create 36 jobs.

Therefore, if you do not have a vision of the kind of economy, what is the economy supposed to do? In the ultimate analysis, the economy is supposed to provide a quality of life for all its citizens at a decent level. If we exclude many of them by economic policies, how are they going to achieve that purpose? The removal of exchange control is not going to achieve this purpose.

Now, let us look at the market which is being promoted here through the removal of exchange controls. The Minister has acknowledged to this House and the country that the bulk of the foreign exchange earnings of this country comes directly to the Government. He also said that the Central Bank will not intervene frequently to determine rates and so on. I ask him: What portion of the foreign exchange earnings will enter this market that we want to create?

In addition, the exporters who earn foreign exchange do not have to bring it into the market system. They have it under their own control and they manage it themselves. *[Interruption]* It is when they take it out of their account to sell it, then it comes into the market. Does the Member not understand a simple economic principle.

Mr. Valley: I just want the Member to tell me: What will they do with it? Will they hold it under a mattress, or will they put it in a bank?

Mr. T. Sudama: They will put it in a bank. But when they put it in a bank, it is not necessarily available for sale.

Mr. Valley: But when they put it in a bank, do you not think the bank will make a market out of that foreign holding?

Mr. T. Sudama: The bank will have to set restrictions on the use of it. Because they will say, “Look here, I will need this currency at any time.” There is a restriction. It is not a free market.

Mr. Valley: When you put your TT dollars in the bank, what does the bank do with it?

Mr. T. Sudama: Apparently the Member for Diego Martin Central.

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

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

Question put and agreed to.

Mr. T. Sudama: Mr. Deputy speaker, let us look at this market which is going to be established. First of all, we want to ask ourselves—this is a very technical area of expertise—whether the commercial banks do have within their personnel the kind of expertise not to set arbitrary rates and so on, but to effectively manage supply and demand for foreign currency. I am not sure; I do not know whether they do have such personnel in their ranks who can look at the whole question, who can look at forward transactions and create markets for current transactions, forward transactions and so on, whether they have the planning to institute that, or whether we are going to have a system of arbitrary rate setting by the commercial banks.

A proper market requires a large number of buyers and a large number of sellers, so that there is not the possibility of manipulating the market by a few large buyers or sellers, as the case may be. Therefore, if they want to have a proper market, an equilibrium price or rate should be established which would reflect what is going on with respect to the fundamentals of the market.

Now, with this limited amount of foreign exchange available to the market locally—most of it will be kept in the Central Bank to pay off debts. I mean, if you are taking in most of your foreign exchange to pay debts, what will be left to intervene in the market? I would like to get some elucidation on that.

Secondly, I was told that they get foreign exchange from the state enterprises as a result of their shareholding in those state enterprises. Now, when they divest the state enterprises, would that not remove from their control some access to foreign exchange?

Furthermore, I want to make this point: They talk about bringing foreign investors here. We have no objection to that. We welcome it, but what is that net advantage to the economy? Where does that foreign exchange which may be earned as a result to exports reside? In my experience, from what I have read and so on, the foreign investor will inject into the local economy only so much of foreign exchange that is required for his operations here. When he gets the proceeds of his exports, he does not bring all that back to Trinidad and Tobago; he returns to Trinidad and Tobago only a small portion which is required to maintain ongoing operations in this country. So that the whole amount is not available to come into the system and be part of the market.

Therefore, what we are talking about is a relatively small percentage of the foreign exchange that is available in Trinidad and Tobago which will comprise the market. In that small percentage, if you exclude what is earned as taxes and royalties on oil, if you exclude the inflows coming in from your borrowings, which are under their control, if you exclude what is earned by exporters who want to have control over their foreign exchange earnings, I am wondering, what is this massive volume which will support the foreign exchange market in Trinidad and Tobago.

Mr. Mottley: That small quantity of money being referred to by the hon. Member for Oropouche is in excess of US $1 billion.

Mr. T. Sudama: The sum of US $1 billion, in terms of the private market, which is going to pass through the system and not public sector foreign exchange earnings. Well, we will wait and see exactly what it is. I hope that later on, they will publish figures as to the volumes traded in this market and how these volumes are effected by various transactions and what rates are arrived at.

My own conviction is that this rate is going to depreciate. The TT dollar is going to depreciate when this market comes into operation next week, and it will continue on a mode of depreciation, on a tendency and a trend towards depreciation. It is going to continue. Where it will finally end, we do not know. As I said, this is not going to be a free market, there are going to be a few large players in this market who will determine the prices and the rates at which the currency will be trading.

That will give rise to substantial speculation and create certain uncertainties and, in the end, will increase the price of foreign currency, not only through the effective devaluation of the currency; purchasers of foreign currency will now have to hedge against movements in the price of the foreign currency; and that is a cost which has to be added on and recouped by those who want foreign currency.

So, however we look at it, foreign currency, the US dollar will become more expensive and will continue to be more expensive until such time—as happened in the Jamaican experience, when they started off at Jamaica $5 to US $1, they

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ended up with Jamaica $23 to US $1. We do not know in Trinidad and Tobago where the situation will end.

However, when the Minister of Finance says that his Ministry and the Central Bank are going to intervene in the market, I ask him, when his Ministry or the bank intervenes in the market, will the bank be a price giver or a price taker? Because a price has already been established there. When he intervenes, how much and to what extent is he going to intervene in regulating this market, and if he does it rigorously, will that intervention not, in the end, result in a form of control? What are they trying to do? They are removing control on the one hand; but what is going to be the nature of the intervention in order to re-introduce control? It is something which we are not clear about.

What are going to be some of the effects of this impending increase in the price of the US dollar? One certainty is that the cost of imported goods is going to go up. There will be a spectacular increase in the cost of living in a situation of falling income of the average man in Trinidad and Tobago. If that is going to be the case, what can we expect with regard to social stability? Falling income, rising prices, because we are so heavily import dependent, and many people who today are finding difficulty in buying food will not be able to afford that when this regime finally comes into place and the devaluation occurs on a substantial scale. There is no escaping that.

I am told that the cost of not only goods, much needed items of food, but also the costs of utilities are going to go up. I have a T&TEC note here which came with the bill and this note has a devaluation clause. It says here:

> "For every 1 per cent devaluation of the Trinidad and Tobago dollar about the exchange rate of US $1 to TT $4.25, the charge per kilowatt hour shall be increased. The surcharge per kilowatt hour to be applied shall be calculated in accordance with the formula…"

What would happen is that this rate would move every day, almost on a daily basis. It may be TT $5 to US $1; it may be TT $6 to US $1 tomorrow; it may be TT $7 to US $1 the following day. I should really like to know how T&TEC will calculate that and whether every bill we get will incorporate an increased charge as a result of the devaluation of the Trinidad and Tobago dollar?

You can understand, the amount of uncertainty which would be incorporated in the system and difficulties we would have in handling those uncertainties and the speculation which will arise out of those uncertainties. The end result of all this is that the average man in Trinidad and Tobago is going to pay through his nose. The average man's condition of life will become intolerably more difficult with every downward adjustment in the market rate of the Trinidad and Tobago dollar. That is a consequence for which we have to brace ourselves.

When they thought they had a formula for social stability, they increased the URP programme. They had a formula for social stability but you see what happened on Thursday. The Member for Diego Martin East and his staff had to flee.

Another consequence which is going to arise is that in order to stem the outflows of foreign currency, in order to control the depletion of the foreign exchange reserves, the Minister has promised us tight liquidity and a very controlled monetary policy, effective control of the money supply and so on. Tight liquidity and effective control over the money supply could only have one effect, and that is an increase in interest rates.

Today, people are paying 18 and 20 per cent interest to the banks. When it rises to 25 and 30 per cent, who will invest? Which local investor is going to invest and borrow money at those rates of interest, when even today, at lower rates of interest, hundreds of small-business people and others are going out of business? Their businesses are being liquidated and more and more unemployment is created as a result. With the costs, interest charges, utility charges and the imported inputs as they exist today, quite apart from when this devaluation takes effect—and in order to deal with and manage the problem, they increase interest rates.

On the one hand, they are saying that this measure will bring in capital from the outside—they are hoping and praying for that—bring in investors, capital will be repatriated by those who have taken it out of the country. On the one hand, this will boost the economy and so on and so forth, but on the other hand, by their monetary policy which will stem from this measure, they are going to liquidate a substantial amount of economic activity in Trinidad and Tobago. Maybe that is the process of adjustment that they are talking about, that we liquidate a substantial portion of the existing economy; and I do not know what will be put in its place.

Mr. Deputy Speaker, we have many concerns and you can understand the concerns that we have with respect to the implementation of this measure. As I indicated, it brings us back now to reviewing the role of the Government and its relationship to the economy. When we raised the issue that they have abdicated their responsibility to secure progress and improvement in the economy, we had firm denials that that was going to be the case.

Here we have another measure which is putting everything into the hands of market forces, the outcome of which is not clear. The prices that will be determined, the prices at which either money or other goods and services will trade, are not clear, and in that situation of lack of clarity and certainty, we are in for a lot of difficulty.

12.25 p.m.

Mr. Deputy Speaker, you cannot hold out a promise to occur in five, 10 or 15 years' time in the medium and long-term, without people seeing some light now, because as one economist says, "in the long-term all of us dead." People would want to know, whether this economy which is in a very precarious condition, can sustain this measure that is being imposed upon it.

I have my suspicion that this measure is really an imposition. Now, the Member for St. Augustine is very adamant at this point that this measure that we have taken to float the dollar is, in fact, a prescription and an imposition by the IMF and the World Bank. I suspect that this is merely one of the things we have to put in place in order to go back and to have access to standby credit from the IMF, because what in effect would happen here, is an effective devaluation of the Trinidad and Tobago dollar.

Given the state of our reserves; the state of the problems that we are facing in the economy; given the likelihood of what would happen to our foreign exchange reserve situation in the context of liberalized trading, are we not preparing the way for returning to the IMF to get standby or any other kind of credit that they may be willing to give us in order to tide us over—despite the brave faces we have had the Government put to us—whether, in fact, this is not a stage towards going back to them and having imposed on this country, more rigorous conditionalities.

Mr. Mottley: I know the hon Member is asking rhetorical questions, but just in case—so that it goes no further, let me deny that categorically. We are not approaching or intending to approach the IMF for any standby credit.

Mr. T. Sudama: I thank the hon. Minister of Finance, for giving that commitment to this House and to the country, that under no condition will they be going to the IMF. You see, it was the Member for Diego Martin Central, who only a few weeks ago, got up in this House and gave the undertaking that the Government had no intention to adjust the parity of the Trinidad and Tobago dollar. I am now wondering whether the undertaking that the Member for St. Ann's East is giving to us is not one of the same order that the Member for Diego Martin Central gave to this House.

Today, an approach to reviving the economy of Trinidad and Tobago which incorporates the participation of all sectors in that process of revival, laying the foundation for revival and having investment, industrial, agricultural and export strategies, in which people understand what is being proposed and are brought into the picture with respect to their functioning in the economy of Trinidad and Tobago is needed, is needed in order to lift us out of the doldrums.

It will not happen. It needs a more proactive and a more positive approach to resource mobilization, whether it is human, financial, physical or any other resource. It cannot be left—and this is where we differ with the other side—to quick fixes; you push a knob and you remove exchange control, and as a result of pushing this knob, the effects on the economy will be growth, revival and development. It will not happen that way. We have had the experience over the years and, therefore, this measure, in my opinion, is not likely to achieve the benefits which have been propagandized for it by the Minister of Finance and the PNM Government.

Therefore, we have to look afresh at the alternatives that are required to pull this country out of the rut; pull it together and see how we can get our enormous potential in Trinidad and Tobago mobilized for economic development and, indeed, for the benefit of the average citizen of the country, so that one could look forward and say, yes, this is my country in which I have a stake. The policies that have been pursued, should give me—the average man in this country—a place in the economy of Trinidad and Tobago from which I can look forward with confidence to the future. Unfortunately, Mr. Deputy Speaker, that cannot happen under the present regime. Thank you.

12.32 p.m.: *Sitting suspended.*

1.35 p.m.: *Sitting resumed.*

The Prime Minister (Hon. Patrick Manning): Mr. Deputy Speaker, permit me to begin by congratulating hon. Members for taking time out from other pursuits at the Easter weekend when normally most people would utilize the time to spend with their families and in other pursuits, religious and otherwise. It really is very heartening that hon. Members have come out today, Gloria Saturday, to discuss a matter that is of significant national importance. I wish to thank hon. Members very sincerely for that consideration.

Sir, let me assure you that I am not following in the footsteps of the Member for Oropouche—

Mr. Mohammed: What is the difference?

Hon. P. Manning: Mr. Deputy Speaker, you would forgive me if, in making a small contribution on this matter, which I consider to be the most significant decision that this Government has taken so far and a decision that is likely to have significant implications for economic and social life in Trinidad and Tobago, there is a hint of nostalgia and, perhaps, a little emotion.

I ask you, Sir, to cast your mind back to December 16, 1986. That was the day after the general election of December 15, when I woke up and found a situation in which the team of which I was a part, had been completely emasculated, and that only three of us had survived: the hon. Member for Port of Spain East at the time, now the distinguished Member for Laventille West; and the Member for Barataria/San Juan—

Mr. Sudama: Where is she?

Hon. P. Manning: Unfortunately, she is not with us.

Mr. Palackdharrysingh: Is that a eulogy?

Hon. P. Manning: And, Sir, I was faced with the situation where I was likely to be appointed Leader of the Opposition and, perhaps, Leader of the PNM—an eventuality which I never anticipated and for which I did not prepare. That was the situation that faced me on December 16, 1986. I do not know how it affected others but for me I saw a Herculean task ahead, without any preparation whatsoever. Therefore, in the days that followed, sitting alone in the porch of my home at Marabella and pondering what lay before us, and seeking to grapple with the problems of an economy that was in urgent need of attention, slowly but surely it began to dawn on me that what, in fact, lay before me was, perhaps, the greatest opportunity of my career; and with the effluxion of time I began to seek more and more in these terms starting from a situation that was very difficult.

We did not have in late 1986/early 1987 a proper list of the Members of the PNM—I am not blaming anybody for that. I am saying that was the situation that faced us. So that even when we had to appoint Senators in 1986, there was no list that one could have gone through and assessed. One had to start, virtually, from scratch. But more than that, realizing what was before me, and beginning to see some of the implications of the challenge and some of the opportunities that lay ahead, the selection of senatorial appointments, in the first instance, would have had to reflect what one perceived to be a tremendous opportunity, but with tremendous obstacles.

So it was that a senatorial team was appointed, Mr. Deputy Speaker. If I had not done it before, I want today to place on record my own congratulations to the team, but particularly to the now Member for Diego Martin Central who, Mr. Deputy Speaker, has the distinction of sitting in both Houses of Parliament in the same Session; but more than that, who by and large, was responsible for the articulation of PNM's economic policy in the years in Opposition and the policy that we are pursuing today.

Mr. Maharaj: So you are putting the blame on Valley?

Hon. P. Manning: No. For the benefit of my colleagues, it is an economic policy of which I am particularly proud.

Towards the end of his contribution, the hon. Member for Oropouche, made reference to a position that now has been adopted as the position of the hon. Member for St. Augustine, where I think the basic argument is that the policies being pursued by the PNM are policies that are dictated by international agencies. In support of that contention, the hon. Member for St. Augustine argues, that that is quite clearly outlined in a document that was made public—I think it was a World Bank document of 1988.

Mr. Humphrey: PNM manifesto—*de facto.*

Hon. P. Manning: No, it was before that. [*Interruption*] Of 1989? The point has been made, again, by the hon. Member for St. Augustine, that the measure that is before us today has its direct genesis in the document of 1989 published by the World Bank which, he says, really is the genesis of this whole question of flexible exchange rates.

Mr. Humphrey: The genesis is the whole liberal trend.

Hon. P. Manning: First of all, Mr. Deputy Speaker, I want to point out to you that the PNM began its work from base zero. In Opposition, we did not have available to us the information that would have been available to us in

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Government. That is the first point. Therefore, our approach had, of necessity, to be somewhat different from the approach of a government to which a lot of resources would have been available.

1.45 p.m.

It was not so in Opposition. We started virtually from base zero. I have said it before and I wish to say it again. We started with a review of the principles on which the PNM came together, a review of everything for which the party ever stood. We recognized those principles to be relevant in l987 and will continue to be relevant for a long time in the future. We reaffirmed our commitment to those principles and we articulated a new vision in December, l987 which was adopted by the PNM meeting in annual convention in Chaguaramas on December 12 of that year. In fact, it is outlined in a document called "PNM's Perspectives in the World of the 80s and Beyond." That is how we started. We had no government department to go to. We were not in possession of any IADB or World Bank documents.

We needed to have some kind of vision of the society we would like to create, to use that as a backdrop for the articulation of policies over the entire range of governmental activity, starting, as we did with economic policy which itself became public in an address to a convention of the party, 28th annual convention, in a speech entitled, "With the PNM there is Hope."

This is the document. It is in this document, together with the response to the budget for l989, together with the address to the annual convention in l989, which is the 29th annual convention of the party, in which the complete range of economic policy of the PNM is to be found, including our position on the state sector. It is clearly outlined. I am in no position to say how other political parties conduct their business. In the PNM we put these positions to the party for the scrutiny of the party and amendment, if the party so wishes. Having had these policies subjected to party scrutiny, they were adopted as the policies that the Government of the PNM will pursue as and when the population of the country so decides. With the will of God, that decision was taken by the population in December, l991.

Prior to the l988 convention, a team of technocrats was set up, headed by the then senator who was the spokesman for the PNM on economic policy, and now the Member for Diego Martin Central. They began to put a number of things in place, beginning as they did with an economic vision. What would we like to see economically for Trinidad and Tobago in the years ahead? That economic vision forms a part of the economic policy in the copy of the document that I have. It is to be found on page 39: "PNM Economic Vision, The Way Forward." It goes into a clearly articulated position, written in such a manner that persons who do not have an economic background are able to read it and to comprehend the direction that was contemplated by the PNM if and when we came to office. All of this predated the document to which reference has been made by the hon. Member for St. Augustine.

So that contrary to what has been said inside and outside this Parliament, when the PNM pursues a policy today, it is not that it is the product of any *ad hoc* approach to government. Rather, the policies that are being pursued today are deeply rooted in a philosophical underpinning that has been approved by the party, and in the context of a vision, what we would like to see the country achieve in due course in various spheres of economic and social endeavour. The policies are rooted in those visions that are to be found in a series of addresses that have been given between l987 and l991 in two major fora—one, addresses to the annual conventions of the PNM, and responses to budget presentations in this honourable House.

I should like to advise my friend and colleague the Member for St. Augustine that the question of a flexible exchange rate was not raised for the first time at all in any World Bank document. Certain documents have come into my possession. In fact, I am a little surprised that the hon. Member for St. Augustine would not have been aware, because you see, the matter was first raised in correspondence between the then Governor of the Central Bank, to the then Prime Minister of Trinidad and Tobago. The year in question was l987, two clear years before the publication of the document from the World Bank that the hon. Member for St. Augustine views as the genesis of PNM policy. It is no such thing. In fact, whatever ideas the World Bank may have had—I notice I did not hear him say that the World Bank copied the ideas, and notice I did not say either that the ideas were PNM ideas. I did not say that. I am saying that the genesis of the ideas is by no means the document to which the hon. Member holds so tenaciously. It is not it at all.

With your permission, Sir, permit me to read a letter dated December 14, l987, signed by the then Governor of the Central Bank, Dr. Euric Bobb. It is written to the hon. A.N.R. Robinson, Prime Minister of Trinidad and Tobago. It is a short letter:

[HON. P. MANNING]

> "Dear Mr. Prime Minister,
>
> Further to discussions earlier today the Permanent Secretary, Ministry of Finance and The Economy and the Governor discussed the implications of para 7 of the attachment to the letter of December 12, l987."

A letter had been written two days before:

> "...A note summarising those discussions is attached."

There was a note summarizing those discussions attached to the letter.

> "Although the issues raised in the note are important and require urgent decisions, they need not necessarily be taken prior to tackling the immediate problem of financing of the cash shortfall. The main focus in that regard is the statutory reserves of the banking system, although there may also be limited scope for the Central Bank to re-discount eligible commercial and other private sector paper held by the banks. The latter point may be elaborated in your discussions with the commercial banks at the meeting to be held tomorrow, December 15."

