

*Leave of Absence*

*Wednesday, January 14, 2009*

**HOUSE OF REPRESENTATIVES**

*Wednesday, January 14, 2009*

The House met at 2.30 p.m.

**PRAYERS**

[MR. SPEAKER *in the Chair*]

**LEAVE OF ABSENCE**

**Mr. Speaker:** Hon. Members, I have received communication from the following Members requesting leave of absence: hon. Ramesh Lawrence Maharaj SC, Member of Parliament for Tabaquite, from today's sitting of the House and hon. Vasant Bharath, Member of Parliament for St. Augustine, from sittings of the House for the period January 14, 2008 to January 16, 2008. The leave which these Members seek is granted.

**STATEMENT BY MINISTER**

**Continuing Global Economic Decline**

**(Update)**

**The Prime Minister (Hon. Patrick Manning):** Thank you very much, Mr. Speaker. Mr. Speaker, I thank you for this opportunity to make this important statement to his honourable House and the nation, which I make on the authority of the Cabinet of Trinidad and Tobago.

When I last addressed the nation on the global financial crisis and the implications for Trinidad and Tobago, I outlined the actions the Government intended to take to deal with the situation. Since then, there has been no improvement in the global economy. Indeed, the situation has continued to deteriorate in the most major and emerging economies, taking us close to the real possibility of a deeply worldwide recession. As promised, we have been constantly monitoring the situation and the effect it continues to have on the economy of Trinidad and Tobago. Revenues continue to fall and we have therefore found it necessary to take further measures that we consider necessary and appropriate at this time.

I wish, however, to assure the national community that the Government remains firmly confident of our ability to steer our country through this increasing inclemency in the international economy. Our confidence comes from the strength of our economy which, in spite of difficulties caused by global developments, performed quite creditably in 2008. Real GDP growth is estimated at about 3.5 per cent, compared with 5.5 per cent in 2007. This decline is due mainly to the

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reduced activity in the energy sector. On the other hand, growth in the non-energy sector remained robust at about 8 per cent, due to both public and private investment and entrepreneurship. The unemployment rate fell to a historical low of 4.5 per cent by the second quarter of 2008, which means that for every 100 persons in the labour force, approximately 96 persons were employed.

At the same time, the high level of economic activity increased domestic demand and unprecedented international increases in food and commodity prices throughout the first three-quarters of last year led to a sharp increase in inflation from the level of 7.6 per cent that we achieved at the end of 2007. In fact, by the end of October 2008, food prices had increased by 33.4 per cent, leading the surge in higher prices. In addition, core inflation also registered a strong increase in 2008, from 3.9 per cent to 7.4 per cent, suggesting that underlying inflationary pressures were very strong in 2008.

Mr. Speaker, when we look at how other countries have been dealing with this situation, it is clear that most are necessarily adjusting their strategies as global events continue to unfold. For instance, in the industrialized nations, initially the focus was on stabilizing the financial markets with public funds through, among other measures, purchasing distressed assets, recapitalization of banks, providing comprehensive deposit guarantees and a coordinated reduction of policy interest rates by major central banks. The focus has now changed and in recent weeks, most developed countries have either already adopted or are in preparation for fiscal stimulus programmes to deal with the worsening recession.

For instance, in the United States of America, in addition to a bank-support programme of US \$700 billion, there is a proposal by the incoming administration for a fiscal stimulus package of up to US \$1 trillion. The United Kingdom, Euro-zone nations, Canada and other developed countries have also announced significant fiscal packages which call for government intervention to the tune of hundreds of billions of dollars.

The fastest growing major economies, China and India, have also had to adopt similar strategies to shore up their flagging economies with a US \$600 billion plan in China and a US \$56 billion package in India. All these state interventions are geared towards public spending on economic, social and physical infrastructure in an attempt to inject life into limping economies.

Caricom nations are also doing what they can. Jamaica is implementing a stimulus package, which includes tax cuts, duty exemptions and loans to help the economy's most vulnerable sectors; and in Barbados, the effort is to defend

existing jobs, support the poor and vulnerable and protect the ailing tourism sector. In each case, as you would note, the common trend in the strategy to ward off the recession is continued fiscal initiatives by governments to maintain or improve infrastructure and to stimulate the real and productive sectors of the economy in the face of the severe credit crunch we experience in those economies.

