THE

PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE SECOND SESSION OF THE FOURTH PARLIAMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO WHICH OPENED ON JANUARY 13, 1992

SESSION 1992—1993 VOLUME 38

SENATE

Monday, April 12, 1993

The Senate met at 10.00 a.m.

PRAYERS

[MR. PRESIDENT *in the Chair*]

LEAVE OF ABSENCE

Mr. President: Hon. Senators, I have granted leave to the Minister of Trade, Industry and Tourism, Sen. Brian Kuei Tung, to be absent during the period April 9 to April 13, 1993. I have also granted leave to Sen. Muntaz Hosein to be absent from today's sitting.

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.

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

Question put and agreed to.

The Minister of Finance (Hon. Wendell Mottley): Mr. President, hon. Members would by now be fully aware of the Government's decision to abolish exchange control and to alter the arrangements for the determination and the value of the Trinidad and Tobago dollar. In order to give effect to these decisions, after a long period of consultation, it was necessary to amend certain sections 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for a floating exchange rate, and the whole regime of controls and permissions in the Exchange Control Act has to be repealed.

This policy shift is perhaps the most fundamental and far-reaching in this country's post-war economic history. If Members will bear with me for a while, I can put this measure into some perspective by reciting the recent history of exchange control in Trinidad and Tobago. In fact, the arrangements for the conduct of foreign exchange transactions were established in the immediate post-war period under the Defence (Finance) Regulations. In the early 1950s we had the British Caribbean Currency Board issuing currency for this country as well as for the Eastern Caribbean countries, and 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 issuing our own currency. However, the Trinidad and Tobago dollar at that stage remained fixed to the pound sterling.

A fixed peg to a major international currency was in those days, the preferred option; in fact, it was the norm. This was mainly because the Bretton Woods agreement, that is, the post World War II international monetary arrangements which established the monetory order that prevailed after World War II for quite some time well into the 1960s, was premised on a fixed exchange rate system. The Bretton woods arrangements were, in fact, structured because of the pre-war history of competitive devaluations among the major countries that led to much instability. However, the Bretton Woods arrangements finally broke down in 1971 when the United States abandoned its fixed parity to gold. Gold was interchangeable in pounds, US dollars, at a fixed parity at US $35 to an ounce of gold. The United States moved away from that in 1971, and that presaged the arrangements of the Bretton Woods arrangements.

The pound sterling was floated shortly after in June, 1972, and all of the industrialized countries began a generalized system of floating in March 1973. The developing countries at that time, however, still preferred to remain pegged to a particular reserve currency, usually the currency in which they traded most with some major developed trading partner. It was in that context that Trinidad and Tobago, in May 1976, realizing the structural shift in trade—that we were really trading more and more with the United States—moved away from the peg to sterling and pegged instead to the United States dollar at a rate of TT $2.40.

Mr. President, one of the inevitable consequences of maintaining a fixed exchange rate arrangement in a situation of scarce foreign exchange reserves is the need to institute exchange controls. Essentially, exchange controls are a system of rationing scarce foreign exchange. Therefore, the existence of exchange controls necessarily implies the inter-positioning of a bureaucracy that does the regulations and rationing between buyers and sellers of foreign exchange with the price being fixed. Exchange control is essentially a system of rationing

Trinidad and Tobago enacted the Exchange Control legislation in 1970, replacing and expanding the colonial Defence (Finance) Regulations which—the point is that until sterling was declared a foreign currency in 1970, residents of this country could convert their Trinidad and Tobago Dollars freely into sterling, and thence in effect into any other currency. Really, it is from 1970 that we can trace the rigidity in exchange controls that we have now, until last week, become accustomed to. The exchange control function was delegated to the Central Bank with certain functions delegated to the commercial banks and to the ministry with responsibility for trade.

Because of the petro-dollar boom over the period 1974 to 1982, exchange control regulations were not strongly enforced during that time in Trinidad and Tobago. The country had large and growing 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 during that time appreciated. However, when oil prices began to fall, and the foreign exchange reserves began to decline steeply, exchange controls were tightened and the famous or in-famous EC-0 system was introduced, which extended exchange controls to visible items 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 purposes, and under the pressures that came about, the Trinidad and Tobago dollar was devalued to TT $3.60 to US $1 in December 1985, along with a short-lived dual exchange rate regime, which was abandoned in January 1987, and then there was a further devaluation in August 1988 to TT $4.25 to US $1.

10.10 a.m.

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

One should look at the history of this; recognize the period that we went through; the tightness of the foreign exchange situation after the collapse of oil prices, and the then progressive liberalization of exchange regime management.

Therefore, one should see in it a progression that Trinidad and Tobago was in fact fortunate, in that certainly through the last two governments, there have been progressive measures which have worked well for the country, in that there has been no wild swings in policy contradicting one another. This step we are taking now is a logical progression of events.

The devaluations and resulting 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, the trend towards the globilization of financial services and the movement of capital worldwide has accelerated. Some of the impetus of this has come from the activities of multinational corporations, but also due to the fact that telecommunication links have shrunk the globe; automation has speeded up transactions, and it has become in a modern environment very easy to move capital in large quantities and on very short notice.

Capital, it is said, now knows no nationality. In effect, exchange controls in this kind of world, with new technology and trading links, in fact are a relic of a by-gone era, overtaken by developments in technology and the ways of doing business in a modern world.