This is l987. In the attachment to which reference was made in that letter, I want, with your permission, Sir, to make one or two quotations:

> "This is the conceptual link which underlies the statement in paragraph 7 of the attachment to the letter dated December 12, to the effect that it would be necessary at a minimum to modify the market arrangements for foreign exchange in an attempt to bring demand in line with supply as quickly as possible."

Flagging early the need for new arrangements as they relate to the exchange rate regime. It goes on in the same attachment:

> "The Bank in previous correspondence..."
>
> which means prior to December 12—
>
> "...proposed the adoption of a flexible mechanism for the setting of the exchange rate."

That was the proposal of the Governor of the Central Bank in l987 prior to December 12, when a letter was written to the hon. Minister of Finance.

1.55 p.m.

I am a little surprised that the hon. Member for St. Augustine and, indeed, from his contribution, the hon. Member for Oropouche who was then a Minister in the Ministry of Finance, demonstrated no knowledge of these events.

Mr. Humphrey: Mr. Deputy Speaker, I had been fired prior to that.

Hon. P. Manning: Would you like to speak for your colleague the Member for Oropouche, or is he already spoken for?

Mr. Humphrey: I speak for me.

Hon. P. Manning: It is unfortunate, that the then Prime Minister did not take into his confidence, the Member for Oropouche.

Mr. Sudama: Mr. Deputy Speaker, I merely wish to say, as far as I was aware, correspondence between the Governor of the Central Bank and the Minister of Finance concerned confidential matters. I do not know how come the Prime Minister is now reading these confidential matters which were issued.

Hon. P. Manning: Perhaps, I can explain for the benefit of my colleague. Now that we are in Government, we have access to all the files, and we are now sharing information that is of great significance with the population in a way that had not been done before. More than the population, we are also sharing, information with the then Minister in the Ministry of Finance, who worked with the then Prime Minister, and with whom, we can only assume, an excellent relationship subsisted.

Mr. Deputy Speaker, I press on with the same document, the attachment.

> "There are basically two types of flexible mechanisms for setting the exchange rate;..."

this is the Governor of the Central Bank talking—

> "...these being
>
> (a) an auction market operated by the Central Bank; and
>
> (b) an inter-bank market operated by authorized dealers (commercial banks and merchant banks) under the overall management of the Central Bank."

This is what is being said in an attachment to the Prime Minister, written by the then Governor of the Central Bank. It goes on to say:

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"On balance, it seems desirable to develop a system which is as close as possible to existing administrative practices. In this regard, an inter-bank market seems more appropriate."

If I should refresh your memory, the inter-bank market is the one that speaks about a system operated by authorized dealers as has been referred to above.

"The detailed operational features of such a system could be worked out within one (1) month of agreement in principle to adopt a flexible system."

this is the Governor of the Central Bank talking—

"The operational features of such a system could be worked out within one (1) month of agreement in principle to adopt a flexible system. This may be done in consultation with countries which have implemented similar systems and/or international agencies which have the comparative advantage from observation of experience in several countries."

You see how easy it would have been to do it in terms of time, but there are other reasons why time was not the only consideration.

I go next to a letter written again by the Governor of the Central Bank to the then Prime Minister and Minister of Finance and the Economy, dated September 18, 1987. I need not go through the entire letter, but permit me to quote a section of a paragraph:

"The fundamental solution ..."

talking about currency situation again—

"requires a restructuring of demand and supply conditions in the economy so as to put the balance of payments on a sustainable basis. This will require a medium term programme of structural adjustment ..."

I repeat:

"This will require a medium term programme of structural adjustment…"

I continue:

"…during which time, in the Bank's view, it may be necessary to enter into a stand-by arrangement with the IMF in order to have access to foreign exchange to meet the country's minimum import requirements."

What the Governor of the Central Bank was saying is this. That, yes, in terms of putting the mechanisms in place to effect a flexible exchange rate regime, only one month was required, but to do that in isolation is to cause trouble. What, in fact, he was saying is that a pre-requisite to any successful implementation of a flexible exchange rate mechanism is an economic policy framework that can guarantee certain things. Now, hon. Members would better understand the importance that the Government of Trinidad and Tobago placed on a document that was laid in this Parliament, not too long ago, *Medium Term Policy Framework, From Stabilization to Growth, 1993—1995*. Not madness, a clear method; that it is a series of measures that must be put in place if the country is to achieve the economic turnaround and the sustainable growth to which we all aspire, having regard to the implications, among other things, that it will have for job-creation and employment generation.

For students of economics, and certainly for hon. Members of Parliament, the minute such a document was laid before this honourable House, it was not difficult to conclude that the Government was moving ahead, indeed, with its economic policy programme that had been outlined in its manifesto and which, before it found its way in the manifesto, was the subject of a policy document in early 1988, put together by a team headed by the now hon. Member for the constituency of Diego Martin Central. That is the way we operated.

Perhaps, it is that the approach taken by the PNM in Opposition could serve as a blueprint today for those who aspire and who wish to achieve. It was a clearly articulated economic policy. In addition to that, tight fiscal and monetary policies are necessary pre-requisites to any flexible exchange rate regime in Trinidad and Tobago. We have looked at it, last year and this year. We made the position quite clear last year that we were committed to defending the exchange rate. To have done otherwise would have been to make a premature move. Premature, because at the time, as much as the policies were clear to us, there was no agreed economic position in the minds of the national community on which Trinidad and Tobago could have depended for its sustainable growth. That was the clear position. So that, today, debating in this Parliament, a flexible exchange rate regime, I wish to advise my friend and colleague the Member for St. Augustine and, indeed, his sidekick from Oropouche—*[Interruption]*.

2.05 p.m.

Mr. Deputy Speaker, it was a total approach. It was not a piecemeal approach. It was the articulation of a total policy framework with the pieces being put in place over time I will return to that question in a short while.

The hon. Member for Tobago East, interrupted the hon. Minister of Finance when he was making his contribution and asked him a question. The question he asked was: When was the decision taken to introduce a flexible exchange rate regime? Last night I went through my records and I should like to advise my good friend the Member for Tobago East, hon. Members and, indeed, the national community, that the decision to implement a flexible exchange rate system in Trinidad and Tobago was taken at a meeting held at the office of the Leader of the Opposition on August 13, 1990. You will recall, Mr. Deputy Speaker, that there was an attempted breach of our democracy on July 27, 1990, and around that time when the hon. Member for Couva North, in the context of new arrangements in the Parliament, was planning to take over the Opposition, the PNM was planning to take over the Government.

That is why hon. Members will now easier understand the ease with which we ceded the leadership of the Opposition to the hon. Member for Couva North who is destined to stay there for as long as he wishes, notwithstanding the aspirations of some of those who might be very close to him.

Mr. Robinson. Will the hon. Prime Minister give way? Is he saying that the decision to introduce the flexible exchange rate on Tuesday next week was taken on August 13, 1990? The information I sought was: When was the decision to introduce the rate next week Tuesday taken?

Hon. P. Manning: In the context—and I am coming to the answer shortly because I am very well aware of what the hon. Member is trying to get at *[Interruption]* Yes, I take my time. There is something we call foreplay. I know that is a concept that will be alien to the Member for St. Augustine and even more alien to the hon. Member for Oropouche.

The manifesto of the PNM is quite clear. On page 8, under "Foreign Exchange" it is stated quite clearly:

"The PNM's ultimate aim is to liberalise exchange control."

We went to the population on that basis and there can be no question of betrayal as has been averted to, by the hon. Member for Oropouche in his contribution before the honourable House this morning. The manifesto is clear.

Mr. Sudama: Could the Prime Minister give way? When he indicated that it was the eventual aim of the PNM, did he conceive that certain things had to be put in place to strengthen the foundation of this economy to make it more resilient? Is that in fact so now?

Hon. P. Manning: The answer is yes. There were two reasons: Firstly, the PNM understood that there were certain prerequisites. But it also understood that no government is going to say to a population that it will liberalize the exchange rate six months from today. Ask the hon. Member for Tobago East. The way he dealt with it when it fell to him to deal with such matters, was to make a statement in Washington, I think it was, or was it New York, that they will not devalue the dollar.

Mr. Robinson: May I state, Mr. Deputy Speaker, categorically that is totally untrue. It has been one of the pranks of the propaganda of the PNM. I never said that. I said we had no plans to devalue the dollar. That was the twisting that the PNM put to the statement. But it will all come back to you.

Hon. P. Manning: Mr. Deputy Speaker, I stand corrected by my friend the Member for Tobago East. There is no need for him to raise his blood pressure. If he did not say that, he did not say that.

The hon. Member said they had no plans. The next thing you know the currency was devalued. That is how they dealt with it. The PNM proposed to deal with it up front, to put it in its manifesto and present it to the population on that basis.

Mr. Maharaj Is the hon. Member for San Fernando East saying that having regard to what is stated in the manifesto, he seriously considered that the population would have understood this to mean that the Government was going to revalue or devalue the Trinidad and Tobago dollar?

Hon. P. Manning: All I would say is that this issue, as so many others in our manifesto, was articulated in greater detail on the public platforms as we sought, and successfully received, the franchise of the electorate. It is a fact. As we said, the ultimate aim is to liberalize exchange control. I want to also explain to hon. Members how this policy found its way into the PNM's manifesto. There was great debate among us as to whether it should have gone into the manifesto or not. What we did not want was to bring about a situation that would cause a run on the Trinidad and Tobago currency. That is what we were afraid of.

We attended a cottage meeting around September 1991 at a home in Fairways. Mr. Deputy Speaker, you know what a cottage meeting is. But for the benefit of hon. Members opposite who may not know, a cottage meeting is a meeting in which somebody invites his or her neighbours to his or her home, where those persons will be exposed, in the context of the PNM, to politicians from the PNM who will come and articulate PNM's policy.

I remember distinctly that I put the first question to the audience after they had questioned me. I asked: what is your reaction to the PNM allowing domestic foreign currency accounts? The reaction was immediate and positive, and I was taken aback. Then I put the second question to them. The PNM proposes to liberalize exchange control, how do you respond to that? The response was even more immediate and even more enthusiastic. That was an experience that was reflected elsewhere in the country as other Members of the PNM team sought to convince the electorate that ours was a cause of rectitude and a cause that they could support. We put that question throughout the country. It was on the basis of a favourable response in those circumstances that we took the position that into the manifesto it goes so that as and when it is done, we would be in a position to say that we are merely keeping faith with the electorate, elected as we have been, on the basis of the statements in this manifesto, including a statement that "The PNM's ultimate aim is to liberalise exchange control."

2.15 p.m.

Last year, in the budget for 1992—[*Interruption*] I am coming to it—the hon. Minister of Finance implemented in Phase I: Foreigners, net earners of foreign exchange can hold foreign currency accounts in Trinidad and Tobago—100 per cent—as well as non-nationals.

On January 4, in this honourable House, in making a presentation, I indicated on behalf of the Government that it was our intention to go to Phase II, that is to say, that we will allow all nationals to hold domestic foreign currency accounts in Trinidad and Tobago. The fact of the matter is that as a result of the decision that has been taken, which is now the subject of debate, that second aspect is about to go into place. Once again, the PNM is keeping faith with those who elected them.

One always has to be concerned about irresponsibility. The decision to implement a flexible exchange rate from April 13, 1993 was taken just about two months ago. Shortly after that decision was taken, look at what transpired in this honourable House. I am just quoting from *Hansard*. The debate is dated March 12, 1993, on the Finance Bill. The person speaking was the hon. Member for Couva North and Leader of the Opposition. He said:

> "I raise these matters for a specific reason and that is, if the Government continues the way it is continuing, it is going to find itself in a position where

> it will devalue the currency of this country. That is the point I wanted to make."

One can imagine a statement like that coming from the Leader of the Opposition in a sitting of Parliament on the Finance Bill. I am pretty sure he did not know what was contemplated at that time. He continued:

> "I want to say again—I do not know, anybody on the other side could speak—that this debate ought not to finish unless they make a statement on whether they propose, within the near future, to devalue the currency of Trinidad and Tobago. Because I am saying, the way they are going—"

He was interrupted and he went on. In fact, the interruption came from the hon. Member for Diego Martin West, Dr. Rowley The interruption was "Irresponsible speculation."

He put his finger on it and I will explain why. In fact, Mr. Panday continued:

> "Why is it irresponsible to ask if you are going to devalue the currency?
>
> All this is because of the kind of programmes they are following. These are the programmes that are contained in the Bill before the House. Not only must they make a categorical statement, if indeed that is the case that they are not going to devalue, but they must not hide behind the definition of the word, 'devalue', and tell us that they will not devalue, but then two days later, they go and float the currency which will, in effect, be devaluation. They must tell us that they are not going to float the currency as well, not only devalue. Because the way they are going, they are carrying the country to the brink of devaluation or floating the currency and having the currency effectively devalued."

Mr. Deputy Speaker, when the Leader of the Opposition makes that kind of statement in the Parliament, it gives rise to speculation outside the Parliament. That is the point.

Mr. Maharaj: On a point of order. I think that if the hon. Member for San Fernando East is going to refer to the contribution of the Member for Couva North, he should say the context in which that statement was made.

The context in which it was made was that if corruption and mismanagement were eliminated, there would be no need to devalue the currency. He was asking the Government to redress the measures; save the corruption and mismanagement, and he challenged the Government to say that it was not going to devalue.

Mr. Deputy Speaker: The speaking time of the Prime Minister has expired.

Motion made, That the Prime Minister's speaking time be extended by 30 minutes. [*Hon. K. Valley*]

Question put and agreed to.

Hon. P. Manning: I thank you very much, Mr. Deputy Speaker and hon. Members.

Mr. Deputy Speaker, you can imagine my nervousness sitting on this side of the House, with the Leader of the Opposition talking in that way. Indeed, these are the figures for the sale of foreign currency on the following dates:

Date	$ Million
March 22	2.6
March 23	4
March 24	9.7

A run had begun on the Trinidad and Tobago currency. In fact, it was around that time that the Minister of Finance went to Japan. We sat here watching this situation and pondering the possibility of having to act prematurely, in circumstances where it is the irresponsibility, among other considerations, of the hon. Leader of the Opposition that has brought about something of this nature. These are the figures sold in foreign exchange on the following dates.

Date	$ Million
March 26	12.4
March 29	13.1
March 30	4.4
March 31	1.3

Mr. Maharaj: Would the hon. Prime Minister state whether any Government Ministers, Members, or any persons connected with the Government bought hedges during that period?

Hon. P. Manning: I am not aware that any such eventuality took place. If, however, the Member for Couva South is aware of any impropriety in this matter, I would be happy if he could bring it to the attention of the Prime Minister for appropriate action.

Mr. Maharaj: Would the hon. Member for San Fernando East undertake to bring to this House persons who are involved in the Government and bought hedges over the last few weeks against the devaluation of the Trinidad and Tobago dollar?

Hon. P. Manning: I reiterate, if the hon. Member for Couva South has any information of impropriety as it relates to this or any other matter, I ask him to bring it to the attention of the Prime Minister, who guarantees that appropriate action would be taken.

I continue:

Date	**$ Million**
April 5	1.4

In other words, the run which started began to subside and we began to breathe a little easier.

April 6	1.2
April 7	1.2
April 8	0.7

On April 8, 1993, which was the Tuesday before the decision was taken, the amount fell. In other words, secrecy had been preserved. Complete surprise! Had it not been the case, what we would have seen would have been a continuing run on the currency leading up to the date of decision. On the day on which the decision was taken, the sale of foreign exchange was $1.5 million.

2.25 p.m.

People have to be very careful. I spoke about the economic framework within which the position was taken. I remember by good friend the Member for Tobago East, the hon. Prime Minister at the time, who, in a celebrated address to this Parliament—I think it was a budget address—in outlining the economic position of the country, which was not good, as he put it, used the following words: “Gold and silver have we none, the little that we’ve had is gone.” That was his way of saying, Mr. Deputy Speaker, as we subsequently found out—

Mr. Robinson: May I ask the hon. Prime Minister, in his exalted prime ministerial position, to quote me accurately, not to behave as he behaves on the public platform outside.

Hon. P. Manning: Mr. Deputy Speaker, all we have to do is consult *Hansard*. What the hon. Prime Minister of the time was saying was that the gold reserves of Trinidad and Tobago had been sold by his Government. In fact, the statement turned out to be accurate, indeed. That was his way of saying it: “Gold and silver have we none, the little that we’ve had is gone”, in the 1988 Budget Speech.

Mr. Deputy Speaker, permit me to address another issue: The question of devaluation as opposed to flotation, if that is a proper technical term. If the currency were to be devalued, in the classic sense of the term, one of the major considerations that would have gone into the decision-making process would have been by how much. Much of this depends on confidence, as you know, and whether the move that is made is credible or lacks credibility. That consideration, more than anything else, leads inevitably to a move which is much larger than is normally warranted in the circumstances.

So that you avoid a situation in which, as soon as you adjust your exchange rate downward, speculation begins again in the national community as to whether it had gone far enough or not, whether the move was credible or not, which, in itself, is a self-fulfilling prophecy that undermines confidence in the level of the exchange rate that is set. That is a major negative of devaluing a particular currency, rather than floating the currency.

The other consideration is this: To the extent that there was a run on the currency—and there was—in the month of March and the prepaying of certain bills was done, when trading opens on Tuesday morning, to that extent, there is going to be a reduction in demand for foreign exchange and a greater measure of stability will devolve on the system that is put in place.

Mr. Sudama: But somebody could benefit by prior knowledge.

Hon. P. Manning: I want to thank the hon. Member for Couva North. He helped the country without knowing it.

When you float the currency, as opposed to devaluing it, what you do is you say that the level at which that currency will settle out is now dictated, not by political fiat, but, indeed, by economic considerations and the underlying strength of the economy, and that is why—*[Interruption]* Please. That is why, there is a prerequisite that you must have sound economic, monetary and fiscal policy before the step could be taken to liberalize your exchange rate. That is why—we put “ultimate” in our manifesto.

We are particularly proud of the fact that we have been able to come to that position in 15 months, a position which we feel is the major liberating move in terms of making Trinidad and Tobago the business and financial centre of the Caribbean and the gateway to the Americas, not just Latin America. That is our intention. The best of our ability, we are putting measures in place designed to achieve that.

Not too long ago under the aegis of Caricom, I signed on behalf of Caricom a one-way free-trade agreement with Venezuela. The major advantage of that is to give the products of domestic industry an expanded market in which to operate, in the first instance, without undue competition, until a particular time. We are trying to stimulate our exports. It is an export-led growth of which we are speaking. To do otherwise would be to run into precisely the problems that the last Government ran into.

In 1991, the Minister of Finance pointed it out, that as they sought to reflate the economy without a proper foreign exchange position, they quickly ran out of foreign exchange. That is what we inherited in 1991; we ran out. A foreign exchange position was built because of the "Saddam Hussein effect", as we called it. As that happened, what the Government, no doubt in the context of a general election, sought to do was to ease the controls, but easing the controls without having the equivalent of what we have as a macro-economic plan. Not a plan that was credible. They had something which was not credible. As a consequence of which they quickly ran out of foreign exchange, and we took over the Government in a very difficult situation.

I want to apologize to my colleagues in business and labour. On Tuesday of this week we inaugurated the tripartite discussions between Government, business and labour. I am sure that my colleagues in business and labour would have felt perhaps a little peeved that we had met just 24 hours before and we gave them no indication at all that we had an economic measure of such significance and import to put in place. But I take it that my colleagues will also understand that to have done so would have been to prejudice the position of the country. After all, it is the national interest that we must first take into account as we seek to govern on behalf of those who elected us.

Therefore, at the first opportunity, the minute the Cabinet meeting was over and the minute that the Minister of Finance had conferred with the Central Bank and other bankers and called in the media, he immediately called in the business team and the team from labour. Unfortunately, the labour team was unable to meet with the Minister of Finance on Wednesday; they did so on Thursday afternoon at a meeting of some two and one-half hours duration, at which time the hon. Minister of Finance explained in detail exactly what the Government had proposed to do.

It is not only labour, but we have been talking to people all over the country from all walks of life, from different backgrounds. Anybody who is prepared to listen to us, we have been talking to, seeking to explain what we are doing, recognizing as we do, that confidence is going to be the basis of the success of this most liberating move on which we have embarked.

Much has been said earlier this year and last year on the future of the manufacturing sector. In fact, I remember one celebrated newspaper, in a headline, "40,000 jobs to go" and three weeks later, the same newspaper "14,000 jobs to go." In short, there was speculation as to what the adverse effects would be in the manufacturing sector as Government pursued its policy of trade reform.