Mr. Speaker, while it is true that, like all other nations, Trinidad and Tobago is not immune to the fallout from the present global economic environment, it is also a fact that our position is not the same as so much other countries. In fact, from one very important perspective, our situation is very different. We have been experiencing high levels of liquidity from developmental activity in the public and private sectors, high levels of employment and very buoyant revenues. As a result, credit expansion has been such that the Central Bank has had to pursue tight monetary policy by increasing the repo rate and the reserve requirement ratios over the last year in its attempt to contain liquidity and dampen inflationary pressures. In other words, whilst at the domestic level in so many countries, the flow of credit has almost dried up, we have had to take steps in Trinidad and Tobago, to dampen the flow; very different from everybody else.

But, Mr. Speaker, as is well known, our revenues have fallen as a result of the precipitous drop in the price of oil and in the less dramatic but gradual increase in the price of gas. The prices for some of our major commodity exports, ammonia, methanol and steel have also fallen significantly. We have, therefore, had to review our budgetary assumptions and in November we brought to the attention of the nation the fact that Government revenues would be \$5.3 billion lower than projected. To meet this shortfall, we identified expenditure cuts of \$4.7 billion, spread between recurrent expenditure of \$3.3 billion and capital expenditure of \$1.4 billion.

In making our decision, we were mindful that if we are to avoid a recession in these challenging times, we could not take the contractionary approach to our economic development. We cannot completely shut down our development programme. This, as I have pointed out, is a major pillar of growth of all economies and we in Trinidad and Tobago are no exception. As I have said on the last occasion, the country must keep growing, even though at a more measured pace. Standing still is simply not an option; not in this situation.

Under these circumstances, therefore, the Government has a special responsibility to pursue a level of economic activity that would keep our economy on a growth path, keep our people employed and keep resilient, the social fabric of Trinidad and Tobago.

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As the world economy continuing to worsen, Trinidad and Tobago is increasingly experiencing its negative impact. The evidence can be seen in the following:

- the weakening stock market activity in the last quarter;
- a discernible softening in real estate market;
- a reported decline in retail sales during the Christmas season;
- the postponement of some private sector investments because of the adverse market outlook;
- the continuing temporary closure of the plants in the domestic energy sector; and
- the postponement of new plants in the energy sector which were carded to begin construction this year.

Thus far, in response to our efforts to reduce inflation, there has been a sizeable increase in interest rates which has had a noticeable effect on both consumer purchases and business credit expansion. However, these trends if taken too far, could contribute to a marked slow down in private sector activity and a rise in unemployment. In addition, due to prevailing circumstances it is very possible that oil and gas prices in 2009 could fall even lower than the revised projections made in late November 2008.

Hon. Members, there is however a silver lining. With a projected continuing fall in global and domestic demand and the reduction in international commodity prices, particularly in the area of food, we are already beginning to see a reduction in the rate of inflation. Therefore, further measures to tighten the system may not have to be instituted, thereby easing the interest rate pressure presently existing in the system.

Also, after much discussion and deliberation, including with the Central Bank, it was agreed that we would base our oil and gas revenue projections on US \$45 per barrel as referenced by West Texas Intermediate Index and US \$3.25 per mmbtu for gas, representing Henry Hub prices, less transportation liquefaction and regasification.

With this adjustment, we are forecasting a further decline of approximately \$3 billion in government revenues. These are the facts, Mr. Speaker, that we must accept.

**2.45 p.m.**

The Government is of the view that we cannot continue to cut Government expenditures to fully compensate for the additional revenues shortfall. The Government is convinced that in this very difficult economic environment, which

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we did not create, our first priorities must be the welfare of all the people of Trinidad and Tobago. We are firmly committed to doing everything possible to avoid a recession, which would seriously affect employment levels and negatively affect our social welfare and poverty alleviation objectives.

We are convinced that with the global recession impacting on local private sector confidence, and with weakening export demand from our Caribbean markets, the Government has the responsibility to maintain an adequate level of domestic demand. At the same time, we have already demonstrated our commitment to fiscal discipline by trimming expenditure by 8 per cent compared with the original budget. But continued weakness in oil, gas and commodity prices have led to a further decline in fiscal revenues, and the Government must therefore make an adjustment in its approach.

We have consequently decided that we will employ a two-pronged attack. We will continue to trim expenditure, and recognizing that we cannot totally compensate for the revenue shortfall, we will also run a temporary deficit. [*Crosstalk*] That is to say, Mr. Speaker, we will fund a part of our expenditure out of our not inconsiderable savings. That is the point. [*Crosstalk*] That is the difference, Mr. Speaker. We have been saving for quite some time for an eventuality such as this, the rainy day as we used to describe it. Know that day has come we find ourselves quite well prepared to handle that eventuality also.