To hammer home that point, I quote from this book, *The Twilight of Sovereignty*, written by Walter B. Wriston who is the former Chairman of CITICORP. To give you an idea of the same forces at work, page 59 states:

> "The convergence of computers and telecommunications has created a new international monetary system..."

In other words, he is talking about the collapse of Bretton Woods and post Bretton Woods arrangements. Then, the fact that there is a new international monetary system.

> "and even a new monetary standard by which the value 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 currency markets, but in fact rates are now fixed 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 there is a leadership crisis and it has been resolved, and a currency rises. Ten minutes after the news of the disaster at Chernobyl was received, market data showed that stocks of agricultural companies began to move up in all world

markets...And depending on how they interpret these events, their desire to hold more or less of a given currency will be inescapably translated into a rise or fall in its exchange value."

He continues with prophetic truth that:

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

Those are the facts.

Sen. Prof. Spence: I wonder if the hon. Minister could say that about the exchange rate mechanism?

Hon. W. Mottley: Only to the extent that all countries ultimately strive for some degree of stability. What was happening in Europe is not what I am referring to here. The European countries themselves were trying to merge and have one currency similar to if Trinidad and Tobago, Barbados and Jamaica were trying to have one currency. That is not what is before us here.

What has happened in Europe was that as they attempted to stay within too narrow a band, and stop these very forces from working, Britain, because of its own domestic problems and situation, was disregarding these situations which caused tremendous pressure to come to bear on the pound. Eventually they could not restrain these forces; gave in to them and had to pull out of the Exchange Rate Mechanism. That precisely fortifies the point that I am making.

Sen. Prof. Spence: What about the other countries?

Hon. W. Mottley: With the other countries, Germany, for instance, the German Deutschmark properly reflects the strength of the German situation. The lira which has fundamental problems falls in line with exactly what I am saying.

Recognition of this fact has come slowly but surely to all parts of the developing world. For a long time the developing world believed that it could stay outside world trends. It is something that we see in Trinidad and Tobago, a feeling that somehow we are exempt. There is a fundamental breakdown of the post war order *vis-a-vis* the developing world, especially with the disbandment of the USSR.

There is not that consensus any more that allows us to say that we are going to be exempt from the mainstream of international events because we are poor Third World countries, and there is a special dispensation for us. That has been wiped out. The sooner that Trinidadians and Tobagonians understand that, not just in their heads but it seeps through all our understandings down to our attitudes and

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behaviour, the better it is for this republic. That post-war dispensation is finished with. This recognition has come slowly but surely to most developing countries. As the recognition has grown, these countries have abandoned exchange controls and, necessarily, the defence of a fixed parity.

To illustrate, in 1976, the year 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. By 1989, only 38 per cent of developing countries were pegged to a single currency, 24 per cent to the US dollar, while 33 per cent had flexible arrangements, with the rest pegged to a basket of some sort. In fact, by September, 1992, the latest figures I have published by the IMF, only 28 per cent of the Fund's member countries are now pegged to a single currency.

If I could give you some examples—of course, you know that the major countries in the world such as Japan, Germany, Britain, United States and Canada are all on a flexible regime. Let us look at our hemisphere and the countries in the region which have floated their currency.

Country	**Date**
Bolivia	August 1985
Brazil	March 1990
Costa Rica	February 1992
Dominican Republic	January 1991
El Salvador	June 1990
Guyana	February 1991
Jamaica	September 1990
Peru	August 1990
Venezuela	March 1989

Then, most recent and most interestingly, I quote here from the *Financial Times* dated Wednesday, March 3:

"The flotation 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 R's 31.85 for the dollar yesterday, compared to R's 32.78 at the opening."

Continuing:

> "It was 'a very smooth transition,' said a dealer of 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."

Just to give you an idea of the symmetry of world policies worldwide, it goes on to say, again:

> "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."

It goes on to point out that:

> "The government's argument is that the past 20 months of cuts in the budget deficit, subsidies, inflation and the balance of payments deficit, coupled with the end of many bureaucratic hurdles in the way of investment, have provided a base from which to accelerate economic growth."

So here is another major country floating its currency, cutting tariffs, cutting out bureaucracy, shrinking the Government's deficit, removing the negative list et cetera. There is a great deal of worldwide symmetry in these policies reacting to some of the wide flung and far-reaching economic changes such as we are seeing here.

10.20 a.m.

Mr. President, the trend is—

Sen. Mahadeo: Mr. President, the Minister has just, a minute ago, said that certain of the Latin American countries have floated their currencies during the early nineties, 1991 and 1992. Could he indicate how they are faring? Have we had a feedback?

Hon. W. Mottley: Mr. President, I will deal with that in a little more detail as I go on, but just let me say that the experience has been generally good. The experience depends on how the country has managed it. The long-term consequences have always been beneficial. The short-term management and the fall out—there have been different experiences based on how well the flotation has been managed. But, generally, the experience has been good and especially I would say in nearly all cases, it has led, initially ,to a slowdown in capital flight and ultimately to a reverse flow of capital to the point where some countries are now embarrassed by a reflow of US dollars which they have to try to sterilize lest it cause problems in the domestic economy: An embarrassment of riches.

The trend is clear and has been occurring for a variety of reasons, including the trend towards globalization, mentioned before, and to the unsustainability of a fixed regime and trade controls in a world where capital has no nationality.