The move that we have now made, among others we have made, is one that will give the manufacturers a level of protection that will, as some have put it—I have read it—guarantee that the manufacturing sector survives, thrives and, in fact, develops on the basis of more competitive export-pricing arrangements. It is a point of view which has been articulated by the manufacturers. Indeed, it has come to our attention in discussions. We knew it. We were well aware of that.

I should also say, because it seems to have escaped the national community, when the Heads of Government met in October of last year in a special session in Port of Spain, there were two items on the agenda, the West India Commission Report and the whole question of the Common External Tariff. There was no agreement at the level of experts and there was no agreement at the level of Ministers of Trade. It came to the Heads, against the predictions of many political pundits of gloom and doom that there would be no agreement and therefore Caricom would break up.

It is a credit to the leaders of Caricom that no such thing happened. Instead, what happened was, that within a period of about two hours, we reached complete agreement on a new arrangement for the Common External Tariff.

What that recognized, is that we were not all starting from the same position, but that we wanted to get to a common position by a certain time. It was the Trinidad and Tobago point of view that the time frame could be five year; and we selected five years to coincide with the period of one-way access to the Venezuelan market, believing as we did that it would give the domestic manufacturing sector enough time to make appropriate adjustments to remain competitive as we go along. We are now going to do the same thing with Colombia, and the priority, as you know, will be one-way free trade agreements with the Andean Pact countries. That was done and we came to certain agreements.

I want to spend just a minute on that, because it has implications for the level of prices in the country. Much has been said about how the decision that we have now taken would impact on prices. But it is not that decision alone. There are other factors impacting on prices at the same time. The Common External Tariff, with effect from January 1, 1993, in Trinidad and Tobago was reduced from 45 to 35 per cent which meant, together with the removal of regulation of imports into the country, that foreign products would now become available in Trinidad and Tobago at a level of pricing that would make them much more competitive to local products.

However, it was not just the Common External Tariff being reduced. We also have on top of that, two considerations: one is an import surcharge which operated at the level of 55 per cent maximum in 1992, and which with effect from January 1, 1993, at the top level was reduced to 25 per cent.

There was a second factor impinging on prices which would have caused prices to be lower. But there is also a third consideration, and that is stamp duty: 10 per cent in 1992—and in some instances 20; from 1994 it goes down to 5 and 10 per cent, instead of 10 and 20 per cent. By the end of 1994, all surcharges are to disappear and the Common External Tariff is to continuously go down every two years. With effect from January 1, 1995, it will go to 30 per cent from 35 as a top rate, and from January 1, 1997 it will go to 25 per cent; January 1, 1998, it will go to 20 per cent.

What is happening, therefore, is that as the tariffs are removed and as the Common External Tariff is progressively reduced, the prices of commodities are continually falling. As a flexible exchange rate regime goes in place, therefore, it stymies the rate of fall of prices; but the direction of prices is inexorable down, depending on the level at which the currency stabilizes.

If you have been observing very closely, you would have noticed the extent to which the Government has gone out of its way to be cautious in putting this regime in place. The reason for that is we wanted no slip-ups and we did not want any free fall in the currency arrangements.

As of now, we are very confident that when trading opens on Tuesday morning, the currency will be pegged at a level which is quite reasonable in all the circumstances, and that we will not see the free fall as we saw in some other countries which had pursued a similar course of action.

I think the hon. Member for Oropouche raised another question which must be addressed. He asked the question: Why is it that this move was not made in the years when we had large reserves? In other words, what he is saying is that we need a buffer of foreign exchange reserves to be able to support the currency if it falls freely. That is antiquated thinking. In fact, if we had done so many years ago when we had a large amount of foreign reserves, the currency would not only have fallen but we would have used up all the reserves and the currency would not have stabilized. What stabilizes the currency is the macro-economic policy framework and appropriate fiscal and monetary policy. That is what stabilizes it.

Mr. Sudama: Would the Prime Minister give way to a question? Is he implying that in 1982 and 1983, we did not have appropriate macro-economic policies in place?

Hon. P. Manning: What I am saying is that is was a different regime entirely that operated at that time.

Mr. Sudama: In which you had no say.

Hon. P. Manning: A different economic regime operated, and in the regime which existed at that time, a flexible exchange rate would have been most inappropriate. That is the fact. I am not casting aspersions. As I say, I was a member of the Cabinet of that day and I was a proud member of the Cabinet. I supported entirely the policies which were pursued at that time.

Today, we operate in a different world, a world in which significant changes have taken place. You see that development of trading blocks all over the place: You have the Andean Pact, Mercosur in South America, NAFTA between Canada the United States and Mexico, and everybody is lining up to get into that. There are new arrangements in Europe, the European Common Market and so on. There are new trading blocs developing, creating an entirely new economic environment, in which countries like Trinidad and Tobago will have to use all the resources available to them to be able to ensure that not only can they guarantee growth in economic activity, but a certain standard of living for the people who elected them to serve.

I want to deal with one more matter which was raised by my friend, the Member for Oropouche. He scoffed at the fact that Nucor has come into Trinidad and Tobago. He is saying that what we got out of Nucor is 36 jobs. That is one way of looking at it. But I submit, with the greatest humility, that that is a myopic way of looking at it, especially when you take into account the fact that the Government's stated policy is that we will stimulate the construction sector as a means of job-creation in Trinidad and Tobago.

In addition to the measures outlined by the Minister of Finance in the budget for 1993, which are already having an effect in stimulating construction activity, there is a field in which Trinidad and Tobago stands out as different from the rest of the Caribbean: being able to utilize our gas resources for processing industries of one type or another. During the construction stage of many of those plants, there are higher levels of employment, particularly in the current context of Trinidad and Tobago, circumstances in which there is a need for job-creation over the short term—36 permanent jobs, 40, whatever the figure is, 400 in the construction industry.

It is not that alone. We announced a memorandum of understanding in respect of liquefied natural gas, There is every likelihood that is going to lead to an investment decision in 1994. If that should happen, again in the construction stage we would be producing jobs in excess of 1,000. In fact, for the LNG plant it is estimated that the figure will be about 1,500 jobs.

More than that, not too long from now, Government is going to make more announcements in this regard that take cognizance of the fact that we have a resource of technical manpower here that can be applied to the construction of processing plants and in the short to medium-term, provide a level of jobs, which can cushion the impact on the unemployment levels to which the country is subject. *[Interruption]*

Let me raise the other question—*[Interruption]*. The hon. Member for Oropouche has already used his 75 minutes; he squandered his, now he wants to use mine.

The role of the state in economic activity: There seems to be some doubt on the other side as to the PNM's position. The role of the state is essentially that of facilitator, but also that of investor. We have made the point from time to time that our position is not privatization; it is divestment. There is a difference between the two. That is why we can say that the PNM also sees the role of investor as part of the role of the state in circumstances where it essentially will perform the role of facilitator, providing the atmosphere in which business enterprises could flourish.

I want to make two final points, Mr. Deputy Speaker, as they relate to the man-in-the-street. As of Tuesday, all the controls are removed. If somebody wants to purchase foreign exchange, he can go to an appropriate agency and purchase foreign exchange. One control is left, and that is in the amount of money that you can take out of the country and, as the hon. Minister of Finance has said, that is necessary, among other reasons, to ensure that our new system is not used as a mechanism for the laundering of drug money.

Secondly, I want to reassure the national community that the measure which has now been put in place and which forms the subject of the debate today has been very carefully thought out indeed. There is no need to panic, to rush and buy. Whenever you want foreign exchange, it is going to be available and, therefore, there is no need to rush and create a situation that, itself, is going to defeat the purpose for which the actions have been taken. If there is no rush, no panic—and there is no need to panic—you will see a very stable system effected Tuesday morning.

Mr. Deputy Speaker, I want to sincerely congratulate the hon. Minister of Finance, my colleague, the Member for St. Ann's East. His job is not easy, and he is buffeted by requests left, right and centre from people from all walks of life, not excluding, his colleagues. I have had the pleasure of working with many Ministers of Finance. I want to say that it is really a pleasure to be associated with the current Minister of Finance of Trinidad and Tobago as he, together with the rest of his Cabinet colleagues, seeks to take action designed to transform this economy and to make Trinidad and Tobago a much better place in which all of us can live. Thank you.

Mr. A.N.R. Robinson *(Tobago East):* Mr. Deputy Speaker, I, too, would like to congratulate the Minister of Finance for his tolerance in dealing with the Prime Minister.

When I asked the question, some distance into the Minister of Finance's contribution, regarding when the decision was taken to introduce the flexible exchange rate—as it is euphemistically called—on Tuesday, April 13, 1993, I had very clearly in mind the reason.

We have just had a lengthy debate on the budget, starting at the end of November and continuing until about two weeks ago, when we completed debate on the Finance Bill, which introduced a massive range of taxation on the population of this country following an overdose of taxation last year on the same population, with increases in utility rates and with more to come, with retrenchment and separation, voluntary and involuntary, with price increases, and now with a devaluation of the currency, whether voluntary or involuntary.

What we are talking about is a deliberate and calculated devaluation of the currency to a floating rate. The currency will come like this *(indicating)* and fluctuate at a lower level, and that is a certainty. The Prime Minister and the Minister of Finance have admitted it. It will not go up in the foreseeable future to the rate at which it stands today.

Therefore, let us be honest with the population—and this is a commodity which has a degree of scarcity on the opposite side, which makes it all the more valuable. Let us understand that this is a devaluation of the currency at a floating rate at which it will fluctuate at a lower level than the level that obtains today. What that level will be, I am sure, both the Minister of Finance and the Prime Minister have some idea. The Prime Minister's words were that the currency will be pegged at a level on Tuesday. Do not tell me it is a Freudian slip.

So that they must have some idea at what level they are seeking to manage the situation in order to introduce the float. One can make a guess, without any inside information, about the Government's thinking or the information available to the Government. I would not be surprised if it is pegged at $6, anything like $5.50 to $6 per US $1. This is not based on inside information at all, it is based on an objective look at the gentlemen opposite.

Mr. Mottley: If the hon. Member will give way. I did explain that, in fact, right now, the Central Bank is meeting with the commercial bankers, and the commercial banks have brought information as to the current status, what their demand is, what their supply is et cetera, and their forecast for the market is not to look backwards, but to anticipate. It is out of that kind of discussion, not involving any of us here, but the people in the business, so to speak, that some kind of rate, an opening rate will be arrived at for Tuesday.

Mr. A.N.R. Robinson: I congratulate the hon. Minister of Finance, again, on defending the Prime Minister and explaining what he could not explain.

The Prime Minister used the word “pegged,” but what the Minister of Finance is saying is they are trying to manage a particular outcome in order to keep the movement within certain bands. There is nothing wrong with that, if you say it. This is the point.

Let us be quite clear: There is no such thing as a free market—let us understand that; it does not exist anywhere in the world. There are interventions for all sorts of reasons. Americans do it, the British do it, the French do it, all the Europeans do it, others do it. They intervene for all sorts of things.

2.55 p.m.

What you are trying to do is to give as much play as you think is desirable, to market forces. So it is very important when this decision was taken, as I said, in the context of a budget which was in the process of being debated; and to say that the Leader of the Opposition speculated about the devaluation of the currency, that speculation has been going on since January last year, when the Prime Minister himself speculated about it. I am flabbergasted to sit and hear the Prime Minister attack the Leader of the Opposition on that score.

Mr. Manning: Mr. Deputy Speaker, I want to advise the hon. Member for Tobago East, and former Minister of Finance, that that has been going on since November 1991, before the election, when they argued that if the PNM won the elections, they were going to immediately devalue the currency.

Mr. A.N.R. Robinson: Is that the reason why the hon. Prime Minister started to speculate about devaluating the currency? Mr. Deputy Speaker, I must be restrained, but I also must be quite frank and open, because when you are dealing with financial and, particularly, currency matters, you are dealing with a situation that is extremely sensitive. I happen to know that because I had the honour of introducing almost 30 years ago the Bill that is being amended today.

The debate that has been going on about a flexible exchange rate as against a fixed exchange rate took place then. On achieving independence, setting up the Central Bank; regulating the commercial banking system, which I have written about in a book called the "*The Mechanics of Independence*", if they will only read it. The debate went on: Should it be a flexible or fixed exchange rate? Prior to that, of course, we were tied to sterling and the sterling exchange standards as part of the British Empire. We could not have any balance of payments problems because all of that was managed from London.

When we undertook the management of our currency and our own reserves, then the question arose as to what sort of regime we would set up in order to deal with the question of the currency in the context of our economic planning. The Central Bank Act was passed in that context, and we decided on a fixed exchange rate, the main reason being that in conditions where you move from colonialism to independence, people are uncertain as to what policies you would pursue. There are two aspects of human welfare about which people are particularly sensitive: one is physical well-being and the other is money. People are particularly sensitive about those two aspects of the matter.

What I should like the Government to recognize at this stage—they have summoned this meeting after an announcement on Thursday, preceding Good Friday. This is the Easter weekend. Out of the blue an announcement has been made that all trading in currency ceased. Members of Parliament are summoned on a Saturday morning in order to debate amendments to the law which the Government is introducing. This has added to fear and deep apprehension in this country. What happened on Thursday was not only a matter of people not being paid on time, it was an atmosphere of apprehension as to whether they would get their money at all. Let us understand that this is a serious issue.

Both the Minister of Finance and the Prime Minister mentioned that this is the most fundamental and far-reaching economic measure taken in the post-war period. It may or may not be so, but they have described it as such. And we come on an Easter weekend—after the holiday Good Friday—disposing of it on a Saturday to go to Easter Sunday. That is the manner in which a measure described as the most fundamental and far-reaching economic measure in the post-war history of Trinidad and Tobago is being taken. The Prime Minister himself introduces the subject in the most flippant manner, while people are planning in different ways as to what they are going to do on Tuesday, which may not always be what is anticipated by the Government.

You took a decision two months ago and do you expect that in any group of people in Trinidad today, or for some time, a decision of this nature taken two months ago would have been kept a secret? Talking about irresponsible! I know of nothing more irresponsible! You take a decision to devalue two months ago and then you implement it two months after.

I have been accused of lying on platforms all over the country and in this House. When I was asked a question in Toronto by a newsman, who was asked to ask the question, he was telephoned from Trinidad to ask the question, *[Interruption]* It is nothing to laugh at, this is the year of the donkey, but *[Interruption]* we do not have to make it the year of the jackass.

The Minister of Finance has to be extremely careful. When Hugh Dalton was going into Parliament to deliver the budget, a newsman asked him a question. He never imagined that that newspaper would have been published, specially, before he delivered his budget speech. He answered the question and disclosed something that was going to happen in the budget and that very night he had to resign as Minister of Finance. You have to be very careful in these matters. If even you had decided to devalue, and a newsman comes and asks you the question: Are you going to devalue, what are you going to say? Let us be honest with the population.

Mr. Manning: The very question was asked of me, Mr. Deputy Speaker, about three weeks ago at a press conference that I held. My answer was: Well, this is a question that has been coming up on a regular basis every two months or so. I put it down as the regular cyclical question and I went on. That is the way you can properly deal with it, hon. Member for Tobago East.

3.05 p.m.

Mr. A.N.R. Robinson: Thank you. You evade the question. All right, well there is nothing wrong with that. When the newsman asked me the question, we are taking no decision whatsoever and in fact, having some experience in these matters, we kept considering options so that not even the group that we are discussing with would know what decisions would finally be taken.

Mr. Manning: You really think so?

Mr. A.N.R. Robinson: So you keep discussing options, and you take the actual decision at the last moment. But in this case we heard that the whole question of liberalizing the economy—the exchange rate, and so on—has been around for quite some time, and there is no doubt about that. The Government of the National Alliance for Reconstruction had embarked upon a process of liberalization, but it is most extraordinary to hear the Prime Minister say that he could not liberalize the exchange rate until a medium-term programme had been prepared; until he had prepared his plans; until the framework had been constructed. It is most extraordinary to hear him say that, reading from the Governor of the Central Bank in 1987, but suggesting that the then Government should have devalued without a medium-term plan.

Mr. Manning: Mr. Deputy Speaker, I said no such thing. In fact, the point that I was making was that the genesis of the idea was not the World Bank Report of 1989, but that the idea had been around for some time before. In other words, the point was made in response to the hon. Members for Oropouche and St. Augustine, not the Member for Tobago East. If you do not have cocoa in the sun, do not look for rain.

Mr. A.N.R. Robinson: You are wrong again, because the idea was around since the Central Bank Act was passed.

Mr. Manning: Exactly.

Mr. A.N.R. Robinson: The point is, he quoted from that document and let me make it absolutely clear that at that time we had no plans. We had just come in and this is the state of affairs that we found. It is very important. When they talk about how much in foreign reserves existed in 1987, they do not tell you—

Mr. Manning: I could tell you.

Mr. A.N.R. Robinson:—that they were using up foreign reserves per year at twice the amount that they left.

Mr. Manning: Would the hon. Member be kind enough to give way?

Mr. A.N.R. Robinson: Yes, certainly.

Mr. Manning: Just to come to your assistance, the net foreign exchange reserves at the end of 1986 amounted to TT $1,184.5 million.

Mr. Sudama: You are wrong, that is the gross figure.

Mr. A.N.R. Robinson: I do not think the Prime Minister is understanding what I am saying.

Dr. Rowley: You do not know!

Mr. Sudama: You shut up, you do not even know what is happening in agriculture!

Mr. A.N.R. Robinson: The figure that they left was $1 billion but they had been using up $2 billion a year. That is the point I am making. In other words, the car was running down the precipice and we had to slow the car down.

Mr. Manning: With a driver who cannot drive.

Mr. A.N.R. Robinson: Stop it and turn it around.

Mr. Maharaj: He drove better than you.

Mr. A.N.R. Robinson: They were spending, $2 billion per annum—[*Interruption*]

Mr. Deputy Speaker: I am trying to follow the hon. Member for Tobago East. Please allow him to make his contribution.

Mr. A.N.R. Robinson: They were spending $2 billion per annum more than they were earning. The greatest spendthrifts ever! A sum of $2 billion more than they were earning. They left an overhang of $1 billion which they had borrowed from the Central Bank which should have been repaid during the same year, but which they never paid. They used up all the savings of the country, $6 billion in savings. But these are the facts that they fail to tell the population.

We want to know, Mr. Deputy Speaker, what is the position now with the budget that they have just introduced? Does this foretell that the budget statistics will have to be revised and we shall now have to have another budget? I say this because it is very difficult, from all that we have been experiencing, to place credibility on what this Government says. Let me quote from the budget speech delivered only in November. This is the Minister of Finance saying:

> "As far as the fiscal deficit is concerned, the latest revised estimates show a projected deficit for 1992 of $382.8 million or l.7 per cent of GDP, after excluding the extra budgetary financing of an energy sector project by the Inter-American Development Bank. Compared with our target of 1.5 per cent of GDP, this is not a substantial slippage. However, the effort and financial discipline required to hit so close to the target should not be underestimated."

So the Minister of Finance in his 1993 Budget Speech was saying that the Government deficit was $382.8 million and that was 1.7 per cent of GDP. Excellent, he said. Fiscal discipline, and so on. And from his presentation today you could see the emphasis with which he says these things.

But listen to this now from the *Quarterly Economic Bulletin* of the Central Bank for the quarter ending December, 1992. This is what this Bulletin says:

> "For the year 1992 government revenue amounted to $6,216.2 million and expenditure totalled $6,965.6 million, yielding an overall deficit of $749.4 million".

The Minister of Finance estimated $342.9 million. Central Bank says it was $749.4 million, and goes on to compare the deficit in 1990, $179.1 million and in 1991, $227.2 million.

Mr. Valley: Mr. Deputy Speaker, I wonder if the hon. Member would be kind enough to inform us of the page from which he is quoting?

Mr. A.N.R. Robinson: I am quoting, firstly from the 1993 Budget Speech of the Minister of Finance; and secondly, from the *Quarterly Economic Bulletin* of the Central Bank for the quarter ended December, 1992. I am afraid you will have to find it, Mr. Prime Minister, but it is page 5. It can be very easily found—it is at the beginning.

Mr. Manning: Thank you very much.

Mr. A.N.R. Robinson: So that what we are faced with is a growing deficit on the Government account once more. The deficit having been brought down drastically, we are faced once more with a widening deficit on the Government account.