On the basis of what is generally considered to be conservative assumptions, US \$45 per barrel for oil and US \$3.25 for mmbtu for gas, our latest projections are for Government revenues of \$42.2 billion, some \$7.2 billion less than the original budget figure. Our expenditure is now estimated to be \$43.9 billion, approximately \$5.6 billion less than in the approved budget. You may recall that in my last address on this issue, the estimated revenue of \$44.2 billion and expenditure of \$49.4 billion, with a resultant shortfall or deficit of \$5.3 billion. After expenditure adjustments of \$4.7 billion, we realized a deficit of \$700 million. In this new scenario with revenues of \$42.2 billion and expenditure of \$43.9 billion, we will realize a deficit of \$1.7 billion or 1.3 per cent of Gross Domestic Product. Quite acceptable, Mr. Speaker.

The Government will issue bonds in order to finance the deficit without compromising our economic fundamentals. I repeat that, Mr. Speaker. The Government will issue bonds in order to finance the deficit without compromising our economic fundamentals. We are able to do this, because over the years, we have realized a significant build up of savings as well as growth in our foreign reserves position, which could more than adequately meet the necessary payments on our sovereign debt.

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Given the existing high liquidity environment, we are certain that this can be done exclusively on the domestic market. We believe that this is a far more acceptable solution than accessing the Heritage and Stabilisation Fund, permitted under the provision of the existing Heritage and Stabilisation Fund legislation. In other words, rather than go and take money from the Heritage and Stabilisation Fund, which we could do under the legislation, we have decided to raise the money by bonds on the domestic market, which the domestic market is quite able to supply to us. In fact, as you do that, we can dampen the inflationary pressures. We get two benefits out of it.

I want to also emphasize that a decision to have recourse to moderate the amount of deficit financing on a temporary basis does not indicate a relaxation of the Government's commitment to rapid inflation reduction. Rather, the Government's view is that inflation will continue to fall throughout 2009, based on the ongoing decline in international food prices, the growth in domestic food production, evidence of which is already forthcoming, and the generally lower level of domestic demand in 2009.

The limited deficit financing and the adverse export outlook will also not affect our commitment to exchange rate stability. Let me make the point again, because you see that is what they are saying. The limited deficit financing and the adverse export outlook will also not affect our commitment to exchange rates stability. [*Crosstalk*] Mr. Speaker, let me repeat it again for the benefit of my friend from Couva North. The limited deficit financing and the adverse export outlook will also not affect our commitment to exchange rate stability. Therefore, they have no need now to go talking nonsense about devaluation of the currency; it is just not on the cards. [*Crosstalk*] At any rate the currency is floating. [*Interruption*] If you talk to me afterwards I will explain these matters to you. My goodness. [*Crosstalk*]

**Mr. Speaker:** Order!

**Hon. P. Manning:** The limited deficit financing and the adverse export outlook will also affect our commitment to exchange rates stability. The fact is that as at December 31, 2008, the Central Bank now has US \$9.2 billion in official reserves. I repeat; US \$9.2 billion in official reserves, and just for the record, in April 1993, our export reserve position was minus \$10 billion.

Today, as a result of actions taken then, it is US \$9.2 billion in official reserves. The equivalent of 11 months of imports—where the international benchmark is three months, we have 11—available to moderate exchange rate fluctuations as necessary. You feel better about it? Also, our strong reserve

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position and our exceedingly low external debt burden will continue to underpin the country's investment grade rating as emphasized by the recent Moody's report, which endorsed our present policy position, and which can be used to access foreign financing at favourable terms if and when necessary. It is not necessary yet, but if it becomes necessary, we can do so at favourable terms because of a very good investment rating that has just been upgraded by Moody's.

In summary therefore, as I indicated earlier, we are confident that we can weather this storm. Our economy will continue to grow in 2009, even though at a slower rate than that to which we have become accustomed over the last seven years. We also expect a reduction in inflation during the year with headline inflation falling to about 7 per cent to 8 per cent by December 2009. While the slowdown will ease pressures on the domestic labour market, we do not expect any major increases in unemployment. Let me repeat that for the benefits of my friends opposite. While the slowdown will ease pressures on the domestic labour market, we do not expect any major increase in unemployment. [*Crosstalk*] What they have difficulty in accepting, Mr. Speaker, is that the Government has managed the economy well, and therefore minimizes the negatives at this time. [*Desk thumping*]

I want to emphasize that notwithstanding the revised expenditure position there will be no cuts in wages and salaries, pension benefits, senior citizens grants, disability grants, and social assistance grants. I repeat again. There will be no cuts in wages and salaries, pension benefits, senior citizens grants, disability grants, and social assistance grants. Most importantly, all programmes dealing with the fight against crime will be continued. [*Desk thumping*]

As we move forward in this challenging period, I wish to assure the national community that the Government will continue to manage our economy and society with strength and resolve. The present situation is an opportunity for all of us to become more creative and careful in the management of our lives. Be frugal in your spending. Save wherever you can.