I spoke at a press conference recently on this matter of our own experience in Trinidad and Tobago. We had a study commissioned and the period over the last five years was looked at. We lost $1 billion dollars in capital flight—US $200 million dollars last year alone—and it is clear that exchange controls just do not work. Initially, there was some kind of moral situation in which a climate was created in which, by and large, it tended to work. But increasingly as the economic environment changed, invoicing et cetera, we cannot have water-tight compartments in an open trading economy such as ours; the people who wanted to move the money have moved it, and, in fact, it is really only the small operator who has been hamstrung by the existence of exchange controls. So let us recognize fiction.

We, therefore, at this stage, have two options: We could attempt to insulate ourselves even further and try to further plug whatever loopholes appear and make ourselves an island not only in geography, but in our own international trading situation, a view that we have heard consistently from certain Members on the other side and by certain interest groups outside who are paralysed by the fear of change.

However, Mr. President, this Government views that as no solution at all; it is doomed to failure from the outset. Even if we felt that it was the way to go, we are a small island of 1.2 million people trading in an international environment which has already gone one way and it would be the height of futility to go another. If Trinidad and Tobago attempted to go that route, we would be like the little Dutch boy, sticking our finger in the hole in the dyke; ultimately, it will collapse.

Therefore, the Government has gone the other route. We are boldly trying to insert ourselves in the competitive global village and to make our way forward, recognizing the risks, but attempting to educate our population as we go along, trying to point to the benefits that are out there, and urging all of our citizens to seize on the opportunities; stop crying about a bygone era.

Mr. President, the Government is clear that this option which has been taken is the only way forward. This conviction in no way, however, fails to recognize the difficulties and risks which are inherent in this strategy. Success will require all the managerial talent and mastery of technology, in particular niches which this nation must now operate. It will require us to be clever, to be entrepreneurial, as well as to have some good fortune. It is public knowledge that Trinidad and Tobago, unlike many other countries, has certain clear, comparative advantages, and we have moved decisively in the last year to strengthen our major comparative advantage which is the energy based advantage.

We have done three major things: We have signalled clearly an abandonment of the old regime whereby we were attempting to attach to exploration licences the dicta that we carry the state company; we have abandoned the old taxation regime which contemplated high prices of petroleum products which no longer exist in this world; and we have exposed Trinidad and Tobago to the latest technologies, seismic surveys and so forth that will allow this country to become, again, a hub of activity for the international as well as the domestic players in the energy industry so as to seize upon that comparative advantage. We have expanded, and shortly a new announcement will be made about further investments in downstream gas.

However, we are also moving decisively, Mr. President, and I want to signal this here: That we recognize that in all of this new regime, there is always a lag. We hear about it in the United States now, where they are focussing on this very point, about the distance between investment revival and growth and jobs.

Recognizing that there is a decisive role for tourism in Trinidad and Tobago, investment holds the possibility for widespread job creation for ordinary folks who may not get the specialist kind of employment, or who may not have the skills for the specialist kind of employment in a NUCOR or in a Hydro Agri or something similar. So clearly the Government is devising an industrial policy that will not dictate, but will guide and influence in moving into the areas of comparative advantage so that we do not just leave it to chance and market forces as we move into this new world.

Mr. President, this is the general background to the decision to float the TT dollar and to effectively abolish exchange controls. The Bill is mainly repealing old law.

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The Bill seeks to achieve, basically, 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 a basis by which the rate will be determined.

Secondly, the Bill seeks to repeal various sections of the Exchange Control Act which require prior approval/permission to be obtained from the Central Bank or the Minister before conducting any transactions in foreign exchange, and other sections which require residents to surrender receipts of foreign currency. All of that is addressed. Consequential repeals of subsidiary legislation are also included.

Permit me now to submit the outline of how the new system will work. Tax receipts from oil companies and loan receipts and other figures enclosed will continue to be lodged directly with the Central Bank which will use these resources to meet the scheduled debt service of the central Government.

It is not expected that the Central Bank will be a frequent participant in the foreign exchange department, although the Central Bank may occasionally have to enter the market to purchase foreign exchange to even out certain cash-flow situations.

The Central Bank will also from time to time enter the market to sell foreign exchange to the private market. This is a fundamental point here that makes Trinidad and Tobago different from Jamaica. There is a nervousness about the Jamaican comparison, and it is important that we understand that the Central Bank has, through direct receipt of, shall we say, loans from multilaterals and divestment money and the oil pact receipts in US dollars, Central Bank's own team can deal with the Government's debt service and the usual Government liabilities in US dollars and not, as in Jamaica, have to hire agents to go out into the private sector to mop up US dollars and bring them back to the Central Bank to pay debt. That is a major difference. This will take a lot of pressure off the resources in the private banking system.

There is a fiction out there that the commercial banks do not command large foreign exchange resources. My understanding from recent annual sales and purchases by commercial banks is it is about US $1 billion dollars, annually. The foreign exchange market arrangements will allow for two types of dealers: Banks which are now authorized dealers by virtue of the Foreign Exchange Act will continue to operate in that capacity. A second type of dealer may be foreign exchange cambios which will operate under the issue of a licence issued by the Central Bank under the provisions of the Exchange Control Act.

Cambios or bureaus will not be able to establish correspondent relationships with banks abroad nor to lend or to accept deposits either in TT dollars or in foreign exchange. They are purely and simply to buy and sell foreign exchange. These cambios or bureaus will be licensed by the Central Bank for a little while until the system has settled down.