Now, this is what happened last year when the Prime Minister began his own speculation on the currency for which he has accused, so bitterly, the Leader of the Opposition. From a net position of reserves of $143 million in December, it went to $709.9 million by the end of January and $896.4 million by the end of February. Some of it was due to the trade liberalization, but the effect of that had begun to taper off. But the speculation introduced by the head of the Government about the stability of the currency, immediately started off a run, and the consequences are in the Central Bank's statistics. The statement is also made in the Central Bank report.

3.15 p.m.

The point I am making is, at this stage of the game, we must level with the population. The situation is extremely serious. Not only are people very apprehensive now about their money—one of the most sensitive areas in human existence—but they are also apprehensive about their physical safety.

There has been a great deal of campaigning on crime. There is nothing wrong with that, except the theatre in it, the dramatization, the actors parading as though they belong to Hollywood, to the extent where a former Commissioner of Police, whose loyalty to the party opposite cannot be questioned—at least it cannot be said to be hostile in any way from his previous history—had to say that the particular Minister of National Security is committing folly after folly and he is aided and abetted by his colleagues. It did not require a Commissioner of Police to see the mistakes being made and the way in which the whole situation is being aggravated, increasing the fear of citizens for their physical safety. Because the Government starts out with a campaign against crime, and then suddenly one gets the impression it is a campaign against the police. So which side are they on?

In this context when fear pervades a society, that is a situation in which people seek security, so they are willing to give up some of their freedoms in order to ensure increased measures to protect their physical safety. So it is a combination today of fear of physical safety and fear of loss of money. It is not a time for flippancy. It has to be taken seriously. We have been brought here to discuss this matter.

What is the position? The people in Tobago, for example, are very concerned about their travel arrangements. BWIA or whatever airline and the ships that travel between Trinidad and Tobago are the lifeline of that community. Stop the air service or make it too expensive; stop the shipping service or make it too expensive, and it is genocide, because a whole community of people then come under threat of losing the very essentials of life. One has to understand the psychological environment in which people who are in that kind of situation live and the fear that they can have when developments take place which threaten to deprive them of these essentials.

People are concerned about what is going to happen with respect to the cost of living. So is it going to be that in spite of all the measures already taken—increased taxation in so many areas, increased prices of the utilities, the severing of people from their jobs, voluntary retrenchment, whatever it may be, people who are contending that moneys are due to them and they cannot get those moneys—in this situation—it is an objective situation—you devalue the currency; you add to the burdens.

They made a great play of industrial court implementation; it was the law. Why did they not implement the rest of the law? Playing politics with people's lives—that is what they are doing—and engaging in massive propaganda across the country. The chickens will come home to roost. At least be candid with the population, be honest with them. You yourself have said it is a courageous step; you regard it as a courageous step against the background of a whole series of measures which you have already taken, having campaigned viciously against the previous government in the most extravagant language on the public platform.

The Minister of Finance quoted from a book entitled, *The Twilight of Sovereignty*. Is it prophetic? You see, sometimes Members opposite say things and they express their deepest fears, apprehensions or wishes, without their wanting to say them. So when the Prime Minister said that he was going to use the proceeds of sale of the state enterprises to provide 8,000 jobs under the Unemployment Relief Programme, there was something at the back of his mind. The Prime Minister could not have said that if there was not some substance in it. A Prime Minister has to be presumed to have a level of intelligence. He is not an ignorant person.

What must an investor think of Trinidad and Tobago? He said that before a group of business people, including Ambassadors to the country, foreign representatives and so on. What must they think? Up to now we have heard no explanation as to how this error crept in. Is it a public servant who wrote it? None of the public servants that I left at the Prime Minister's office would have written it. Did the Prime Minister realize what he was saying when he said it? Why did he not correct it there and then? How can he expect confidence? And then he gives us a lecture on financial and economic matters today. It just does not tally. The Government, or large segments of them, including the Prime Minister, just do not know what they are doing. Or if they know, they do not understand.

The Member for Diego Martin Central knows and he understands because he is part of the problem in Trinidad and Tobago.

Mr. Valley: I honestly hope, Mr. Deputy Speaker, that the hon. Member will expand on that.

Mr. A.N.R. Robinson: I credit him with more knowledge than he thinks I do.

One cannot take a government seriously when a Prime Minister can, with a straight face, make that kind of statement, and then long afterwards when queried about it in Parliament, merely say it was an error. This is not a jokey country and ought not to be regarded as that.

3.25 p.m.

I hate to dwell on these matters; I have been silent for quite a while. I have been watching the shenanigans taking place. Knowing the situation that the NAR faced; knowing the resources we had to muster; the courage we had to summon; the dedication of the team. Yes, I was shot for it, Mr. Prime Minister, and who knows what would happen to others. Do not grin about that.

Mr. Mohammed: What you laughing for John?

Mr. A.N.R. Robinson: Mr. Deputy Speaker, I am proud to show my wounds at this Good Friday season. I do not wish, and I certainly hope that nothing of this sort would happen in Trinidad and Tobago again, but let us all remember that when we are not serious about these matters, when we are flippant, and the Government who talked about people first and people care, where are the people in all of this?

It is not only the inflationary effect and the cost of travel, what about interest rates? The Central Bank will then have to apply monetary policy to keep interest rates low; mortgage rates. Last year, what happened was, as a result of the accelerated outflow of foreign exchange and the Government increasing its consumption expenditure; it cut development. Development was lower than it had been for a very long time. Government cut development expenditure to facilitate consumption expenditure, then used monetary policy which restricted funds to the private sector. So, there was no growth in the private sector and very little investment in the Government sector, with the result being no growth in the country at large, after growth in 1990 and 1991. The country had been set to take off with a little care and management.

Foreign exchange had been arranged with the international financial institutions—$216 million from the Inter-American Development Bank for the energy sector; $30 million for the agricultural sector. Several other loans were negotiated. Those are the moneys that they are now using.

Mr. Manning: I thank the hon. Member for Tobago East again, for giving way. I wonder if he would be kind enough to tell us what was the effect of the Gulf war on the foreign exchange position of the country. "The Saddam Hussein effect", as we call it.

Mr. Deputy Speaker: Before the hon. Member for Tobago East replies to that, let me caution the persons in the public gallery that they are to remain extremely silent if they want to continue to remain in the gallery.

Mr. A.N.R. Robinson: Again, the Prime Minister does not read his own documents. Let me read from his own document:

"Much progress has been made..."

Mr. Valley: What page?

Mr. A.N.R. Robinson: This is the PNM Government's *Medium Term Policy Framework: From Stabilization to Growth 1993—1995*, page 4; I thought you were very well acquainted with it. This document gives some evidence of being doctored, as we had previous documents being doctored in this House.

Mr. Bereaux: Mr. Deputy Speaker, on a point of order. May I ask the hon. Member a question? The document he is talking about, would it have anything to do with the letter he could not find after a while from the former Attorney General?

Mr. Maharaj: It had to do with the Collymore Report.

Mr. A.N.R. Robinson: Mr. Deputy Speaker, the hon. Member for La Brea is not only a Johnny-come-lately, he is a never-see-come-see. If he had been in this Parliament before he would have known that question was asked by the Prime Minister who was then in the Opposition, and I indicated to him that the letter had been found and he showed no further interest in the matter.

Mr. Manning: Mr. Deputy Speaker, that is only because I was not so sure whether what was being said was true or not. I just did not know.

Mr. A.N.R. Robinson: You did not want the truth, that is the matter. You never wanted the truth. I hope that at some stage in your life, after your association with a certain religious personality, you would want the truth.

We have these questions to ask. What impact—

Mr. Valley: Mr. Deputy Speaker, the Member was about to quote from page 4, paragraph 6 of the *Medium Term Policy Framework.*

Mr. A.N.R. Robinson: The document states:

> "Much progress has been made in implementing the adjustment programme. In 1990, for the first time in seven years, real GDP increased by 1.7 percent and by an estimated 3.1 percent in 1991. However, this growth was largely attributable to expansion in the petroleum sector associated with the substantial rise in oil prices in the latter half of 1990 and early 1991. Reduced public expenditure coupled with enhanced oil revenues resulted in the Central Government's overall fiscal deficit falling from 4.4 percent of GDP in 1989 to 1.4 percent in 1990 and to 0.2 percent in 1991."

Mr. Manning: In other words, it is not the Minister of Finance, it is Saddam Hussein.

Mr. A.N.R. Robinson: Do you not understand the word "largely"? It is very difficult to be talking to a Prime Minister who, when he speaks, does not know what he says and when he hears, does not understand.

With all these different elements in the situation, what is now being introduced is a further element, not only of hardship on the population, but also uncertainty, physical apprehension, financial uncertainty as to what is going to take place.

The budget which was passed, and which was completed only two weeks ago, what is the effect on the budget? How are Government departments going to estimate how much money they need for the rest of the year? We should hear something about these matters. How are people going to be paid?

We hear of divestment—sale of the state enterprises—and we have been given the assurance that the proceeds from divestment would not be used for consumption expenditure or recurrent expenditure. If it is going to be used to service the public debt, I would like an explanation as to what part of the public debt it is going to service. Will the Minister of Finance say? Has he made it clear to us? He needs to make it clear. The Minister of Finance needs to make it clear and the Minister of Public Utilities whom the Prime Minister—

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

Motion made, That the hon. Member's speaking time be extended by 30 minutes. *[Hon. P. Manning]*

Question put and agreed to.

Mr. A.N.R. Robinson: I am grateful to the Prime Minister. I notice that he has been intent in his listening to my speech.

Mr. Manning: I am merely trying to anticipate your support for the measure.

Mr. A.N.R. Robinson: I would support the measure if I am convinced that it is in the interest of the country, and is likely to produce the results which are intended.

3.35 p.m.

When the Member for Oropouche was making his contribution, the Minister of Finance asked a very interesting question. The question was: You support the measure but you do not support the timing? We all applaud motherhood—if you ask anybody about motherhood they would say it is an excellent thing. But motherhood in a five or nine-year-old? So you have to relate it to what it is all about. You have to put this measure in the context in which it is being introduced. Trade liberalization is ideal, but a completely free market does not exist anywhere. However but trade liberalization is something to be striven for. So is liberalization of the currency market.

When you are introducing a particular measure—the Canadians and the Americans negotiated for two years before they entered into an agreement with Mexico. The Europeans are still negotiating. The French farmers have been protesting, resorting to violence. British fishermen have been protesting. So that the liberalization of trade or the liberalization of currency markets is something that you introduce in a particular context. It is all desirable but it is in what context you introduce it. That is what I am concerned about.

I am concerned about the manner, the crisis atmosphere which has been created by this measure. I am concerned about the background of other measures which have been taken, about the statements which have been made, and the assurances given which have not proved to be in any way correct. I am concerned about all these matters. And many people in the country, I am sure, are concerned. It is our duty to express those concerns.

There are many people whom I know, including myself, who find it difficult to accept any assurance this Government gives, having regard to the background of experience. And I am absolutely sure that view is held by a large section of the population. So the Government must tread carefully and proceed warily. A history of rabid denunciation of things they are doing now in an extreme way, which the previous Government would never even have contemplated doing, going to the extent that they are going. They are doing them now. If they do not recognize that, they are living in a fool's paradise.

Mr. Deputy Speaker, I am very anxious to hear the Minister of Finance's replies to these issues which I have raised about the budget, the inflation rate and about the planning of Government departments, about the travel arrangements between Trinidad and Tobago, the effect on diversification.

If we are talking about diversification, one of the most promising areas for growth is the tourism industry.

There is much apprehension in Tobago now about the tourism industry which had begun to grow in a very promising manner—not only because of the uncertainty that hangs around the transport arrangements that have now been increased by these measures which are being introduced by the Government.

I commend the business people for coming out in favour of the measure as they have done. It is the only thing that they can do in order to establish some degree of confidence—talk confidence and, therefore, the hope is that confidence will come. But I know that they are very disturbed. You shout in the dark in order to keep yourself company. I think that is the psychology with which they are now shouting in the dark.

While the measure in itself, in isolation, taken in a textbook, is an excellent move, the manner and the circumstances in which this Government is now introducing it have given the gravest cause for apprehension, and that apprehension, financial apprehension, is now compounded by the physical insecurity which exists in this country. May the hon. Members opposite, take heed.

Thank you.

The Minister of Local Government and Minister in the Ministry of Finance (Hon. Kenneth Valley): Mr. Deputy Speaker, I understand the difficulty with which the hon. Member for Tobago East is faced. There are some persons who believe that the purpose of the Opposition is two-fold—it does not matter what measure it is, even if it is a measure with which they agree. So that rather than contributing on the measure which is before the House, the hon. Member preferred instead to give vent to all manner of things. The fact is, the last Government by signing this document, as the hon. Member for St. Augustine reminds us so often, agreed or accepted the need to move to a flexible exchange rate system. I know the hon. Member would want to talk about the appropriate environment.

Let me say that we in the PNM, as the hon. Prime Minister alluded to earlier, did not have to wait for the World Bank or the IMF to tell us what is required in this economy to put it on a growth path. We did our work, and when the World Bank came, they came to the same conclusion in some things, so I think this is simply a credit to what we did before.

Let me start with a few issues raised by the last Member. That Member's basic point is on what took place in the budget of 1993. Against that background—and he spoke of other increases and so on—how could we now put further strain on the population by devaluing? There are a number of things wrong with that. First of all, we talked about the liberalization of the currency; and I would talk about that shortly.

The budget speech of 1993 spoke about three things. Firstly, revenue raising measures through direct and indirect taxation; secondly, revenue raising measures through enhanced tax administration; thirdly, were measures to stimulate economic activity and to afford relief to various categories of taxpayers.

If we go to the first grouping, we would see the big item there was the business levy. As you know, the business levy is an offset against corporation tax. One has some difficulty, therefore, in understanding why that is a burden on the small man.

3.45 p.m.

The Income Tax Act was amended for agricultural holdings and so on. Again, one has some difficulty in seeing how that would place a burden on the small man. Quite simply, if one were to go through the revenue raising measures in the 1993 budget, one would have serious difficulty coming to the conclusion the hon. Member came to. The tax administration issues are simply to deal with persons who owed taxes and who ought to pay them. As a matter of fact, the measures to stimulate economic activity were allowances given for that purpose.

The Member also made the point that the currency would devalue. Of course, we expect that given the existing supply/demand situation in Trinidad and Tobago there would be an initial downward movement in the currency. That is to be expected.

It is in that context that the Minister of Finance talked about a tight monetary policy initially, because domestic interest rates, exchange rates and capital inflows have a relationship and there are trade-offs. If the inflows we expect materialize, obviously, that by itself *ceteris paribus* would have a favourable effect on the rate of exchange, which would then allow the authorities to relax on interest rates. The tight monetary policy situation is a short-term situation. The exchange rate policy obviously cannot be taken in isolation. That is the point that we are making on this side.

Here, I want to acknowledge most humbly, the congratulations extended by my leader, the Prime Minister of Trinidad and Tobago. As I am on that, it is now about the third time that Members on the other side have made comments with respect to my role in the Ministry of Finance. Let me inform them that just being a Member of this team, is to me an honour, because this is a performance-oriented team. It does not matter which Minister you talk about; if you look at anyone, you can see his performance. Just being here is in fact an honour.

I am making the point that the exchange rate policy is not in isolation. One has to take it in context, as we said way back in 1988. What do we need to do to put this economy on a long-term sustainable growth path? When we asked that question, we came to the conclusion that growth must come from export. We started to plan the strategy to position Trinidad and Tobago as an export platform. We said, given our pluses and comparative advantage—I heard the Member for Oropouche making the point that we have never attempted to maximize our comparative advantage, but that is not correct.

We are saying that given our location; the fact that we have a skilled population; a strong natural gas base; certain trade agreements with Europe and the United States; that we are part of a hemispheric bloc that is now looking at NAFTA, that there are certain strategic advantages for a firm to locate in Trinidad—We have to ask the question: What do we need to do in Trinidad and Tobago to get that firm to locate here, rather than in Venezuela or some other Caribbean country? That led us quite logically to the concept of the removal of trade restrictions, to the movement of a flexible exchange rate.

This is the first draft of the paper dated February 4, 1988 when we looked at the role of the state. We said that the state would have a major role to play in development, positioning Trinidad and Tobago for the 21st century. "The role of the state should be limited largely to that of being a facilitator." You see, again, early in 1988 we were talking about the state being primarily a facilitator. It is not a 1992 or a 1993 position. It is a position we held in 1988.

We see the state supporting the achievement of a vision. That is the vision to make Trinidad and Tobago a strong export platform by pursuing appropriate fiscal, monetary and commercial policies, in order that business decisions may be made in an environment of stable prices, and that domestic goods may be priced competitively in external markets through the maintenance of realistic exchange rates. There were a number of conditions. We saw that.

When we considered the immediate short term, we said quite clearly that we would have to move to a reduction, a phased programme of elimination of protection for local manufacturing, by the reduction of quantitative restrictions in their various forms. We also spoke about the establishment of a more realistic exchange rate. That was in 1988. These were some of the short-term policies that we saw to position our country for that take-off. There are others, and, perhaps, I should just mention a few of them. Most of them found their way into the manifesto.

The first is the adjustment of the tax structure to reduce the high incidence of personal income taxation so as to stimulate individual savings and investment. You would know that we took certain initiatives with respect to that, such as the reintroduction of Government saving bonds and so on, to provide tax incentives that way.

We went even further—and this is in the manifesto—and promised the business community the elimination of corporation taxation on small firms, particularly those engaged directly in productive activities in the agro-processing sector, handicraft industries and cottage type manufacturing, or service firms, whether or not tied to large enterprises; introduction of a general system of indirect taxation. Now, remember that we are writing in early 1988.

The last Government introduced the value added tax system and we said quite clearly at that time that we did not agree with the level of the introductory rate, but that we agreed that we had to move to a system of indirect taxation and a reduction in the general rate of corporation tax. All of that would come with time.

3.55 p.m.

The point I am making is that this move to a flexible exchange rate cannot and ought not to be seen in isolation, but should be seen against the background of a Government that wants to position Trinidad and Tobago as a strong export platform. By that, I mean that we would expect firms from South America to locate in Trinidad and Tobago for sales to North America and Europe, using our trade agreements. We expect firms in North America and Europe to locate in Trinidad and Tobago perhaps to access South American or other markets.

About two weeks ago, a high commissioner from Malaysia was looking around—given NAFTA and so on—for locations to access the US market. That is the major challenge we face. As a fact, we know that the lack of foreign reserves places a limitation on our ability to do certain things, our ability to get this economy to grow.

That is the point which my friend the Member for St. Agusutine has been making and that is why I said he was half-way right. One has to come up with a situation to change the coefficient of imports. I could not tell him that the last time we spoke, but we got to the point where we saw, quite clearly that as you monetize your domestic economy, as you create more money, as you put more money into the system, you are going to lose some through imports.

I mentioned at that time that a famous economist estimated that the coefficient of imports was 40 per cent. In other words, for every dollar one puts into the economy, $0.40 goes out via imports. When you move to a flexible exchange rate, you expect that it is going to find a value, that it will allow you to build reserves to two to three months of import cover.

So that, initially, there will be a depreciation of the currency, given that the demand for foreign exchange at present, at the price of $4.25, exceeds available supply. So one expects that.

Mr. Robinson: May I inform the Minister that a depreciation of the currency takes place when it happens naturally, but when you take steps to have it done, as they are doing now, that is a devaluation.

Hon. K. Valley: The hon. Member is incorrect, because what we are doing, we are untying, as it were, the currency. We are not taking a step to determine that it goes to $7. If we had done that, that would have been a devaluation. When it does so naturally, it depreciates.

So that the point I am making is that, eventually, the currency will stabilize at a level which should be sufficient to cover two to three months of imports. But in moving towards that position, one cannot say for certain what rate that will be. As a fact, the experience has been that as you liberalize the foreign exchange system, there are reflows.

In other words, funds which went out, the capital flight which one may have experienced in the economy, may now return for investment because there is no longer the risk that they would be unable to take it out as time goes on. *[Interruption]* More than that, the point was made that even investors would then see Trinidad and Tobago as a more attractive place for investment. The point, quite simply, is that, as the hon. Member said, people are very sensitive where their money is concerned. It is a pity that the hon. Member did not appreciate that in 1987, at least for his party.