These circumstances must be a lesson to all, particularly the young, of how accident or unforeseen circumstances can arbitrarily alter the path or projections that you have so carefully charted. But it is situations like these that test your mettle and your ability to hold on to your dreams no matter what the obstacles.

We know that the transformation of Trinidad and Tobago into a developed nation is the next giant step that our country needs to make. All the plans have been meticulously laid out for moving to this destination. We were moving smoothly until this rough patch descended on us, but we have the courage of

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conviction to hold on to a dream that Trinidad and Tobago must become a country of abundant and equal opportunity for all citizens. [*Desk thumping*] a nation of sustained prosperity and security for present and future generations.

Thank you very much, Mr. Speaker.

#### **CHILDREN BILL**

*Order for second reading read.*

**The Minister of Social Development (Hon. Dr. Amery Browne):** Mr. Speaker, I beg to move,

That a Bill relating to the protection of children and for matters related thereto, be now read a second time.

Mr. Speaker, you may recall that toward the end of the last session of Parliament, the Children Bill was referred to a Special Select Committee of Parliament after some debate. This Committee commenced but did not complete its deliberations, and in the circumstances, I beg to move that the Children Bill be now referred to a Special Select Committee comprising six Members of this House, and that this Committee be empowered to discuss the general merits of the Bill, along with its details and complete its deliberations.

*Question proposed.*

*Question put and agreed to.*

*Bill accordingly read a second time.*

**Hon. Dr. Amery Browne:** Mr. Speaker, I beg to move that the Children Bill, 2009, be referred to a Special Select Committee comprising six Members of this House and that this committee be empowered to discuss the general merits of the Bill, along with its details.

*Question put and agreed to.*

**3.00 p.m.**

**Hon. C. Imbert:** Mr. Speaker, I beg to move that the committee be comprise as follows: Mr. Colm Imbert, Dr. Amery Browne, Mr. Peter Taylor, Miss Marlene Mc Donald, Miss Mickela Panday and Dr. Tim Gopeesingh, and that the committee be mandated to report to this House within one month.

**Mr. Speaker:** Hon. Members, the question is that the Children Bill, 2009 be referred to a Special Select Committee comprising the following six Members of this House and that this committee be empowered to discuss the general merits of



the Bill along with its details and be mandated to report to this House within one month: Mr. Colm Imbert, Chairman; Dr. Amery Browne, Mr. Peter Taylor, Miss Marlene Mc Donald, Miss Mickela Panday and Dr. Dhanraj Gopeesingh.

*Question put and agreed to.*

**Hon. C. Imbert:** Mr. Speaker, I became confused just now, I do not know who that is. Who is Dhanraj Gopeesingh? [*Laughter*]

#### ADJOURNMENT

**The Minister of Works and Transport (Hon. Colm Imbert):** Mr. Speaker, I beg to move that this House be now adjourned to Friday, January 16, 2009 at 1.30 p.m., and I wish to apologize to Members. On the last occasion we had indicated that we will be doing the Supplementary Appropriation Bill on that day, but having examined certain statutory deadlines, we will be doing the Finance Bill on Friday, January 16, 2009, because the deadline for that Bill is January 23, whereas the deadline for the Supplementary Appropriation Bill is January 31. So, we will do the Supplementary Appropriation Bill on the following Friday.

I will have to discuss with the Acting Chief Whip, the return of Private Members' Day at an appropriate day. Okay? [*Inaudible*]

Mr. Speaker, what we can perhaps do, is do Private Members' Day on January 30, rather than January 23. [*Inaudible*] No. Mr. Speaker, let me just clarify. We are not speaking about this Friday, I am simply giving advance notice of our agenda based on complaints made by the Member for Chaguanas West, and what I am saying is that on Friday, January 16 we will be dealing with the Finance Bill. It is our intention to deal with the Supplementary Appropriation Bill on Friday, January 23 because of certain statutory deadlines. Friday, January 23, would normally be Private Members' Day, being the fourth Friday, so we will, in consultation with the Opposition, give them Friday, January 30 as Private Members' Day.

*Question put and agreed to.*

*House adjourned accordingly.*

*Adjourned at 3.05 p.m.*