What is contemplated is that the people who might apply for these licences are the non-bank financial intermediaries, maybe some insurance companies, maybe hotels, car rental firms and so forth, people who have traffic with tourists and US dollars and so forth. But the Central Bank will have established criteria and we will have to monitor so as to make sure that as we license these cambios, they are reputable and can be controlled, with no scam and so forth.

So that although we want to move to that system, we have to set it first with the commercial banks and digest it properly and set up the right criteria and police these things, so that we have no unpleasant experiences arising from the operation of the cambios.

Sen. Rooks: Mr. President, may I ask the Minister one question? What is the need for these cambios? Surely, today, with the credit cards, plastic that is acceptable around the world, you can draw money, you can pay all your bills, and everything else I wonder if he could advise me what he thinks is the necessity for these cambios.

Hon. W. Mottley: In discussions with Central Bank authorities elsewhere, where the flexible regime has been working and exchange controls have been abolished, that has just been their experience. They have advised that we need to widen it a little for convenience, in that tourists like to be able to exchange their money right there rather than in a bank which may or may not be opened at their convenience or in sufficient vicinity to where tourists want to change their money.

Also, in other jurisdictions they have advised that they want a little more competition. They do not want a too tightly held market. In our instance, after the present merger of the three domestic banks, there will be just six banks in Trinidad and Tobago. So they have advised us that we may want to introduce some broadening of competition.

Residents of Trinidad and Tobago may approach any authorized foreign exchange dealer, cambio or bureau. Each dealer will have the rates publicly displayed at which he is prepared to buy and sell US dollars or other foreign currency and instruments, and the rates at which he is prepared to buy and sell cross rates. 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.

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 would 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 for commission.

The Central Bank would initially specify the percentage spread. Dealers may change the rates of exchange during the course of a workday. Members of the public may go to any dealer and obtain or sell any foreign exchange for any legitimate purpose. In respect of trade transactions, the Customs document relevant to the transaction will have to be presented to the authorized dealer or manufacturer. Dealers are free to buy and sell foreign exchange among themselves and to exchange information on volumes and rates directly or indirectly. The Central Bank will collect and collate each rate of volume and rates at which transactions were conducted and will calculate an average rate per US dollar.

So that, Mr. President, it will become the norm now—we will shortly see these rates published every day in the newspapers. Dealers will be required to report each transaction in a form and manner prescribed by the Central Bank. Authorized dealers will be required to note the purpose of the transaction for statistical purposes.

Mr. President, 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 costs and risks be identified, as every effort 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 market has come to a balance of supply and demand. The market will devolve at a new rate at which demand and supply will be brought more nearly into balance.

Now, Mr. President, the banks right now are meeting at the Central Bank, and it is the intention of all of these commercial banks—they have now completed their internal analyses and they have, as best as they can, some feel for the situation, and they will determine the opening rate for Tuesday morning some time in the course of these discussions today. But it is the clear intention of the commercial banks to move to a rate based on their assessment of market considerations and also, partially anticipating market considerations, to move to a rate that they believe to be sustainable, a rate that they will want to hold, and a rate which the population needs to understand will not be radically changed and, therefore, there is no need to go out there to rush to buy foreign currency in anticipation of that rate decreasing radically after that discussion is concluded, hopefully some time this morning.

Sen. Prof. Spence: Mr. President, I am glad to hear what the hon. Minister said, but does this not seem to fly in the face of the liberalization of currency controls? It seems to me that what he has said in a public notice is that one is moving from Central Bank controls to a cartel of banks control.

Hon. W. Mottley: Mr. President, what is happening is that the commercial banks have today published how they plan to operate the system during the transition period. We have to manage the transition. Although it is clear what the long-term benefits of this new situation are, nevertheless in the short-term we would want to avoid speculation—people who believe that if they rush out and buy foreign exchange tomorrow, they will be able to sell that foreign exchange at a gain the day after tomorrow.

It is the management of that which the commercial banks are in discussion with the Central Bank about. So that when we move with a rate, it will depreciate the rates sufficiently to anticipate future market considerations. And then, having done that, they will attempt to try to prioritize how they will deal with their business tomorrow. They will attempt to deal with people who have current bills due as a first priority rather than people who may have bills due 90 days away and so forth. Gradually as the system settles down and people find a level of comfort that speculation, hopefully, can be contained, then some of these very transitory arrangements put in place by the commercial banks will be relaxed and we will move to a situation such as prevails in Canada or any other country which has operated a system of floating exchange rates for some length of time.

Mr. President, although we will be moving to a flexible exchange rate regime, wild fluctuations are in nobody's interest. Traders, businessmen, need to have some predictability to conduct business, and the long-term benefits for the country, frankly, will only improve once the rate settles down. There is confidence, there is stability.

So that the sooner that we can move to that zone of stability and acceptance of the regime and the particular rate, the sooner the benefits would start to accrue to Trinidad and Tobago. So it is in all our interests to have that rate set as soon as possible and to have the system set as soon as possible.

Mr. President, there is also, therefore, with the depreciation of the rate, the clear implication that there will be some increase in the cost of living. That is a down side risk. In previous depreciations of the rate, it has been found that recently, for every 10 per cent decrease in the exchange rate, there is a 3 to 4 per cent increase in the cost of living—a one-off effect.