I want to make the point, also that the liberalization of the foreign exchange system is much more than simply the floating of the currency. What it means is that no longer would that surrender principle apply. No longer would one be under an obligation to surrender foreign exchange to the Central Bank. It means, also, that one is now free to take out. No longer would one have to apply for a vacation allowance. One would be free to apply for any quantity of foreign exchange, as long as it is reported, when one is going on a vacation. It means, also, that one can establish a foreign currency account, a US dollar denominated account in Trinidad and Tobago.

I want also to correct the impression held by the Member for Oropouche. He made the point that the exporters may very well have a market separate from the legitimate market, that is, they can have their funds and trade at prices higher than that offered by the banks. Quite simply, there is the concept of arbitrage, meaning that as long as that information is known no one who is buying US dollars would pay any friend or anyone a price higher than that obtained in the legitimate market. That is just not going to happen; unless he wants to make the person a gift. Why would I pay $6 when the price in the market, that is available to me, is $5. I would not do that. In a situation like that, the prices would trend to one; in other words, there would be a convergence of prices.

Similarly, in the market itself, because there are different buyers and sellers on any particular day, or at any point the price that one can get at one particular institution may be different, marginally, and what is going to happen is that, again, there would be a movement towards equilibrium or convergence. This is what happens in the stock market. Sales will take place at different prices around a certain norm and at the end of the day, there would be an official price which is basically the average of the trading for the day. But there would always be that movement towards convergence.

Mr. Sudama: Would the Minister give way to a question? Is it part of the scheme to permit exporters to keep foreign currency accounts in foreign countries?

Hon. K. Valley: Yes, Mr. Deputy Speaker. As he says that, let me deal with the other point that he made. He said that when an investor comes to Trinidad and Tobago he might bring in only a very little bit of that foreign currency earnings and that most of it would be outside.

When you analyse that, what he has to bring in is the amount required for servicing his business, to meet his wage bill, whatever supplies he buys in Trinidad and Tobago, to meet whatever cost he has. If one analyzes that, one would see, really, the amount which is available to him is his net profit, but on a cash flow basis. If wages are paid in TT dollars, if he is a foreign exchange earner, that has to come here; he has to pay for electricity; he has to bring in the money for that. The only thing that he can keep, or decide where he wants to keep it, would be his profits on fixed deposits or what have you.

Mr. Humphrey: Are you saying that investors cannot sell on the local market?

Hon. K. Valley: Do you have a question?

Mr. Humphrey: Mr. Deputy Speaker, from what the hon. Member for Diego Martin Central has just said, the assumption is that no foreign investor will be selling on the local market and, therefore, deriving income from sales on the local market. The assumption is that it is all to be exported.

Hon. K. Valley: I do not understand what the Member is saying. I am speaking—

Mr. Humphrey: He could invest by borrowing locally.

Hon. K. Valley: Yes, but I do not understand the Member's problem. The income derived—I am speaking about an exporter.

An investor, obviously, if he has domestic income, would use that first and then bring in any additional requirement. If one analyzes that, one would see that his decision making would only be with respect to the net flows to the company. That is the point I am making.

I want to make the point also that what we are doing in public utilities, or what we are doing with respect to state companies, is all part of that overall initiative to move Trinidad and Tobago to this export platform. When we say that the public utilities must be lean, and mean and efficient—Yes, there is the voluntary separation, but we see that this plan, when it works, those same persons would be employed in other sectors of the economy.

But more that that, in the case of WASA, for example, when we put WASA in a position to make it efficient, it then qualified for foreign financing for leak detection programmes, for metering programmes, and when those funds flow into Trinidad and Tobago, it means that some of those same persons who were severed from the organization, because they have the skills, can now be re-employed, perhaps, even as small contractors to undertake the work.

So, we have to see what is happening at the public utilities. We have to see, for example, the concept of having the private sector win water for sale to WASA's distribution programme as part of that programme. We have to see the fact that we are now talking about having the private sector set up generation plants and so on to sell electricity to T&TEC as part of that; all with a view to making these utilities cheaper for end users so that the firms could be competitive on the external market. That is where we are going.

When, for example we divest the Fertrin/Urea Complex to a foreigner who says that he is going to build another urea trade, what he is saying is that not only does he have confidence in Trinidad and Tobago and he is going to put his money to back that country, but he is going to be employing more people, providing sustainable jobs for those people in that environment in which Government just does not have the money to talk about that type of investment. That is what we are doing. So we want Members and the general public to see all this as simply setting the environment to ensure that Trinidad and Tobago becomes an export platform.

Now, one ought to observe that there still would be a relationship with the US dollar, although, in a sense, one can say that we are still tied to the US dollar, no longer in a fixed relationship, but we will be floating against, and the value of the other currencies is based on that relationship with the US dollar. Quite simply, the demand for foreign exchange is the derived demand. The US at present is our largest trading partner, and there is that historical relationship. So that the price would really be determined by the interplay of demand and supply for US dollars, with the prices of other currencies being determined by that interplay.

What are the main advantages or immediate advantages other than providing for that export platform, which is the medium-term or longer-term objective? Immediately, this system would provide a certain level of protection for manufacturers in the environment of trade liberalization, where the domestic manufacturer is now competing with the foreign manufacturer who can ship his goods into Trinidad and Tobago.

Obviously, the CET provides a level of protection, but a flexible exchange rate regime provides an additional layer of protection to the domestic manufacturer. It provides, also, incentives to the exporter, because with a depreciation, as we expect in the short term, as the currency finds its true level, there would be an incentive to exporters, making their goods more competitive in the external environment.

Most importantly, as the currency depreciates, we ought to be able to build reserves and, as I say, my own feeling is that one would want to have the reserves at a comfortable level, two to three months reserve cover, and one would expect that after it gets to that point, the rate would fluctuate along that trend.

Lastly, another short-term advantage that we see would be investment flows and reflows, investment flows, that is, from new investors coming into Trinidad and Tobago given that they are seeing this competitive environment; and reflows coming from those persons who took moneys out under the old regime.

I am sure my friend, the Member for Chaguanas, would be very concerned about the social implications. We are all concerned. On the *Issues Live* programme the other night, there was this gentleman, a master's student, who was about to do his Ph.D. expressing his concern. Most people would know that, yes, there would be an initial depreciation, but given that the black market rate in Trinidad and Tobago at this time is somewhere between $4.30 and $4.50, as I understand it, one ought not to expect any dramatic depreciation of the currency.

Let me just make one other point. In yesterday's *Express*, I saw little caption talking about what was happening in San Fernando, and the point that was being made is that the black market was closed in Port of Spain, but in San Fernando, the market was open. People were trading and the rate there was some $4.40 to $5. That ought to give some kind of indication of what is going to happen.

More than that, with respect to prices, one has to know there was a devaluation in 1985, there was another in 1988, and prices did not go up considerably. The fact is that prices are determined by many things other than simply the change in the exchange rate.

Mr. Humphrey: Mr. Deputy Speaker, could the Minister elucidate a little on the Indian experience, because the Minister of Finance, in making his presentation, indicated that when India floated its rupee, there was no depreciation; in fact, there was an appreciation.

What were the objective conditions in the Indian experience that would not enable it in our experience?

Hon. K. Valley: Mr. Deputy Speaker, the simple truth is that it could, in fact, happen in Trinidad and Tobago. If that were to happen, the immediate response from the monetary authorities would be a reduction in the TT interest rates.

Mr. Sudama: What about the incentive to exporters?

Hon. K. Valley: When you liberalize the exchange rate, as a fact, that rate can go up or down and that is the main distinction between the floating of the exchange rate and a devaluation. With a devaluation, there is always that speculation risk that one may devalue even further, so that the speculators can take positions against the currency, knowing full well that they are fully covered.

I think it was the Member for Couva South who made the point that somebody in the government was hedging against a devaluation or a depreciation of the currency. If that happened in the Indian situation, obviously, one can see that that person would be burnt, and that is one of the major pluses of a flexible exchange rate regime as distinct from a fixed exchange rate system. One, in fact, as an investor or a speculator could be burnt, and, that is important because we want to get speculators out of the market out of trading as quickly as possible. So that the simple fact, if that were to happen, we would have the immediate benefit of lower interest rates. That is where we would see the adjustment.

I am saying that, in the short term and especially the medium and longer terms, this new regime caters for sustainable jobs. The situation I cited a while ago is an indicator that interest rates—given that we get things in hand—can trend downward, allowing for more investment in the economy and so providing jobs for our people.

Just a few comments on the contribution by my friend, the Member for Oropouche. The devaluation of the TT dollar: We accept that in the short term would be a depreciation: we expect that. Net advantage to manufacturers given import content—the Member made the point that given the fact that even our manufacturing sector has to import most of its inputs into manufacturing, there would really be no gain.

The fact simply is that as long as we are adding value in Trinidad and Tobago—in other words, if the manufacturer brings in an item for $20, as long as he is adding value in Trinidad, $10 or $15, or what have you, and is selling in the export market, he would make a gain. Because he brings in the foreign currency, his value is in TT currency, and when he exports, the whole thing is in US currency, so, obviously, there would be a gain.

The Member made the point that the Central Bank has systems in place already to deal with the foreign investor who wants to repatriate profits. That is correct, but the system is bureaucratic. Simply, there is the Price Waterhouse study which has pointed that out quite clearly.

In this way, by freeing-up the system, you would know, Mr. Deputy Speaker, as from April 2, 1993, a foreigner can come in here without a work permit, given that he is spending no longer that one month. It is all a move to make the system easier, to make doing business in Trinidad and Tobago much easier for the foreigner.

The other question: Why did the PNM not float during the boom years? The Prime Minister has intimated that the objective conditions were not appropriate; money supply was quite high and so on. The experts would say, the experience has been, that what is important in moving to a flexible exchange rate system is the appropriateness of monetary and fiscal policies. It is not how much buffer stock or buffer reserves a country may have, it is the appropriateness of the monetary and fiscal polices.

One point that the Member for Oropouche made—he is quite correct is a point that we made years ago in this little book, that the complete market system requires free movement of labour. Obviously, he is reading a good book, Mr. Deputy Speaker. We made that point:

> "Care must be taken in a world where free trade, even when it is really free, is seldom accompanied by freedom of movement of labour."

We recognize that. But, as the hon. Member for Tobago East would counsel, there are no free markets anywhere in the world. The concept of a free market is an ideal. We are committed that in the domestic environment, that we have a market-oriented competitive situation. That is what we are catering for. Yes, there are quirks all over the world, and we have to recognize that in our planning; we know that we have to take that into consideration in our overall planning.

Mr. Deputy Speaker, I am really extremely happy that as a Government we are moving to a situation of currency liberalization. I feel that it is a critical ingredient in positioning Trinidad and Tobago to play its part in the world. I think two years from today, when we look back, we would all be extremely happy that we came out here on Gloria Saturday in 1993 to take this important decision. I think posterity would be proud of us.

I thank you, Mr. Deputy Speaker.

4.25 p.m.

Miss Hulsie Bhaggan *(Chaguanas):* Mr. Deputy Speaker, I will make a note of this date in my diary, and maybe two years from now we shall meet again, and by then we would have the statistics to prove that the policies the hon. Members are introducing would have taken this country far into the abyss of under-development.

I will speak a little later about the experience of Venezuela, Jamaica and Guyana, to demonstrate to you that what we are in effect doing, is sending this country down to the edge of development.

We are not surprised by this present move being undertaken by the Government. As a matter of fact, we have been saying from the time I came to this

House that this Government is undertaking a programme which is a neo-liberal monitorius approach towards development of our country. This particular measure is one of the most advanced steps in what is called the structural adjustment programme of the IMF and the World Bank. This programme is like a copy of a photocopy of a printout which was sent by the World Bank and the IMF to Third World countries. It is not just an original printout, it is a photocopy of a very bad copy of the computer printout of the World Bank and the IMF computer.

Mr. Deputy Speaker, this particular policy brings to bear all the various policies under the structural adjustment programme, and it makes the Prime Minister, the Member for San Fernando East, the Carlos Andres Perez of the Caricom region. Carlos Andres Perez, right now, is like a lame-duck president living on borrowed time.

What in effect we have here, therefore, is a package being brought to this country which is going to demonstrate to this region that the structural adjustment programme in its entirety has been introduced into this country and we are going to be reduced to the state of Venezuela, Jamaica and Guyana.

It is almost like a quack doctor administering castor oil to a patient who is suffering from diarrhoea. What we have, therefore, on the one hand is a lame duck Prime Minister and, on the other hand, we have a quack Government, because the measures they are bringing are not original and, in effect, they have been telling this country in very clear terms that they are not able to handle the economic and social problems of our country.

With respect to the conditions today, when you look at the statistics of the Central Statistical Office for the second quarter of 1992, you would have seen where at least 65 per cent of the population of this country can no longer survive on the incomes they are receiving based on the kind of price increases we have had since structural adjustment measures were introduced in 1988.

As a matter of fact, 195,000 households cannot survive on the existing income. I need to establish clearly what is our condition now, because two years from now the situation is going to be 100 times worse.

Between 1988 and 1992, the cost of food went up by 152 points; clothing and footwear by 14.5 percent; fuel and lights by 36.9 per cent and 23 per cent of that increase took place between December 1991 and June 1992. Household supplies were increased by 28.3 per cent; transportation by 44.9 percent; education by 57.6

per cent; medical goods and services by 28.per cent; and so the situation deteriorates.

I wish to suggest to this honourable House that based on the social and economic conditions of our country today, this particular measure is going to lead this country into more economic and social deterioration. I am predicting that based on the experiences of other countries which have introduced this particular measure as part of an overall economic policy—you will see, for instance, that the cost of living is going to escalate and I am going to give you a concrete example.

4.30 p.m.: *Sitting suspended.*

5.05 p.m.: *Sitting resumed.*

Miss H. Bhaggan: Mr. Deputy Speaker, when we adjourned for tea, I was on the point of discussing the impact of the cost of living on this country, especially with respect to not only the introduction of this particular measure, but the cumulative effect of other measures which were introduced in this country since 1988.

I spoke earlier on the issue of the increase in prices of basic consumer items. In looking at that I wanted to give an example, and it had to do, basically, with the price of foodstuffs. From my own experience in places like Venezuela, Jamaica and Guyana I know, for instance, you would find that if a particular item is being sold on the market—and these are three countries which introduced the flexible exchange rate.

If, for instance, today a tin of milk is being sold at $20, when you go back to that supermarket next month, there is no guarantee that that tin of milk is going to be $20. As a matter of fact, one day it may be $20 and the next month it may be $40. I have experienced it, I have seen it, and as such there is no way you are going to be able to control the price of consumer items in particular, well all items in general, but given the impact on the basic cost of living I am saying, therefore, that this particular measure is going to make matters worse with respect to the poor of this country and the working class in particular. We have to understand that those of us who are in the formal economy and receiving a fixed income will be having to face fluctuations in prices with respect to the basic things we use; and as such real wages and income will be seriously eroded.

As a matter of fact, Sir, one of the points I wish to stress is the fact that we have a certain percentage of our population who receive public assistance, old age pension, and benefits from the National Insurance Scheme. Those little bits of money will just be sufficient to probably meet the increases in prices without ever being able to buy the things that they were accustomed to buying. We have to understand that the utility rates with respect to water, electricity, telephones, have gone up and will further go up again. We know that increases in transport—in fact the PTSC has just announced increases in public transport, and in many parts of this country we do not have public transport.

I believe I saw in today's or yesterday's newspapers where it was mentioned that the price of gasoline will be going up. That could have been speculation; but the point is transportation costs are also going to go up. I have heard, for instance, where the Minister of Health was saying that instead of paying a health surcharge, eventually we may look at a user-charge or fee for those persons who are working, and so on. So at the level of basic consumer items and services we will not be able to survive any more as a nation, in particular, as I have said before, since 65 per cent of the population have had a serious deterioration in terms of their real wages and income.

Mr. Deputy Speaker, one of the other problems which will intensify is the issue of child labour. I will explain how that is going to come about. Again I am basing this on the real situation in countries like Venezuela, Guyana and Jamaica. What is going to happen here because of the shortfall in income, because of the fluctuation in prices of consumer items is that many parents, especially single parents, are going to have to wake up every night and fry things like plantain chips, channa, nuts and all those wayside things that they sell at street corners, and children will no longer have to go to school because they will be part of the informal economy, where they are going to have to sell more and more of the plantain chips, the channa, nuts, oranges, and so on, along the highways and by-ways and in the markets.

So child labour is going to intensify, I remember visiting these countries, and others too, where sometimes at one o'clock in the morning you may see a young child, 10 or 11 years old, sometimes even younger than that, sitting outside a cinema or some other place where people buy things, selling cigarettes and matches, up to between one and three o'clock in the morning, simply to be able to supplement the income of his parents.

So, the social aspect of the question is extremely important. I am not very confident and happy that the Members on the other side have given due consideration to that. As a matter of fact, we have heard a lot about the economic aspect of it and all the various things that go with economics, but except for one passing comment by the Member for Diego Martin Central in anticipation of what I would say, not a single Member on the other side gave any indication as to how this particular measure and those series of measures will impact upon the social conditions of the people of our country.

There is another aspect, there is another impact of these measures on our society and, again, this is based on the development in those societies. It is where the middle class itself is going to be in serious danger. The middle class and the "new poor," as they have been called under the former regime. The middle class are going to become so broken up, so deteriorated, that they are now going to become part of the working class; and so there will evolve a situation where you are going to end up with two classes: the working and very poor class, and the rich elite.

Mr. Sudama: The rich, the poor and destitute.

Miss H. Bhaggan: And soon you are going to have a situation like in Central America where the very rich and the very poor were pitted against each other and they end up with things like civil wars and other kinds of social unrest—

Mr. Palackdharrysingh: Revolution! Careful of that.

Miss H. Bhaggan:—and revolutions in that part of the world. Right now in Venezuela—every time you go to Venezuela—in fact I was in the Dominican Republic a week ago and I spent a few hours at the airport in Caracas, Venezuela, and the economic discussions there are—one had to do with the fact that there is always a perpetual rumour that another coup will happen in Venezuela. In Venezuela, too, the middle class is in serious trouble and this is why so many problems are erupting in that country.

When the Member for St. Ann's East spoke about India it sounded great, but I remember in school when we were taught Mathematics we were always told to compare like with like. I will not compare India with Trinidad and Tobago. If I want to compare anything at all, I would compare Trinidad and Tobago and Venezuela, because of the kind of economies that we have.

Mr. Manning: I am very glad that the hon. Member has made that point, Mr. Deputy Speaker. I just want to point out a key difference between Trinidad and Tobago and Venezuela which is relevant to your argument, and that is that the per capita oil production for Trinidad and Tobago is higher than the per capita oil production in Venezuela. That is most important—and not just oil—but that our revenues from gas are significantly larger. It is the same argument in respect of Nigeria: one million barrels per day, but a population of over 100 million people. In the same way, a comparison between Trinidad and Tobago and Jamaica; or Trinidad and Tobago and Guyana is not a fair comparison.

Mr. Palackdharrysingh: But it is an underdeveloped, open economy.

Miss H. Bhaggan: Mr. Deputy Speaker, there is always a debate about statistics and economic indicators. My main issue is that if we are going to talk about development, we are not only going to look at economic indicators; we have to look at social indicators. So regardless of what Venezuela is doing or what Trinidad and Tobago is doing, we have to be able to combine both sets of indicators and not only talk about growth in terms of economics, but talk about social welfare and real development. So I appreciate what the hon. Prime Minister is trying to say, but the point is Venezuela is a much more massive economy than ours. In fact I believe—and I have the statistics, later on I will share them—with the kind of money that Venezuela has been able to accumulate in respect of their oil revenues, they have gained.

Going back to the point, I was saying that once you have this creation of two main classes, you are going to have a polarization of these classes. They are going to be pitted against each other and you are going to have a lot of social unrest in your country.

Mr. Sudama: A lot of looting.

Miss H. Bhaggan: Secondly, I think it was Friday, or some day this week—unfortunately I was not here but I read about it in the newspapers—I heard that there were 40 URP workers on the rampage somewhere in Port of Spain. I want to suggest to the Member for Diego Martin East—

Mr. Palackdharrysingh: Fire him!

Miss H. Bhaggan:—that that particular movement is a serious signal as to what is taking place in this country. It is not merely the URP, it is a kind of feeling among the young people that there is no hope. Because when they went to the supermarket, according to what I read in the newspapers, it was not as if they were going for bread and butter: they picked up champagne and whisky. It has to do with the value system. When you look at the crime situation and who is committing the crimes, you look at the age brackets, again, it has to do with the value system. But it also has to do to a large measure with the way people are feeling in this society. If we just look at that particular event and consider that to be isolated, I believe we would be making a very serious mistake.

I want to suggest to the Members that the particular measure in that programme with respect to saying, well you know we are going to allocate projects to maintain social peace, that they ought to re-think that whole situation. I do not know whether the Prime Minister is aware of it, but the last time he made that statement, and when we look at the statistics with respect to crime now, suddenly there is an upsurge of crime in the rural areas, because, in that statement the Prime Minister gave the impression that somehow the people in the rural areas were okay and nothing was happening with them because they have agriculture and other ways to take care of themselves.

I am surprised because the Member for San Fernando East always talks to us as if we are being irresponsible. But I want to suggest to him that one of the most irresponsible statements ever made by any Prime Minister in this country or, perhaps, in this part of the world, is that statement. Because it instigates and it creates a kind of environment to have one section of this society pitted against the other.

5.15 p.m.

For instance, I got a report this morning that a young woman in my constituency was kidnapped in the night. She was selling barbecue chicken, because that is how she earns her living, and four men were passing up and down looking at her and she was dragged into their car. It was only because the villagers came out and attacked the men that she was released. I understand there have been several other kidnappings in my constituency. I am sure Members on that side who are living in the rural areas, including those who represent those areas, would be able to testify to the fact that "kick-down-the-door bandits", as they are called in Guyana, are now here.

You are sitting in your living room looking at television and somebody kicks open your door and comes in: they rob you, rape you, kill you and take what you have. As a matter of fact, I remember telling a vender one day, "Well, the money that you are making now, you should probably put it in the bank." This vendor told me, "No, I cannot put all the money in the bank, because if I do that and the bandits come and I have nothing to give, I am going to be killed. So I have got to always ensure that I have some money so when the bandits come, I can give it to them."

So what we have now is a situation where vendors and people in the informal economy, in particular, have to have what is called, "protection money". So this society is now deteriorating into one of a Mafia culture, where people are no longer safe. It is either you protect yourself or you have to have "protection money" to make sure that you and your family are safe. Quite often they not only take your money and rape you, but kill you too, as in the case of the woman in Couva South who, I understand, was killed because of her mouth. Because she argued with the bandit she was shot. She told them, "You cannot come to my house and try to steal my money."

So the situation is one where right now we have drug lords roaming this country. Eventually we will have a situation of war lords roaming this country, because there will not just be drugs; it will be people who simply feel that they have to survive by the gun. I can tell you that in Jamaica, too, that situation is presently in existence. Therefore, the economic measures will always have an impact on the social aspect of our society. I particularly like to make that point, because whenever our economic planners speak, they always speak about the economic aspect as if, for some reason, it does not have any kind of implication for the social aspect and the society in general.

Another point—and the Prime Minister mentioned it briefly—is the fact that he was in tripartite discussions with the trade union movement and the private sector and so on, and that a couple of days later this measure was announced I see this as a stab in the back, because how can you have collective bargaining as a process in your country and speak about going around a table and talking and then you introduce a measure that undermines the very issue of collective bargaining?

When you sit down and you decide well, we are going to have 5 or 10 per cent increase, and you have no control over price fluctuations, it means, in effect, your real wages are going to be eroded. What is the sense, therefore, of having collective bargaining? Why are you speaking to the trade union movement? Because that kind of discussion and dialogue with the trade union movement, really, will not facilitate what you are calling now the free market liberalized kind of economy. In an economy where you are talking about a free market system, what basically you are saying is that the market forces will have to determine supply and demand and prices and everything else that goes with it. To me, that is a stab in the back of the trade union movement.

[MISS BHAGGAN]

Capital flight: While Members are speaking about making this economy so attractive that investors are going to come, let us first remember that this is not the only country which is introducing these measures. There are many other countries which are doing so, where the environment is much safer for investment. Investors will not only come here because you happen to have the best incentives; they will come to a country because they feel it will be safe for them to be able to invest there; because they believe that there will be political and social stability. With these measures which are being introduced, there is no guarantee that in this country we are going to have political and social stability. That is going to be a serious disincentive to anybody who is going to invest in this country.

There are investors right now who are claiming they are so happy with those measures. Is it that they are happy because it is easier to access foreign exchange so that they can take their capital out of this country? So capital flight is going to become a serious issue in this country because people are going to look for other areas to invest where they may feel safer with respect to the security of their person. At the same time, looking down the road, they might be able to see there is going to be much better political and social stability in a particular country. We also have to remember that in our country we have a very vocal trade union movement and in some other countries it might not be so, and that could be another reason from the point of view of the investor wanting to invest in the country.

Another point is the question of financial speculation. It is a fact, when you have a flexible exchange rate, that people are going to buy and sell and, in fact, they are going to make profit out of that. Again, I have seen it happening, where, today, because the rate is looking good, you go and invest a couple thousand dollars, in some cases millions, because by then the value of the money would have decreased so badly; then you wait until the money increases in terms of its market value, and then you let loose and resell. It happens all the time. There are people who have become millionaires overnight in speculation on the financial market, especially with this kind of situation.

There is another aspect—just one of the asides of that—and it has to do with the question of overseas students. We have thousands of students who are studying abroad, whose parents have made certain fixed commitments and who would have budgeted in a particular way for these students. What is this Government going to do with respect to the rate for those particular students? Are they also going to have to purchase moneys on the open market? What is going to happen to those students? The question of overseas students is something that the Government has to think about very carefully, because thousands of young people whose future depend on an education abroad—it may be an area that is available abroad that is not being offered here—are going to be seriously affected.

Mr. Deputy Speaker, we do not intend to be very long here, but at the same time I want to give some information with respect to Jamaica, because I do recall the Member for San Fernando East talking about Jamaica. This is a book which is on the market right now. It is one of the most recent publications entitled *Storm Signals* by Kathy McAffee. On page 16 there is a paragraph which explains a bit of Jamaica's adjustment effort. This is a study which was done by the Association of Caribbean Economists. What they are saying is that as a result of the IMF experience in Jamaica, "real expenditure on social services was cut by 41 percent over the ten-year period, 1975/6—1985/6." They also talked about real spending on education per Jamaican below 15 years of age falling by 40 per cent during those ten years and that most of it was concentrated during the years of the IMF agreement. The impact of this particular cut was that the passes in GCE fell from 62 per cent in l980 to 34 per cent in l985.

It is important sometimes to talk about these kinds of things in a real sense, because when we talk about the economic indicators, we are not looking at the fact that there are going to be thousands of children who will not be able to participate in the educational system. The effect may not be felt now, but in about ten years from now the full effect will be felt.

I heard the Member for Diego Martin Central speaking about the fact that we are a highly skilled population. That is so now. But what about those young people who are now entering the market and those young people who cannot obtain a primary, secondary or university education? Then of course, we have a high level of functional illiteracy. So the question of the educational and the skilled element of our workforce will be so affected by these measures, that in 10 or 15 years from now, this country will be in a serious crisis.

The Member for St. Ann's East rightfully spoke about the globalization of the economy and world changes and the need to compete and so on. All those are great arguments. We fully support those arguments. But the point is, how can you say that on the one hand and, on the other hand, you are introducing measures which will negate any level of social development? How could you introduce measures which will negate any kind of development with respect to developing

[MISS BHAGGAN]

our human resources towards the 21st century to take care and compete in a global market economy? It is a contradiction.

5.25 p.m.

Another item had to do with the cut in housing. Again, it spoke about a 35 per cent cut in housing alone. Several other indicators showed that social conditions had deteriorated.

In The Dominican Republic, the same situation exists. In fact, I was there one week ago and that country is in a serious state. They, too, also introduced the IMF programme with most of the measures that we are talking about in this country.

With respect to Jamaica again, between 1980 and 1989, consumer goods imports had increased from 11 per cent to 21 per cent of the total import bill. So to say that this is going to encourage investment, production, and all those things, the experience in Jamaica shows that the content of the import of consumer goods had increased within those 10 years.

Because of the high level of unemployment created, wages in Jamaica have become so low that now it is about $0.63 per hour, and, according to statistics, this is one twenty-fourth of the actual wage of a US worker in the same industry. Also, the free trade zones were introduced as a measure to create employment and so on. Of course, there are many arguments against the establishment of these zones—the main one for it is the fact that it creates employment. In fact, 80 per cent of the women are employed there and most of them earn US $15 per week. That is the kind of earning one is talking about in these free trade zones that are supposed to have absorbed so many people in Jamaica.

The food prices in Jamaica are almost on par with the US prices. In 1992, again, with respect to the economy, the Jamaican dollar had started to decline very badly, and it was going to a stage where it would have reached almost Jamaican $100 to the US dollar. Then, a local businessman injected about US $1 million every week and that is what helped to stabilize the Jamaican dollar. *[Interruption]* Yes, there was skulduggery too, according to the Member for Tobago West.

In 1983 Jamaica was the largest recipient of US aid per capita, not in the Caribbean, in the world. In fact, that is a record in history. In this part of the world it was the first, and as far as the whole world is concerned, it was the third largest recipient of US aid. We, therefore, cannot parallel Jamaica too much with our situation because of those kinds of developments.

Recently, I also saw, according to what has been happening in Jamaica, in *The Gleaner* of Tuesday, March 16, 1993, on page 25, where it states that:

> "The bottom line ..."

of structural adjustment programme

> "... was that just under one half of the people had to rely on food stamps, free school lunches and help for pregnant women."

That is the kind of impact the sacrifices had on the population.

Crime has been on the increase in Jamaica. In fact, within recent times, it has been particularly bad, where, in one case 200,000 rounds of ammunition were seized in a particular police raid. Right now, the Bank of Jamaica is in serious trouble. In fact, it has been borrowing from different sources and it has been sued, according to the *The Gleaner* of Saturday, March 13, 1993:

> "The Bank of Jamaica is being sued for failure to repay a loan of US$3 million borrowed from a Caymanian bank."

Also, we have found where Jamaica is now buying foreign exchange from diplomatic missions in order to pay their foreign debts.

I heard the Minister talk about setting up bureaus. In Jamaica there were Asians who were buying on behalf of the Government, and there was a big scam with millions of dollars involved, and right now this matter is in the courts. People were buying at one rate, declaring at another rate, and making millions of dollars out of it.

What I am saying, therefore, Mr. Deputy Speaker, is that with this particular system being so flexible, with the controls, more or less, becoming more lax, one is creating a situation where there could be more loopholes in the system, and, as such, there would be avenues for—well, money laundering is another problem—manipulation and for people benefiting from the different price fluctuations and so on.

The Jamaican Opposition is seeing another serious decline in the Jamaican dollar, and this particular statement was made in the middle of March. In fact, it is being claimed that the reason why elections were called so quickly was that the Government intends to undertake some more serious measures and they were seeking a mandate and so on. That is part of the discussion that is taking place in Jamaica.

[MISS BHAGGAN]

I, therefore, should like to go to the Venezuelan situation again, just to share some brief statistics, because that is a country where a flexible exchange rate was being introduced. When I was there about one day ago, one US dollar was being traded for approximately 84 bolivars. If one would recall, the bolivar in the very early days was about 4.25 also. There has been a serious decline in the value of their money.

In 1989, as a result of the introduction of the IMF measures, and what is being called "the package" in Venezuela, one found that real wages were reduced by 50 per cent. When one compares the level of income in 1950 and the level of income in 1990, there was a 50 per cent reduction in real income. As a matter of fact, the people of Venezuela have gone back to a situation worse than in the 1950s. Presently, there is an unemployment rate of about 15 per cent. About 40.7 per cent of their economically active population are involved in the informal sector. Almost 80 per cent of the people of Venezuela are living below the poverty line; 20 per cent of the population are illiterate; there is a deficit of 8 to 10 per cent of their GDP.

In spite of all the freezes and so on in 1991 especially with respect to gas and electricity, inflation in 1991 went up to 35 per cent. Venezuela, over the period 1960 to 1990, got an income of US $240 billion, and, according to the historians, that kind of funding was enough to fund three Marshall Plans.

Even with that kind of money, Venezuela, right now, is in a serious social and economic state in the sense that there have been three coup attempts, from what I understand. I am sure the Member for San Fernando East will recall, when he would have visited the Mira Flores, that is the palace of the president. Seeing the bullet holes still in the walls and the windows and so on, where the attempted coup had taken place some time ago. The whole country, right now, any day, looks forward to anything happening. Whenever a long weekend comes along, there is rumour that there will be another coup.

Politically, the country is very unstable. Because of the levels of poverty, the deterioration of the middle class, the polarization, high levels of corruption and many other parallels which are very close to our economy, Venezuela, today, is in very serious trouble. We are now looking forward to setting up one-way trade with Venezuela, and eventually hoping that Venezuela will also export their goods to us and so on. All that is great. But the point I am making is that regardless of how much money one may earn as a country, if one does not undertake a development effort which is holistic in the sense that all aspects of one's society is taken into account, then it makes no sense that one has money.

It is very clear that we in this country had money. As a matter of fact, when we calculate the money we got from the oil windfall, and we look at the debt of the region—when I say the region, I do not mean only the English-speaking region; I am speaking of the whole Caribbean, the four linguistic areas—I believe, as of 1988, the external debt for the whole region was US $20.6 or US $20.9 billion dollars. I believe we had close to that amount of money in this country and we could have actually paid off the external debt of this region. We had money and we are still earning money in this country.

Regardless of what people are saying, and all the jokes and laughter, the point is, when one compares the revenues we are getting as a country, with other Caribbean islands, today, many of them cannot boast of getting half of that kind of revenue.

5.35 p.m.

Whenever the PNM speak about the external debt, you get the impression that it is somebody else who created that problem; you do not get the impression that they had anything to do with the problems of this country as they are today. Whenever we on this side speak and forecast what might happen we are being called irresponsible. The point is, we as the Opposition, have the right and duty to ensure that we expose the negative aspects of the various policies which are being introduced in this country. If we do not do that, we become part and parcel of the whole system and we become part of the collusion.

If we want to maintain the Westminster system, as this Government insists that we do, then our duty is to criticize and look at the various measures, and point out the deficiencies and defects. And in that respect, the point of view expressed by the Prime Minister about the Member for Couva North—who spoke of an impending devaluation, that he sees that as being irresponsible, we see that as being our duty to ensure that we alert this population as to some of the things that will happen in the future.

For instance, when we say that there is likely to be social and political instability, I guess we would be accused of being irresponsible. The point is, we are not living in isolation from the rest of the world. We have to study other countries also to see, with the various measures that are going to be introduced, what kind of response will be coming from the various populations. We know our country and our people. This is why I am particularly concerned with respect to those 40 workers who went on the rampage a couple of days ago. That kind of situation gives a signal to other people in this country.

With respect to money laundering—I know the Member for St. Ann's East tried to say that he is introducing measures to minimize that. For the sake of information, I suggest to this House that we cannot totally eliminate money laundering when this particular measure is introduced.

In Venezuela, according to the *Jamaica Observer* of Sunday, March 21, 1993, money laundering is a big business. According to this article many Venezuelans are wondering whether their country has become Latin America's biggest money laundering centre. Politicians, drug fighters and bankers all recognize that drug trafficking has taken root in Venezuela. Reports by international and local bodies indicate that money laundering is now the most acute aspect of the drug problem. It went on to state that a foreign Minister and former Minister of Defence, retired General Fernando Ochoa, recently charged that the Venezuelan financial system facilitates the laundering of dollars because it is an open liberal system and does not have sufficient checks.

This is a real situation where with the liberal monetary system you are going to have loopholes where money laundering could take place, and Venezuela is an accusing point.

Mr. Deputy Speaker, I go on to another point. This is the question of alternatives. We are usually accused of criticizing without offering any alternatives. To us, one real alternative—and it is not a pie-in-the-sky about investors coming to Trinidad and Tobago, and that everything is going to be honky-dory and thousands of jobs are going to be created. All these elusive job-creation plans I have been hearing about for many years. As a matter of fact, I am still waiting to see the effects of this blue-print for job creation that was being waved about during the days when the PNM was in Opposition. While we are waiting for that, we suggest that maybe one area where this Government ought to look very seriously with respect to helping to resolve some of our internal problems, is agriculture. There is much emphasis on export-led growth and development. That is great if you want to insert yourself within a global-market economy. But given the state of our economy we have got to adopt a two-pronged approach: one has to do with internal developments and the other with external developments.

In terms of the internal dynamics, we have the resources to be able to feed ourselves as a country. I challenge this Government today to visit the supermarkets and look at the shelves. I can assure them that at least 90 per cent, as a minimum, of the foodstuff on our shelves today is imported. And out of that 90 per cent, I can assure you more than 50 per cent could be actually grown and developed in Trinidad and Tobago, and in this region as a whole.

Why do we continue to support the farmers in other developed countries when we ought to be supporting our own agriculturists and farmers of this country? Because the import lobby, I understand, is big business. It is part of the campaign of financiers of the PNM and, as such, they have to repay them. But once they are introducing these measures into the country and are not going to develop food self-sufficiency, it means that people in this country are going to starve.

I want to let this Government know that when in Venezuela the situation got worse and the poor people came down from the barrios and looted the stores, the middle-class was becoming besieged. They did not come down into the streets but, for one week, between seven and eight o'clock every night, for one whole hour the middle-class in Caracas were blinking their lights and there was this discreet call saying that 'Perez must go.' Then that was followed by the knocking of pots and pan out of windows.

It may sound really funny but this is what happened. The middle-class were protesting against what was happening. Apart from anything else, one vital area in which they were affected was the access to food to feed themselves and their children. If we want to go into these kinds of measures and talk about export-led growth and development one of the things we have got to look at is the question of food security.

I ask my friend, the Member from Diego Martin West: What has happened with this famous land distribution policy that was supposed to have been implemented in the first quarter of this year? As far as I remember the first quarter is finished. So that the land distribution policy is still somewhere hanging in the air.

As far as I recall earlier, only about 5 per cent of the budget was allocated to the Ministry of Agriculture. As far as I am aware the infrastructure is in a total state of deterioration in this country. When I say infrastructure, I am speaking particularly, not only of the physical infrastructure, but the marketing infrastructure; and not only in marketing of fresh produce but also with respect to setting up the infrastructure for the establishment of downstream and agro-industries which is in a serious state of deterioration.

The ADB now is lending at rates close to market rates. Extension services are very scarce. As a matter of fact, I was told by some farmers that the rates—service charges—they used to pay under the Ministry of Agriculture have been increased. Then we have persons in subsistence agriculture, those who plant small crops, for example, bodi, peppers, and tomatoes to sell along the highways. How long are they going to sell along the highways, or next to some supermarket on the street? What are we going to do, therefore, to be able to bring some kind of order and organization with respect to the production of fresh produce in this country?

Floods in Central Trinidad. Every time we ask the Member for Diego Martin East what he is doing about floods he replies that he is doing some study. Up to now he is still studying the situation. Thirty years in power before; they are back in power now and they are still studying floods in Central and South Trinidad.

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

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

Miss. H. Bhaggan: I am much obliged. With respect to praedial larceny, there is a serious problem in the country. Our farmers are not being protected. For instance, in the case of the Central Market because there is trade in cash, there are farmers who are robbed daily; not only robbed they are also stabbed, shoved, and chopped. They are wailing on the highways, and so the farmers of this country are an endangered species.

5.45 p.m.

What do we do instead? We import. We use valuable foreign exchange to import food that we could produce in this country. Then the cost of tractors, pesticides and other kinds of inputs to the industry and to the sector are extremely expensive. What you find is that the cost of production locally tends to be more compared to the imports. Then, we say that imports are cheaper, but remember that in those developed countries, they still subsidize agriculture.

What do we do? We want to liberalize; cut out subsidies; bring ADB into market lending rates, and introduce fees and charges that are more in keeping with the cost of these services. While we are reducing and cutting out subsidies, the other developed countries are making sure that they maintain those subsidies.

Obviously, when goods are brought into our local market, they are cheaper. The point is that if they were to really protect agriculture, to the extent where we would be able to develop our food sufficiency, the other benefits coming from that would not only encourage us in food self-sufficiency, but also the dent on unemployment would become a great one.

On the point of construction: after you have constructed the maximum security prison, what would happen to these workers? Would they not go back on the breadline? Construction is like a temporary form of employment. I suggest to this Government that the $140 million being put to the URP programme, 50 per cent ought to have been invested in the infrastructure of agriculture. That would have created sustainable employment.