We believe that in the very tight monetary conditions which prevail and the situation where merchants are finding it difficult to pass on price increases, we would probably end up with a lower rate, that is a three per cent cost of living increase for each 10 per cent depreciation in the exchange rate. But, nevertheless, it is a concern of the Government, and after the system settles and a rate emerges, the Government will have this matter under very close review with a view to seeing what Government reaction is necessary in this very sensitive matter, at a time when the poor of the country, in particular, are very hard-pressed.

If I could then, Mr. President, look at some of the gains. Some of the gains have to do with the ease of doing business. It is very significant that every single domestic investor and every single foreign investor coming to this country has raised exchange controls as possibly the major bureaucratic deterrent.

You have to understand, Mr. President, that although we in Trinidad and Tobago have gotten used to an extreme form of exchange controls, especially since 1970, foreign investors are totally unaccustomed to such controls. This system of exchange control to them is alien to their way of doing business and they have great difficulty in understanding it. No matter how we try to explain that it is benevolent, it is just such a fundamentally different way of doing business for them.

So that whereas for petroleum and other kinds of investment where we have a natural resource, we can usually stay with an investor long enough to get over his concerns, in other areas of investment, particularly where we want to go in tourism, in light manufacturing and so forth, this has proved to be a first hurdle which we have not surmounted. So the removal of exchange controls is a progressive step in investment promotion, the importance of which should not escape Senators.

A second matter, Mr. President, is the question of capital reflows. Here we are, devising strategies in the Ministry of Finance where by dint of hard work containing budget deficits and restricting expenditure and so forth, we hope, at the end of a year, to have built our foreign exchange reserves by US $10 million. But we lose $200 million in capital flight every year. If, as a result of this measure, there can be—not tomorrow morning, but taken together with other steps, such as the whole series of legislation, the banking legislation, the Companies Act, all of which will be before you in weeks now, taken with aggressive investment promotion, taken together with devices that we would be introducing very shortly where we hope to have those who have capital abroad bring that money back to Trinidad and Tobago without any penalties, which is a logical next step from what we are doing, having taken all of these things and having managed the thing, hopefully, correctly, so that stability comes quickly and confidence follows, we hope, initially, that those people who have the money in the mattress will put it into the banks.

As a second step, there will be at least a slowdown in capital flight, ultimately leading to a reversal of capital flight, as has been the actual experience of nearly every single country which has done this. This could occur to the point where—right now, Chile is having to sterilize capital inflows; as is Mexico. If we can succeed in this, Mr. President, and stop this haemorrhage of foreign exchange, then a major constraint on the growth of this economy and the prospect of creating jobs will have been removed, and that is a prospect that we cannot lightly dismiss. It has been our experience when the last Government, temporarily buoyed up by oil dollars from the "Saddam Hosein effect", attempted to boost the economy, we started to see some real growth in this country and businessmen and their retail outlets and so forth began to feel it. And people took those dollars that they were earning, that they otherwise would not have earned, and what did they do with those dollars, Mr. President? They went out and they bought something—even if it was a loaf of bread. That bread had a wheat content that had to be paid for in US dollars. No sooner had that economy started to gallop, than the rider had to rein in the horse, because we were hemorrhaging foreign exchange from June 1991 at a rate that we could not sustain. And that has been our history since.

10.50 a.m.

Sen. Mahabir-Wyatt: Would the Minister be so kind as to tell us whether or not it is the intention of the Government to declare an amnesty on people bringing money back into the country?

Hon. W. Mottley: Mr. President, for reasons known to all of us, I am not comfortable with that word. But its intention is clear; so if Sen. Capildeo can either give me some legal advice or refer to his *Roget's Thesaurus* and give me a better word, I might consider it but I think our intention is clear.

Sen. Rooks: Mr. President, I would like to point out to the Minister that that was actually printed in an IDC brochure in 1987.

Hon. W. Mottley: If there is precedent, I feel all the more comfortable. That is the point I am making, Mr. President. If we can break that hitherto unsurmountable barrier to growth and employment, and this device not taken in its isolation—I am not saying that this is the remedy for all evils, it is not; it is a part of the whole structured programme that the Government is bringing in economic reform that is seeking to carry Trinidad and Tobago in a certain direction. But it is nevertheless, a very important building block, and if we can work this well and put it together with all the others, we believe that we shall be able to break out and move from stabilization into growth, which, in fact, has been the intention of successive Governments for a long time. We believe that with these significant measures we would have made a significant gain of forward movement. That Mr. President, is one of the major purposes of this legislation.

This initiative which was clearly stated in the party's manifesto in the last general election, reflects considerable thought, consultation, research and advice. Let me just spend one minute before closing in dispelling some of the concerns.

Sen. Daly: Mr. President, I was reluctant to disturb the Minister before, but he has indicated that the Central Bank will initially specify certain percentage spreads. Could he disclose whether any agreement has been arrived at or any arrangements made for a percentage mark-up between the buying and selling rates starting on Tuesday, and whether any arrangements have been reached or agreements made which will restrict the amount by which the dollar can be bid up or down on a particular trading day?

Hon. W. Mottley: Yes, Mr. President, I do not have those with me here now, the banks raised them with the Central Bank on Saturday last. The Central Bank discussed it, mulled over it, and agreement is to be struck on all those matters this morning. Fairly contemplated will be the spreads—I think the banks initially said that the existing spreads were too small; they proposed something that the Central Bank thought was too large; hopefully, they will arrive at a compromise today.