Agriculture is a labour absorptive industry and sector. Why is this Government not investing in agriculture? Why do they insist on importing foodstuff? As I mentioned before, if we do not do something about growing our own food to feed our people and free up employment, people in this country would become like those in Somalia. If you think I am exaggerating I want to inform you that Somalia also had an IMF loan. They were not exempt from the conditionalities which we have had in this country. When we look at Somalia, we see different things, but the point is that country also had problems with respect to the IMF. I say that agriculture has to be one of the real developmental alternatives for this country.

I know in the case of agriculture, there are situations where the informal sector is so unprotected that people who spend their whole lives in agriculture have no national or retirement insurance; sometimes they may qualify for old age pension; they are generally in very poor health and so they become part of what is called the mendicants, beggars and vagrants in our society. There is no form of social security and no scheme for these people to encourage them to somehow invest in some kind of situation which will help them to look forward to their old age.

Agriculture, therefore, is like a stepchild. I do not know for what reason, but the PNM has a history of neglecting agriculture. From their recent policies, they have maintained the position that they are not going to put the kind of infrastructure into agriculture which would develop it, except for words—the words of all this famous land distribution policy which was supposed to come on stream in the first quarter of 1993. I have just seen a paper being circulated; I have not seen anything else happening.

I therefore want to conclude with a very brief comment. In Venezuela, an article was published some time ago, which dealt with the experience of the Structural Adjustment Programme in this country. In fact, it said that neoliberalism has failed in this country. The headline is: "Derrota al neoliberalismo." Just for the record, I can always give a copy to anyone who wants it. The language is Spanish and since they want to make Trinidad and Tobago the gateway to Venezuela, I think we should start introducing Spanish into this House, as I said once before.

According to this particular article, the model that is being pursued in this country—

Mr. Valley: Mr. Deputy Speaker, just a question for the hon. Member. I just wondered whether she would consider giving some of us private tuition.

Mr. Sudama: Your head is too hard.

Miss H. Bhaggan: Mr. Deputy Speaker, I would not reply to that question. I would have hoped that if they are going to sign a bilateral agreement with Venezuela, some Members on the other side would have started to learn Spanish, because it would be useful to know what they are signing.

This article spoke about the increase in unemployment, debt and in particular, in unpopular and rebellious discontent in the society. Basically, this is someone else who has been studying our part of the world, not only this country, but also the Americas. This person wrote this article particularly in the case of Trinidad and Tobago. It said in the last paragraph that if the present Government continues on the old path, they too would suffer the same fate.

Dr. Rowley: Of whom?

Miss H. Bhaggan: As the former Government. That is what this person said in this article. This is an opinion of someone. I just said I would quote it because this is how we have been perceived outside.

I wish to conclude by saying that this particular measure we have today cannot be viewed in isolation from the rest of the package that has been introduced in this country.

Mr. Manning: We said that.

Miss H. Bhaggan: I say that we cannot continue to emphasize the economic aspect of development and speak about economic growth, without at the same time paying attention to the social aspects and development. I also say that this particular measure would lead to serious deterioration in the social and living conditions of our people. The prices of basic consumption articles, such as food, clothing and transport will rise.

When the Members on the other side spoke, you got the impression that when the rate is declared on Tuesday, it would stay between $4.50 and $6.00. Let us not fool ourselves with that at all. There is no guarantee that the rate would stay at the opening rate or close to it, because the experience in other countries has shown serious decline in the rate and value of their currency.

I warn this Government that in undertaking this particular measure, it has to work very quickly towards ensuring that the protective mechanisms that were promised in the various documents before this House, and in the various speeches made by Members, must be put in place very quickly, or else it would lead to a situation where this whole state would become almost dissolved, because we would become just a very poor consumer society. We would become very close to The Dominican Republic which is a place with serious, economic and social problems at the moment.

As I said before, with respect to the poor in particular and the Ministry of Social Services, I hope that some kind of measure would be undertaken where the ministry would receive the resources to be able to provide for those people who would be seriously affected by this particular measure. With that I say that since this is such a historic change in the development of our economic system, it would have wide-ranging consequences.

I do hope and pray that the consequences which other countries have experienced as a result, we in this country would not experience them. I, too, like the Member for Tobago East, would not like to see another July 27, 1990, in this country, because we all love this country, live here, and we all want to see this country go forward.

5.55 p.m.

Mr. Ramesh Maharaj *(Couva South):* Mr. Deputy Speaker, the Government are asking us to approve this measure because they are saying that this is the medicine that will cure at least some of the ills of our society.

I do not think that one can argue with the concept of devaluation, depreciation or floating the dollar, because that has been a prescription which has been used

[MR. MAHARAJ]

from time to time by several countries—it is recognized—in order to assist in curing the ills of society. But has the Government really demonstrated by this measure, having regard to the present economic situation, having regard to the present economic strength of the country and to the measures which have been put in place, that there is not likely to be a crash and a repeat of what has happened in several of the countries in which this kind of measure has been imposed?

That is what is worrying us. It is worrying us because one would have thought that there were so many options open to the Government if it wanted to assure the country that some of the effects of this kind of devaluation—because, let us face it, whether one calls it "depreciation" or "devaluation", the effect, as far as the people of Trinidad and Tobago are concerned, is a reduction in the value of the purchasing power of the TT dollars.

One would have thought that there were many options which were open. For example, it was open to the Government to say that there will be a base rate from a certain amount to a certain amount, so that there could be some guarantee that the effects of this devaluation would not have adverse effects on certain sections of the population.

The other aspect, is that there could have been some measure to cushion the effect of this devaluation, because it may be that this devaluation should not apply to the purchase of certain kinds of goods, whether it be pharmaceutical drugs, whether it be other goods, such as the basic items of life. So that there could have been some guarantees. That is the problem we are having.

Because, let us face it, and I want to deal with this first, it is not correct for the Government to say that because something is in its manifesto, that when it was elected to office it got a mandate to do what it is doing today. You see, you cannot look at one paragraph in a manifesto in isolation from the whole thing. The manifesto has to be taken as a whole. Page 4 of the manifesto, says:

> "The social fabric is collapsing as the middle class crumbles, an underclass emerges, unemployment rises and as tens of thousands face sheer poverty and daily starvation."

With respect to the excerpt which I just read, even if one can get from it that the Government was saying that it was going to devalue at some time because it said "ultimately," a reasonable reader in Trinidad and Tobago, a potential voter, aware that this party says it cares, would, in effect, consider that any measure being implemented would be one to show that it, in effect, keeps with the preamble—if I use that expression—of the manifesto.

You see, one has to look, therefore, to see, really and truly, what effect this can have. I do not think it can be disputed, because it has been admitted on that side that it would have an effect on the cost of living, it would make the ordinary person less likely to buy the things which he could normally buy for the amount of money that he had. So the effect of this measure is really a deduction in the disposable income that a person has; it, in effect, amounts to a cut in his salary; it amounts to a reduction of his Cost of Living Allowance. That is what it is.

If it is that, then we have to look and see what stand persons on the other side took when there were measures which they considered could have had that effect on the population of Trinidad and Tobago.

In 1987, the hon. Member for San Fernando East, then in Opposition, in making a contribution in this House, in respect of a Bill to validate the par value of the Trinidad and Tobago dollar, on February 6, 1987, at 3.30 in the afternoon, said, and it is interesting—I can understand how he is unhappy about this, because I am sure that no matter how much he tells this House, he knows at the back of his mind that this is going to have serious effects without the Government announcing any cushioning of what is likely to happen: He said:

> "But it is possible, and the Government has argued elsewhere that it is necessary, to do this, but, surely, could not the Government have considered some kind of arrangement that at least would have life-saving drugs available to citizens of Trinidad and Tobago at a reduced cost?"

Mr. Manning: We did that with the VAT.

Mr. R. Maharaj: I am talking about now, what effect this measure would have. I am not talking about then. This measure would have the effect of increasing the price of pharmaceutical drugs, and, consequently, one's purchasing power would be reduced.

To continue with the quotation:

> "Consider yourself, Mr. Speaker, as an old age pensioner; you are not a pensioner yet but they tell me you are not far from that, but as far as it may appear now, the time will surely come when you are going to be a pensioner too, and it is not just you; it is I, and all of us in this honourable House. The time will eventually come when we too will be pensioners, when we too will experience the realities that are normally associated with advanced age;"

[MR. MAHARAJ]

Continuing:

> "…we will have to depend on a drug or drugs, not only for the sustenance of our own life but for the relieving of some kind of pain that we may be experiencing. Surely, a caring government would have taken cognizance of that and would have sought to find some mechanism by which it could be ameliorated."

Was that an error on the part of the hon. Member for San Fernando East? Where is this caring government? Has this Government announced that it will set up a mechanism to ameliorate the effects of these measures?

I continue:

> "…what the Government chooses to do is to remove the one mechanism by which the effects of this could have been cushioned, and that is COLA—unilaterally, unceremonially, unconstitutionally and unlawfully, remove COLA, the mechanism by which the thing could have been cushioned."

I ask and I want the other side to answer: Is it not correct that the effect of this measure would be to reduce the value of the COLA which people are receiving? But the COLA that they have in place, since it is a reduction in the purchasing power, it, in effect, would be to some extent—*[Interruption]*. I can understand the anxiety.

> "…in the debate on this particular measure, make some statement to this honourable House that can indicate to the public at large that the Government is not entirely insensitive and is determined to take steps to cushion the effects of what this measure will have."

What steps has this Government announced so there could be cushioning effects on this measure? Because this measure can have very grave effects, worse than the effect in 1987.

Then, some time just after 3.40 p.m., this is what the hon. Member said:

> "We now know that the assumption was not correct."

after he spoke about the housing situation—

> "What in fact seems to be happening is that we are moving into a period of reducing real income whether it be by way of removal of COLA, where the actual figure is reduced or whether it be by way of this particular measure where you are going to unify the exchange rate, raise their cost of living, and therefore reduce the amount of disposable income that every individual has."

So, Mr. Deputy Speaker, is that not what the Government is doing? Where is the cushioning effect? I wish the hon. Member for San Fernando East to remember this:

> "We just genuinely should like to draw some of these things to the attention of the relevant authorities on the opposite side and to hope that a greater measure of social conscience begins to be demonstrated in the policies that emanate from that Government,.."

It would seem to me, and it is quite clear, that this Government is not really concerned with caring for the people. It is clear that certain businessmen in this country are going to benefit from this measure. Because, in effect, what is going to happen—it is only the manufacturing sector which earns foreign exchange, which is going to benefit. What will then happen is that the small and middle businessmen who import would not be able to survive, because they would be gobbled up.

This morning, the information I got from people involved in the poultry industry, is that it is anticipated that any devaluation, depending on the extent, can increase the price of chicken tremendously, because the grains which are needed and have to be milled in Trinidad and Tobago come from abroad. The increased cost would mean that the price of chicken will go up. When that price goes up—there are people who are involved in the milling of those grains; the other companies are involved in hatching the chickens et cetera, because most of the eggs are imported—what will happen is that it will be cheaper to import chicken. So business people who are involved in the chicken industry will have to go out of business. There are many other instances like that.

I do not think it is correct to give the impression to the population that what is being done here is for the common good. It is not being done for the common good! The people who are going to benefit from this are these selected people. As a matter of fact, this thing is not going to be liberalized, it is going to be controlled, and controlled by a few people who can inject foreign exchange when they want. They will, in effect, monopolize the whole thing and determine what the rate will be.

When we look at the countries and we see what has happened, it is clear that this has not worked. In *Caribbean Affairs,* April/June, 1992, Vol. 55, No. 2, Norman Girvan wrote an article on the Jamaican situation entitled: "Liberalization and the Social Sector in Jamaica." He quoted from a report, and I should like to read this extract from page 4:

[MR. MAHARAJ]

"The exchange liberalization of September 1990 – September 1991 was, in other words, undertaken under conditions in which it was clearly inappropriate and irresponsible to do so—a heavy debt burden, a weak balance of payments…"

two of which we have

"and excessive liquidity".

which does not apply to Trinidad and Tobago—

"It unleashed speculative activity in the US dollar which has taken us to a high-inflation economy, encouraging further speculation in non-productive ventures like real estate and the stock market.

I found it interesting that in the 1991 issue of UNCTAD's *Trade and Development Report*, there is an extended discussion of the findings of case studies of financial liberalization in developing countries."

So this is an international study.

"The report notes…"

"In all but very few cases, financial liberalization has ended in a crash. This was partly because although liberalization was typically adopted as a remedy for economic stagnation and instability, these had greatly weakened already fragile financial markets and institutions.

In the handful of cases where these problems were avoided, two factors were especially important. First, liberalization was adopted after—not before—a considerable degree of industrialization had been achieved, and from a position of economic strength, not weakness, and second, liberalization was undertaken gradually and without making it impossible to pursue an active industrial policy."

We have known that the Government is, in effect, divesting its interest in all these industries, so what has happened is that they are not in control of that situation.

I do not think that the Government can show us any country with our kind of situation in which this has succeeded. To quote India is not to quote an appropriate example or comparison. India is self–sufficient in basics. As the hon. Member for Chaguanas has said, we depend on importing our foodstuffs. We are not self-sufficient. The Government has neglected agriculture. If the Government wanted to put machinery in place, what machinery have they put in place? Have they taken any steps for us to become self-sufficient? They have neglected agriculture.

In my view, I do not think that it can seriously be argued that this measure can, in effect, succeed, having regard to the facts we have before us.

I was reading the *Republic Economic Newsletter,* published by the Republic Bank. I got it a few days and the last page, after discussing the economic situation of trade liberalization, it says:

> "It would appear, therefore, that trade and exchange control liberalization have so far not led to the kind of negative impact on imports, as is often expected. These measures by themselves have had only a marginal effect on imports, partially because of the high tax or because of the high tariff protection which we place on quotas, but also because of the tight monetary policy which was pursued in the latter half of 1991 and in 1992. Such a policy can be expected to continue in 1993."

How can it be said that the measures which they have put in place have been showing signs of growth and signs of strength? It is my respectful submission that this country is being misled.

Mr. Valley: Mr. Deputy Speaker, just for the record, the quote by the Member, I wonder if he could tell this House whether he considers that good or bad. I did not get that from his argument.

Mr. R. Maharaj: In relation to what you are doing, I consider it to be bad.

Mr. Valley: I wonder whether he would want to read that quotation again and try to understand it.

Mr. R. Maharaj: I will read the next paragraph for you:

> "Contraction of imports, however, cannot continue for much longer without bringing the economy to a stand-still. The trick in this economy is to expand exports and capital inflows."

Mr. Valley: Mr. Deputy Speaker, given that last paragraph, would the Member now consider the move to liberalize the exchange rate to be appropriate?

Mr. R. Maharaj: If you want to borrow it and read it—let me continue my contribution.

[MR. MAHARAJ]

What has happened in this country is that the PNM, over the years, has always come with a policy and they have always said “this is the policy” and it has extreme confidence in this policy. But history has shown that PNM’s policy over the years has failed.

From 1956 until about 1970, the Government had basically a non-interventionist policy—they had no active policy with respect to involvement in production. What happened is that, because of the Black Power uprising in 1970, there was, in effect, a change, and they decided to become more involved. There is a White Paper which was done, and I have the name of it here: *White Paper on Public Participation in Industrial and Commercial Activities, 1972.* It is interesting to see what policy the Government adopted then, because what I want to show is that in 1972—and they went on until 1986 when there was a change of Government, and I will come and show that in 1992 they are saying they have confidence in the policy, but every economic policy which the PNM has put forward has failed.

In 1972, the policy which the Government decided to adopt accepted that the Government should play a far more active role in promoting economic growth, arguing that the private sector could not be relied upon to produce the kind of momentum which the country required to safeguard its economic independence and provide additional jobs, economic growth and an equitable distribution of the national income.

So, in 1972, after the Black Power uprising, the Government was thinking of economic independence, that it was important to have economic independence in order to provide the jobs, the growth and the equitable distribution of the national income. That policy has been thrown out of the window. As a matter of fact, the PNM policy now is that they are not going to do that; they merely want to be a facilitator and they want to let the private sector be responsible for providing these measures. In effect, what they are doing—

Mr. Valley: Mr. Deputy Speaker, for yet another time, the Government will be a facilitator but in some instances the Government will also take on the role of investor.

Mr. R. Maharaj: Mr. Deputy Speaker, whether they want to say what this facilitator will do or not do, the point about the matter is that they are in effect—whatever they want to call it—abdicating their responsibility for providing jobs, economic growth, equitable distribution, and they are depending on the private sector. They are not governing; they are running this thing like a private company.

Mr. Manning: Mr. Deputy Speaker, just permit me to quote from the particular policy document that was publicly articulated that outlines PNM's position in this matter:

> "We see the future role of the state in the commercial and industrial sectors as essentially being both a facilitator and an investor. The state could, therefore, invest or hold equity in investments where:
>
> - the industry or enterprise is of strategic importance, e.g. oil and natural gas
> - the enterprise provides a major social service, e.g. T&TEC, WASA, PTSC
> - 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, e.g., downstream petrochemical plants from urea, methanol or natural gas
> - a foreign investor would, without state joint venture, be unwilling to be exposed to political or country risks but is interested in a significant export–oriented project."

I could go further.

Mr. R. Maharaj: But the point of the matter is, could he tell us what they have invested in? On the contrary, they have been divesting and selling and, as a matter of fact, they have been selling companies which could have earned foreign exchange, Fertrin and Urea, earners of—

Mr. Valley: I just want to ask the Member whether the fact that those companies are now in private hands, they will stop earning foreign exchange?

Mr. R. Maharaj: I am glad you asked that. When they earn foreign exchange and it is repatriated, we are getting poorer and poorer. If the people of Trinidad and Tobago had owned these companies and we earned foreign exchange, the foreign exchange would remain here. What would happen—

Mr. Valley: Mr. Deputy Speaker, I attempted to answer that point when I spoke a while ago. The foreign exchange earned, remember they have to make certain payments here in Trinidad. If he works it out, he will see that all they could, in fact, take out is profit.

Let me make one other point. I will let the Member and those on the opposite side know that the Government has, in fact, invested in Nucor because of the pricing of the natural gas.

Mr. R. Maharaj: Even if we consider the profits, if the Government had kept the company and did not sell it, the profits would have remained for the benefit of the people of Trinidad and Tobago.

This brings it out again: Who will benefit from Nucor? Not the people of Trinidad and Tobago. The earner of foreign exchange is the company and the company will be able to take it.

Dr. Rowley: What nonsense are you talking?

Mr. R. Maharaj: That is nonsense. Because it is the truth, it is nonsense. The companies which could have earned foreign exchange, Farrell House Hotel, the tourist industry, an earner of foreign exchange *[Interruption]*

Mr. Sudama: The Member for Diego Martin Central has indicated that the Government has participated in Nucor through the pricing arrangement for natural gas. Could he inform this House exactly what are those pricing arrangements?

Mr. Valley: My information is that the Member is aware of all of that. As a member of the Public Accounts (Enterprises) Committee, I am informed that all of that information was provided to him, Mr. Deputy Speaker.

Dr. Rowley: It was told to the Committee and you are on the Committee. So stop playing the fool.

Mr. R. Maharaj: Mr. Deputy Speaker, what this has shown is that the words of Winston Churchill are appropriate: "Some men change their party for the sake of their principles; others change their principles for the sake of the party." What has happened is that the principles of the PNM were to provide economic independence to the people of Trinidad and Tobago. They have now gone on a roundabout turn. They have decided no, no, no, somersault. They are, in effect, staying in the background and letting this group of people administer and dictate the pace in the country, and all because the PNM has not shown that it has any commitment to devise means of solving the problems of Trinidad and Tobago.

One would have thought that they would have, in effect, tried to find a formula. Even in the very article which I read, one sees that there are several options open to Government. But what this Government decided to do was to just implement these measures. I want to ask the Government if it could tell this country that with these measures, what studies or projections have been done in order to determine how unemployment is going to rise; how the cost of living will rise in the average household, how purchasing power is going to affect that family, what effects this will have on crime, on drugs, and on all the social problems. Has the Government done that? No! The reason it has not done that is that it is not interested. It is merely interested in following its instructions from abroad.

6.25 p.m.