The spread will be larger than has prevailed hitherto, but it will not be as wide as the banks initially wanted and clearly, too, as had happened in Jamaica after a very sorry experience—and this is where we benefit from the mistakes of others, where people wildly went off in the West and started to bid any and every rate, and every branch manager virtually had his own say that led to competitive bidding and runaway rates, until, ultimately, Jamaican bankers began to be chastised by Jamaican society because it was causing social grief and grief to business people. Jamaican bankers out of the realization of their own follies have come to recognize that they cannot do that—not that there is a law that says that they cannot do it, but there is a way of doing business that eventually, through misadventure, they have come to realize.

We all have that experience; our bankers are deeply aware of that, and they will be striking these kinds of arrangements with the Central Bank today. That is one of the reasons why we want to start, not with all the cambios but with just the six banks initially. We can sit across a table and talk with them as reasonable people and, certainly, as nationals who have an interest in the stability of their businesses and the society at large. I want to put it on record here today, Mr. President, that the banks have willingly accepted this challenge. They see it as a business opportunity to put Trinidad and Tobago and their banks in a position to become the financial centre for the Caribbean and even wider. Therefore, they are eagerly accepting this challenge and, more than that, they are co-operating. Mr. President, they really want to see this thing work.

I want to thank them for that co-operation and to signal to the wider population that certainly the whole financial community appear to be at one on this particular matter and, therefore, I am very optimistic, not about its long-term success—that I am convinced of—but about how quickly we shall be able to settle the short-term difficulties and remove uncertainty and get quickly into that zone of stability which is in the interest of all of us.

Mr. President, let me say one thing about the experiences of other countries: Guyana cannot be compared with Trinidad at all. They had a very difficult situation. Guyana has as much debt as Trinidad and Tobago with not nearly the income to support it, and the Guyana Central Bank, virtually, had withdrawn from the market and had no credibility in this situation.

Jamaica is something that perhaps more Trinidadians worry about. There are some very radical differences, and I quote:

"fundamental to this thing working is that you must have tight monetary and fiscal policy in operation."

This party took this decision, as the Prime Minister has revealed, to float or free up the TT dollar when it was in Opposition way back in 1989 or whenever it was. The final decision as to the timing was taken two months ago. We have done carefully what we were supposed to do. We first put in tight monetary policy last year. We sopped up all the TT dollars. It was painful, but it was a necessary precursor to this. Having done that, we next put in tight fiscal policy. As we are all painfully aware, we are planning to arrive at a balanced budget this year, so that the Government does not go out there and spend wildly and have money sloshing about the system that could then go and chase US dollars—TT money chasing US dollars.

11.00 a.m.

It was not so in Jamaica, Mr. President. I have to tell you that when Jamaica started its floating, it had foreign exchange reserves of minus $825 million. In addition to that, we had last year an inflation rate of 6 per cent. In Jamaica, their money supply increased by 73 per cent between September 1991 and September 1992, with an increase in prices of over 70 per cent. In other words, not only have we had a tight monetary policy, but we also have inflation under control. There is no expansion of money supply. The money supply in Trinidad and Tobago was contracted by 6.6 per cent in 1992; in the same period the Jamaican money supply grew by 73 per cent.

You have to understand there are fundamental differences between the Jamaica and the Trinidad and Tobago economy. Therefore, I repeat the point that I made about the Jamaican Government having to get out into the market and buy US dollars, and the Trinidad and Tobago Central Bank being in the other position of having US dollars come through oil taxes and being in a position to get out there with that and at times influence the rate, rather than what prevailed in Jamaica. We do not expect the Jamaican situation to prevail. We expect to get out there and have the banks agree on a rate and hold to that rate. Therefore, there will be no consequential devaluations upon devaluations accelerating the inflation rate.

Sen. Mansoor: Mr. President, may I ask the Minister whether he expects that the interest rate will increase by the mechanism of the reserve requirements for the bank? And, secondly, what is his estimate of the inflation that will occur in the economy to the end of 1993?

Hon. W. Mottley: Mr. President, yes; the Central Bank is considering the matter. I do not know what the final decision is, but I believe that there will be a concomitant increase in interest rates temporarily only over the transition period, to just tighten that monetary policy a little more so as to stop speculators going to borrow money to buy US dollars. The Central Bank's view is to make it that much more expensive and difficult for them, but only over this transition period, and then to relax that situation. And, in fact, again the experience of all the countries that have gone this way is that, ultimately, there is a narrowing of the spread between external interest rates and domestic interest rates. Not yet in Jamaica because they have had this slosh of money and a high inflation rate. But other countries which have had the system settle down, there is, ultimately, in the medium–term, a narrowing of interest rates between external and domestic.

So that, Mr. President, in winding-up, the flexible exchange system is our initiative, and we are committed here to making it work in the best interest of the people of Trinidad and Tobago. We solicit the support of Parliament, the business community, the trade union movement and the national community at large. The stakes and benefits are high. There are risks. We do not want to let anybody feel that we are not aware of the risks, but we are confident that we can manage them.

I beg to move.

Question proposed.

Sen. Salisha Baksh: Mr. President, after listening to my learned friend, the hon. Minister, I was just asking my colleague next to me here, when is the celebration going to be held, is it tonight or tomorrow? It seems as though we shall now be in paradise and with absolutely nothing to worry about. And I must compliment him for sounding so convincing. But, Mr. President, we all know better than that, and we intend to be very realistic about this debate today.

To float or not to float, that was the question. This Government's answer, Sir, was to float our currency. But it seems, Sir, that we are trapped in debt so far that our options are few and our escape, virtually, hopeless. Despite statements to the contrary, our economic policies are subject to the dictates of powerful and manipulative international lending institutions whose key intent is exploitation. Let us not forget that! Let us not fool ourselves! This is the fact. Our ability to repay them is of paramount importance and the welfare of our country remains

[SEN. BAKSH]

secondary. The Government's decision, Mr. President, to float our currency, therefore, came as no surprise, Because the projected rate of economic growth and development has proved unattainable.

Mr. President, although there were numerous warnings of rapidly worsening economic trends, increased social hardships, widespread poverty, underlying political instability, rampant trade union unrest and alarming criminal activity, the Government threw caution to the wind, and now what stares us in the face is the adjustment to a new economic policy which is based on the acceptance of an additional initial burden. This additional burden on our citizens who have always been called upon to give their support to stringent economic policies, might well prove to be a Herculean task unconscionably set by the PNM Government.

The hon. Minister has assured us that the time is right, and that if we do not move as quickly as the rest of the world, we would be damned economically. But I wish to remind him that if we do not properly prepare ourselves for the international competitive economic survival race, we would sink very soon after we have begun to float.

Mr. President, let us face facts and examine the truth. A rose by any other name is still a rose. And, likewise, a devaluation achieved by whatever means, including floating our currency, is still a devaluation. Let us not be fooled by the hypothetical situation that our currency ratio with respect to the US dollar will be lowered. This situation, although theoretically probable, is practically impossible.

11.10 a.m.

The stated aims and objectives of floating the currency, include, among other things, the stoppage of the flight of US currency, the attraction of foreign investment and the reduction in our country's imported goods. The hon. Minister informed us of the alarming amount of foreign currency which left this country during the period l986 to l992. He went into detail by quoting figures. However, we were not told the amount of money which left our shores legally during the period l992 and the present date. I am sure that this figure would be equally alarming, because the flight of capital is directly proportional to the lack of confidence in a nation's economy.

There has been no cogent economic policy implemented by this Government to warrant the confidence that our economy will make a drastic turnaround, none whatsoever! Unless the Government rises to the challenge of assuring citizens that our economy will soon grow and develop—I want to stress here, I do not mean by the use of a theoretical formula—floating the currency will not mean a reduction in capital flight. In fact, it is my belief that the floating of our currency will lead to further panic and speculation. This state of uneasiness will create an increased desire to get as much money as possible out of the country, whatever the cost.

I do not see this as an initial or transitionary occurrence, because our citizens will no longer be satisfied with just promises of hope. The Government will have to show concrete evidence, without fabricating facts to suit the cause, that they are committed and competent to revive the nation's dwindling economy. Thus far, they have failed miserably.

Those in favour of floating the currency have argued that if investors have confidence that their money could be removed whenever they wish, this would encourage more people to invest and create jobs and what have you. But this approach fails on the ground of simplicity. No prudent person would invest large sums of money and encourage viable business in a country which shows signs of political or social instability, even with the assurance that his money can be easily removed. Take, for example, the recent event which occurred on Holy Thursday when a group of URP workers felt free to walk into various business places in Port of Spain and loot a wide selection of goods. Tell me, what message did their action give to businessmen? Definitely that this Government has absolutely no control over a small group of frustrated people, whose frustration, ironically, was caused by the Government itself. Which person in his right mind would be encouraged to establish a business in this country knowing full well that it is likely to be looted or otherwise destroyed?

What we are saying is that unless the Government addresses the fundamental issue of ensuring the peace and security of its citizens and their property, which I should like to remind this Government are rights enshrined in our Constitution, then all their plans to encourage investment would be futile.

The Government has indicated that under this new system the onus will lie on all citizens to create an acceptable state of supply and demand for foreign currency. We are, therefore, aware of our role in rising to the challenge. But we must sound a warning to this Government that it is incumbent upon it to provide the three basic necessities of man. I have repeated this in this Chamber so many times: food, clothing and shelter.

The Government has chosen to ignore the fact that poverty in this country has reached an unacceptable level. If immediate remedial measures are not implemented, the situation will reach a proportion beyond its control. Floating our currency is yet another desperate attempt by this Government to disguise its inability to address our economic misfortune. But if its attempt fails, there will be dire consequences. One can only hope that there is an alternative comprehensive plan to restore our currency should it plummet to an unfathomable depth. We have not heard of any such plan. We do not think there is any such plan. We know the Government are not capable of any such plan!

11.20 a.m.

Mr. President, what lies for the morrow? With immediate effect, prices will rise; there will be long queues of people determined to buy foreign currency when it remains affordable, of course, and those non-committed nationals whose foreign accounts grow while their local reserves dwindle would anxiously await the dawn of this new era, the age of free-flowing, floating currency.