Mr. Deputy Speaker, I do not plan to be very long; I think I have said enough on this matter; but there are some aspects which I have not yet dealt with. On the legal aspect, I have raised one issue with the hon. Attorney General. But one of the other issues which worry me, is that we are depending on persons who have their money abroad to bring back that money; in other words, Trinidadians who took their money outside will bring it back, and it will come back into the system; and, in effect, this kind of philosophy would encourage them to bring back their money.

But a legal question arises, and that question is that there has been no machinery whereby these persons who have their money abroad and have committed criminal offences have been exonerated and, unless there is appropriate legislation, they are liable to be prosecuted. The Government cannot do that without legislation. As a matter of fact, under the Constitution it is only the police or the Director of Public Prosecutions who can prosecute, and the Executive must not interfere in prosecutions or the non-prosecutions with the exception of section 87 of the Constitution under which a pre-trial pardon or a post-conviction pardon can be given.

Therefore, if it is that the Government is saying it is depending on people to bring back their money, in effect recognizing that they would have committed criminal offences, it is important for the Government to tell this House whether it intends to prosecute them, or what steps it intends to take so that they would not be prosecuted. I do not think that the Government can say that it would leave it like that and ensure that the police do not prosecute them—that is unless the Government controls the police service. I think that one of the struggles in the country now is for the police service to remain independent from the Executive. Therefore, in that setting I do not think the Government can say that it can guarantee that the police would not prosecute persons who have taken their money out of the country.

[MR. MAHARAJ]

It is strange that since January, 1992, this had been talked about, and, as a matter of fact, the Government was made aware of this. In the *Trinidad Guardian* of January 08, 1992,

"Jackman: Amnesty for businessmen with foreign accounts".

> "Government should grant amnesty to businessmen holding illegal foreign exchange accounts before implementation of its plans to liberalize the foreign exchange market.
>
> President of the Trinidad and Tobago Manufacturers Association, Richard Jackman, believes Government's plan to float the TT dollar can work if done in consultation with 'the commercial community'".

Mr. Manning: Do you believe that they should get amnesty?

Mr. R. Maharaj: Mr. Deputy Speaker, it is not whether I agree. The question is that if you are implementing measures which would have the effect of de-criminalizing what has been done, then, obviously, it will be inconsistent for you to prosecute people—

Mr. Humphrey: Amend the laws so that there should be no penalty. Bring the money back!

Mr. R. Maharaj: Mr. Deputy Speaker, as one talks it raises another issue with respect to that. What happens, then, to the people who have been prosecuted under the existing law? What is the Government going to do with those people? It would have to make a decision. I have not studied it, and I want to make it quite clear that if people are being prosecuted now, and there are pending prosecutions, it might be an inequality of the protection of the law.

If the Government is serious about it, it would have to take steps in order to discontinue those proceedings. If the Government is serious about these measures and wants the system to work—and it figures that it can work—and for these people to bring back their money, I think that if it wants that, it is only reasonable that it either bring legislation or grants an amnesty.

Under the code of ethics I must declare my interests, and that has to do with some transition provisions with respect to contracts or matters that have been entered into. As I understand the code of ethics, if a Member has an interest he can disclose it. I have ordered a motor car—*[Interruption]* There are many people who have entered into contracts with respect to the purchasing of goods and those contracts were entered into—

Mr. Bereaux: I would like to ask the Member for Couva South: Another motor car?

Mr. R. Maharaj: Mr. Deputy Speaker, he can ask me that behind the Chair or at some other time. There are many poor people in this country, middle-class businessmen, who have ordered goods on the basis of their financial position and on the basis of the rates which existed. It seems to me that there should be some transitional provision that in respect of certain matters—it may be that the Government may not agree to all transactions, there may be transactions which relate to a particular matter, I do not know. But there should be some consideration given to those persons who are deserving and who cannot afford; or some kind of measures used, in order to ensure that there is some equity and that people who have ordered goods at a certain rate would be able to fulfill those contracts. Normally, in legislation like this I think that that would be considered.

It may be that it is Government's policy that it just wants to make a clean break and it does not want to give any redress on those lines. There are businessmen and other people who do small import business whose goods are on the way and they will have to pay for them. They have contacted me, and I think that having regard to their financial position at the time, it would perhaps make a very great difference to them.

Mr. Deputy Speaker, I do not want to prolong this debate any longer. We, on this side of the House are prepared to support measures which we are convinced would be a prescription for the common good. In effect, what the Government is asking us to do, is to approve a measure which, initially, it would appear—and I do not think this has been to any extent, admitted—that there will be a devaluation to some extent, and there can be no likelihood in the foreseeable future that we can see that that is going to come down; it would just get worse. We do not know to what extent it will get worse and, therefore, in those circumstances, we cannot, as we say in Trinidad and Tobago, "buy cat in bag".

I think it is right for us to do our duty to the population of Trinidad and Tobago, having regard to the present circumstances, the performance and actions of the Government, the fact that there is no cushioning-effect measure in place to give us some guarantees that the ordinary people of Trinidad and Tobago would not suffer. Therefore, we would ask the Government, even at this late stage, as a Government which says "it cares", to consider some measure that would, in effect, show the population of Trinidad and Tobago that in the next few months or, at least, in the next few years, at the purchasing power of the dollar would not be considerably reduced.

The Minister of Finance (Hon. Wendell Mottley): Mr. Deputy Speaker, I thank hon. Members for obviously being prepared at such short notice to respond on such complex and, indeed, important issues. I have made some notes and would propose, therefore, to deal with some of the contributions made by Members on the other side, not necessarily in the order in which they spoke.

The first point that was made was that the deficit in 1992 represented a retrograde step and that, in fact, that deficit could cause us some problems right now. In the medium term plan we had budgeted a deficit in 1992, which was exceeded somewhat. However, most of the excesses were due largely to the reduction in the petroleum regime, and also, Mr. Deputy Speaker, you will recall that in that year, we re-commenced payments of public servants' salaries at the correct rate.

And another factor that we had to grapple with, of course, was that external debt service which had been postponed in previous years started to become payable in 1992. So that without the benefits of the "Saddam Hussein effect" in 1992 we were able, in fact, to do reasonably well in managing Government's fiscal affairs.

6.35 p.m.

It has been pointed out that with a depreciation of the rates and the move by the Central Bank to protect its monetary situation, there is a risk that interest rates may go up. We acknowledge, that the Central Bank may either put up reserve requirements, or interest rates, but purely as a temporary measure during the transition period so as to assist the settling in of the new regime as quickly as possible. If any interest rates are to go up, however, Mr. Deputy Speaker, let me inform you know that we do not anticipate mortgage rates going up at all.

Let me reconfirm that one of the major objectives over the next few days and weeks will be to have, despite the fact that we are moving to a flexible exchange rate regime, the rate quickly come into what we call a zone of stability. Most of the benefits that will accrue from this system will accrue after that stability is arrived at and, therefore, all of us in Trinidad and Tobago have a vested interest in arriving, as quickly as possible, at that zone of stability, and if the Central Bank does have temporarily to increase interest rates to assist in mopping up extra TT credit to prevent people from borrowing money to buy US dollars, then it would have been in a good cause.

Questions were asked about what effect the new measure will have on the budget. We do have in the ministry, the capacity right now to go through all forms of permutations; especially since we did prepare the Medium Term Economic Plan all the parameters are known. We will be monitoring the situation very closely and by the end of the first week we will seek in the Budget Division to, close in on a particular exchange rate and run that through our computer programme and trace all of the budgetary and other consequences flowing from where we believe, at that stage, the rate will settle.

Another question: Divestment, and the reassurance being sought that the proceeds of divestment, that is, the divestment of US dollars, will be used for paying our debts. Mr. Deputy Speaker, that is so. We can confirm that again before this House. It is not as though the particular proceeds are sequestered and put in a particular vault or pigeon hole in the Central Bank. Nothing as mechanistic as that. You will recall that in the 1993 budget and in the Medium Term Plan, we have budgeted for US $100 million, the proceeds of divestment to be used to assist us in our external debt service for this year, which is about US $653 million. So with the Fertrin/Urea divestment realizing net about $91 million or so, we are very close already to realizing that particular objective.

Mr. Robinson: Will the Minister give way to a question? What I sought to have clarified is what aspect of the debt, having regard to statements made by the Minister of Local Government and himself, is he talking about? Debt consists of different aspects. What aspect of the debt are you talking about?

Hon. W. Mottley: It is the external debt, principally, the debt owed by the Central Government.

Mr. Robinson: Mr. Deputy Speaker, there is interest on debt and there are the maturities or the capital payments. Are they limiting themselves to the capital payments? Or are they paying interest as well?

Hon. W. Mottley: Both.

Mr. Robinson: You see, this is the point I am making. The interest is a recurrent charge, a charge on your recurrent expenditure. So if you are paying interest, it means that you are using capital assets to pay for recurrent expenditure. In addition to that, you are relieving other revenues for the purpose of recurrent expenditure. That is the point I am making.

Hon. W. Mottley: I understand the point the hon. Member is making, but it is answered by the way I have answered it, in the sense that the debt is $653 million, which is both interest and principal. I do not have the exact figures as to how much the principal amount was, but in that amount, assuming that it is about half, in any event, the principal amount is considerably in excess of the $100 million that we have budgeted for as the proceeds from divestment. So on a narrow interpretation of what the Member is asking, yes, the $100 million will be going to capital, because it is an accounting matter.

Mr. Robinson: Is the Minister prepared to reinforce the assurance on behalf of the Government that no part of the money received from the assets will be used for recurrent or consumption expenditure? Does that assurance hold?

Hon. W. Mottley: Yes, the hon. Member is correct, and that will be so for as long as any divestment proceeds are less than principal repayments. [*Interruption*]

If I could carry on, Mr. Deputy Speaker, questions were asked about the inflation rate—what did we anticipate. It is premature to ask that at this stage. We, on this side have some ideas as to where we believe the rate would go, but, as I indicated, although we have an interest, those discussions are taking place at the Central Bank with people who are more in touch with the market situation, and that rate will be known, hopefully, by Monday at the latest, and from that will flow a series of calculations.

However, we have to plan our affairs and plug in the consequences that flow from that. We have found, in answer to the question raised by the Member for Tobago East, that on average, a depreciation of the rate by about 10 per cent leads to a domestic price increase of about 3 per cent. So for every 10 per cent movement in the exchange rate, you will see about three per cent movement in the price rate domestically; at least that has been the experience. We believe that with the economy being as tight as it is and the difficulty in passing on price increases in this difficult time, that it will be held to about 3 per cent.

The hon. Member also raised certain questions about difficulties in travel to Tobago. I will only say that strenuous efforts are being made at BWIA, commencing with the recruitment of a new managing director, to have that airline in very good shape as soon as possible. The Caribbean Airways contract is due to commence, I think, in June of this year, but, in any event, let me give you the assurance that BWIA has been told to stand by and have lease arrangements with the Dash 8 aircraft, so that, should anything untoward happen, Tobago will be well served by BWIA.

Miss Nicholson: It is argued that tourism is one of the areas that can benefit very much from the changes that are taking place. Could the Minister of Finance tell us how, for example, from a Tobago perspective, that will occur without airlines to bring people to Tobago?

Hon. W. Mottley: Mr. Deputy Speaker, I thought that that was what I was elaborating, that we are very concerned about connections to Tobago, and that tourism is to be shown by this Government, very shortly, to be a major plank for the economy, and Tobago's role in all of that is going to be critical.

Therefore, in attempting to show you that we are working extremely hard on BWIA, despite the disappointments that we have had in trying to divest it and seek a major international partner—and that in any event BWIA will be prepared to run that particular service to Tobago after June 8, when the Caribbean Airways contract, which is a matter that the Member for Tobago West is familiar with, because it was a contract that we inherited from the last government, that when we have tourism as a major plank in our economy, we expect that the airline connection will be well served.

6.45 p.m.

Miss Nicholson: Mr. Deputy Speaker, the hon. Minister is talking about the air bridge; I am talking about tourism. He removed four tours from the European service which brought the tourists right into Tobago! What is he doing? That is my question. If we are to benefit from tourism, we must be able to pull the people into Tobago, just as it is done for Barbados, Antigua, St. Lucia, Grenada and so on. That has been withdrawn from Tobago.

Hon. W. Mottley: As far as I know, Mr. Deputy Speaker, BWIA, hard-pressed for cash that they cannot get from the Government, is having to rationalize its services all over. Some services direct to Tobago may have been removed, but certain others do still remain, that is, international flights to Tobago. I would hope that with an increase in traffic, that as a purely commercial arrangement, BWIA will want to re-introduce those services.

The Member for Chaguanas raised a number of matters about cost of living increases. As I said, we have these matters under surveillance to see what are the actual consequences which will flow. The Minister of Public Utilities has given me this bit of information, that with every 10 per cent increase in gas price—natural gas is denominated in US dollars, and therefore it is a fuel charge to T&TEC—people who consume 200 units will see their bills, which are bills for

[HON. W. MOTTLEY]

every two months, increased from $39.36 to $40.17. If you are consuming 600 units, it would go from $108.89 to $111.31. That is for every two months. If there is a 30 per cent increase in the gas price, it will go from $39.36 to $41.78 for the 200 kilowatt persons, and for the 600 kilowatt persons, from $108.89 to $116.14. So that is a potential area where the consumer could be affected by increased prices. As you can see, these increases are not very significant.

The Member for Chaguanas expressed much concern about her own experience in Guyana, about the continued depreciation in the Guyanese dollar. I remember that well. I used to visit Guyana fairly frequently. You would go there and the rate would be $30 to the US dollar, and you go back in a month's time, and it would be $45. The rate depreciated steadily, almost daily. The Member is expressing concerns that the same thing does not happen here, because it is that kind of situation which leads to $20 for a small tin of milk one day and $40 the next month. That is a concern. But we do not expect at all the Guyanese situation being replicated in Trinidad and Tobago. It is a very different situation. Just as I explained in detail how our situation was different from Jamaica's, so too our situation, by all counts, cannot be compared to Guyana back in the late l980s and early l990s. Our situation does not even remotely resemble the Guyanese situation.

In all of this economic reform programme that we are going through, the Member correctly pointed out that there are social consequences. This Government remains acutely conscious about our responsibilities in this area. The facts are that very early in the life of this Government we recognized that the availability of satisfactory health care would be an important item in the budget of an ordinary citizen, that especially as things got tough, people were no longer able to go to private doctors and so forth and, therefore, they were having to access state facilities, hospitals, but more so, the health centres, and that improvements in the physical state of these facilities were very important. Very early in the life of this Government, we negotiated a particular loan to deal with the upgrading of the health facilities in this country, and that work is underway and proceeding very smoothly. In fact, it is not an uncommon sight to see the Minister of Health peering into kitchens in some state institutions. Parallel with the physical improvements, there are radical new arrangements being made for reform at the health centres, administrative changes and so forth, all designed to bring proper, appropriate and very timely health care to the citizens of this country.

Similarly, in education, during the vacations last year, l992, the Minister of Education was able to carry out a rapid-fire repair programme in many of the primary schools in this country. Apart, again, from the physical facilities, we have embarked on preparing a radical new education programme where the groundwork has been laid with the education study and the draft policy plan which was laid recently in this House, that will attempt to get the young people of Trinidad and Tobago prepared to meet the challenges that this new economy will be posing.

The apprenticeship programme is a fundamental reorganization of preparing young people for the world of work after they leave formal education. Under this directed programme, we are going to see, starting within the next few weeks, young people being inducted, especially into the private sector, and being given academic training on the job, but then moving also in the course of the working week to working alongside people and learning the discipline of the workplace and learning practical skills in a period of apprenticeship that can last as short as six months, depending on the skill, but going on, in some instances, for as long as three years. This is an attempt here to replicate the European system where the major corporations, with state help, take on that responsibility. That will have the effect of upgrading the young population so that they can perform in this new competitive economy that Trinidad and Tobago is being pushed into.

6.55 p.m.

There are many other social initiatives. I do not want to get too involved at this stage, I would only give a sampling to carefully tell you that it is an area of great concern to this Government. It is being addressed in these practical fashions and it is being addressed financially as well. The financial provisions are being looked at and, especially in some of our borrowing programmes, we are specifically targeting social programmes to put funds in during the next several months and years.

There were some misunderstandings. The Member for Chaguanas was confusing the bureaus that we plan to set up as licensed foreign exchange agents in Trinidad and Tobago with the Jamaican agents which were agents of the Jamaican Central Bank. Two very, very different phenomena. The Jamaican agents—where there was this scam involved—were agents of the Jamaican Central Bank, and they went out into the private sector, to hotels and so forth, to buy foreign exchange on behalf of the Jamaican government. The bureaus that we are setting up are really the cambios which will be licensed dealers, which will be able to buy and sell foreign exchange to John Public. Private sector, not at all connected with the Central Bank, although the Central Bank will keep and eye on them. So these are not to be confused.

We need to put the Butch Stewart initiative into some perspective. Butch Stewart was able to intervene in the market when the Jamaican Central Bank, because of its critically low exchange position, was not able to do so. We would not be in that situation. In addition, the Butch Stewart initiative succeeded in the context of Jamaica going through an IMF programme in which, finally, they had begun to pull together their monetary and fiscal policies. We are already in that position. So that stability came to Jamaica in the context of the Butch Stewart initiative and tightened monetary and fiscal policies. So that the Jamaican exchange rate for the last nine months is now stabilized at about Jamaican $22 to US $1. We are already in the situation where we do have tight fiscal and monetary policies and the Central Bank can intervene in the foreign exchange market and do what, in fact, Butch Stewart did. For all these reasons, Members should take some comfort that the rate is not going to run away from us.

The Member for Couva South was worried and concerned about having some cushion effects. He, in fact, suggested that for drugs and so forth there could be a two-tiered rate. In the country's experience, it was a PNM Government that put in a two-tiered rate and a succeeding government removed it. It did not work, and, in fact, the succeeding government was correct in removing it.

The Member also made mention of a publication in which Mr. Girvan spoke critically about the Jamaican experience and implied that it did not augur well for us. But, in fact, only on Thursday night, I believe it was, Mr. Girvan, who is head of the Caribbean Economic Association, upon news of the liberalization of the exchange rate regime, spoke very favourably about the prospects of that regime in Trinidad and Tobago, bearing in mind all of our economic situations.

So, again, the two experiences will not coincide. We, hopefully, will be able to—

Mr. Maharaj: If the two-tiered system, as the Minister says, will not work—I did not suggest a two-tiered—what about a subsidy?

Hon. W. Mottley: Mr. Deputy Speaker, these matters will be held under review. There are, for instance, cost of living allowances which automatically trigger in and we, in the Ministry of Finance, will be addressing the whole situation once the rate settles and we know what it is we are dealing with and what quantums and so forth.

The fact is that the Member for Couva South made an error in quoting the Republic Bank's newsletter and bulletin because in so doing, he scored an own goal.

Finally, the fact that this matter will be implemented as of a certain date and some people would have some embarrassment in financial transactions. Again, I have to go back to the experience of the country. A previous administration sought to have some kind of transitional arrangement and it did not work. It was extremely messy and the Central Bank had much difficulty in sorting out claims and so forth. When the currency was last devalued, I think it was the Member for Tobago East who decided, again, that there will be no transitional arrangement. In hindsight, it seems that that is the best decision for the country: no transitional arrangements, it is just too messy.

With these few words, Mr. Deputy Speaker, let me go on to say that this is, indeed, a momentous step. It does have risks for the country, but the prospects for gain are significant and many. We are not alone in this. Several countries have gone this way before and we have studied their experiences to learn from their errors. We believe that we are capable, and especially now that we have the full co-operation of the banking community, we have the possibility of making this a success and advancing the date by which Trinidad and Tobago can move forward from stabilization to growth and the possibility of jobs.

Thank you, Mr. Deputy Speaker.

Question put and agreed to.

Bill accordingly read a second time.

Bill committed to a committee of the whole House.

House in committee.

Clauses 1 to 3 ordered to stand part of the Bill.

The Schedule ordered to stand part of the Bill.

Question put and agreed to, That the Bill be reported to the House.

House resumed.

Bill reported, without amendment; read the third time and passed.

EASTER GREETINGS

Mr. Deputy Speaker: Hon. Members, before I adjourn the House, let me take this opportunity to wish Members, their families and all present, a peaceful and enjoyable holy Easter weekend.

Motion made, That the House do now adjourn to Friday, April 16, 1993 at 1.30 p.m. *[Hon. K. Valley]*

Question put and agreed to

House adjourned accordingly.

Adjourned at 7.05 p.m.