Mr. President, businessmen will transmit whatever increases they incur to the consumer; and financial institutions, of course, will undoubtedly raise their interest rates on borrowings. We come to this question: What of the poor man who has continuously tightened his belt? We hope that he will not die from the squeeze. What then of this Government, Mr. President? It will continue to orchestrate its own demise. Until such time, Sir, I make the following observations with respect to this Bill, because I have no intention to stand here and repeat what I have said so many times in this Chamber and which will be applicable to this debate.

Mr. President, although this economic policy is placed squarely on the shoulders of the citizens, it is the duty of the Government to remain ever watchful, monitoring the effect of the policy and rescuing the currency should it fall prey to current and undercurrent economic trends. The Government stated in its 1993 Budget its commitment to the proper care of senior citizens. This is just one example. In accordance with this promise, it is hoped that the Government has considered the inevitable rise in the cost of living and the diminished capacity of pensioners to provide for themselves.

The hon. Minister has assured us that we will not tread the treacherous path of our brothers in Jamaica. Mr. President, even if Caribbean history does not repeat itself, we must take heed from our neighbour Venezuela. The Government must ensure that the necessary economic infrastructure is properly in place and tested before embarking on this bold adventure. If the floating of our currency proves unsuccessful, our country would sustain irreparable social and economic damage. It is the Government's duty to ensure that it sets the example by playing its part in the process of sustaining economic stability and growth.

Mr. President, in conclusion, I can only hope that the challenge ahead will be met by all in our society. The economic policy, as intended, demands our greatest resilience and fortitude. There must be no exploitation of the masses, and we have no choice but to forge ahead, mindful of the risks, but faithful to ourselves.

Thank you.

Sen. Martin Daly: Mr. President, as usual, the Minister of Finance has been very beguiling and soothing, but on this occasion we are taking a great risk indeed. I am happy to see that with his usual candour, he closed by describing this move as "our initiative" and one which he intended to make work.

I accept, perhaps not for the same reasons as the Minister, that we have to go this route. However, I do not, for example, believe that the timing is as voluntary as the Minister would have us believe. I believe in recent weeks we have had sustained pressures in requests for foreign exchange. Be that as it may, it seems to me that the vital issue in making this change in the way we conduct business work, is the management of the transition period. I have been somewhat heartened by the advertisements appearing in the newspapers which indicate that some controls, even if voluntary, will be put into place in the short-term.

When I first heard the news, Mr. President, the first thing that struck me was that there would be some need to have some controls, at least for a temporary period, over the amount by which the dollar might be bid up or down in a particular day analogous to the controls that exist on the stock exchange in relation to the price of shares. I am pleased to hear from the Minister that this is a matter that is being worked out between the Central Bank and the commercial banks. Because I intend to suggest several things without which this new move will be a fiasco. First on my list is at least a temporary arrangement controlling the amount by which the dollar may be bid up or down on a particular day.

I emphasize "temporary", because I recognize that the Government's intention is to have what some commentators have described as "full liberalization". I am strong on this because I do not believe that any amount of caution not to panic is going to have the slightest effect on the pent up demand for United States dollars.

[SEN. DALY]

I do not want to be over dramatic, but I believe the situation on Tuesday morning—at least initially, unless there are some temporary controls in place—will be no different from the purchase of tickets for November 19 or the one-day cricket match between the West Indies and Pakistan. Everybody will be out there wanting to buy.

Mr. President, I do not think we should be too sanguine about the cost of money as a deterrent to persons purchasing. Because, I believe it would be possible for, not large numbers, but significant numbers of persons to temporarily get overdraft or loan facilities—to speculate I think the commentators agree that the controls one can place on speculators are really virtually ineffective. I am thinking about persons, who for one reason or another, are concerned about university fees abroad, medical expenses abroad, gifts to family abroad and that sort of thing.

Simple arithmetic, Mr. President. If a bank with approximately 15 branches was obliged to sell US $20,000 per branch on the first day of trading, the kinds of money we are talking about are very large. I maintain that this can be accounted for by persons who have commitments to meet either now or in the future which they will seek to advance for fear that when the right time comes, the money will not be available. So, I do not share any misapprehensions about the fact that in the short-term, as appears from advertisements in the newspapers today, the commercial banks are working out some operating guidelines. I think that is absolutely essential. Otherwise, as I say, we are going to have a November 19 situation on our hands in relation to purchasers. I compliment the Central Bank and the commercial banks for recognizing that there have to be transition arrangements and I hope for all our sakes, that they will stick to them.

11.30 a.m.

Mr. President, I also think that the Central Bank has got to rethink—otherwise there will be a fiasco. The Central Bank has to rethink very carefully the reported statements of its spokesman that they are going to have very rare intervention in the market and that there is generally going to be a hands-off approach. The Central Bank is going to have to take a very interventionist role in the early days of trading. I say that if they do not do that we shall have a fiasco. Because even if I accept the Minister's figure that the commercial banks have a billion dollars available in foreign currency, we have got to discount it to take account of the commitments that they already have to customers who have a requirement for foreign exchange. I think that the cover arrangements of commercial banks will make them very cautious about how much of the available money they release into the system. Against that background, the Central Bank has a very clear responsibility to get the system off to a reasonable start. It may involve them putting into the market foreign currencies at a very early stage and, I would not like to think that they are completely relying on the resources that are reportedly available to the commercial banks. It would be a very grave mistake, indeed.

Where I become worried is when I look at the resources which the Minister says the Central Bank has available. He identified three: loans receipts, divestment and oil money. I take it that one of the objectives of this Government is to reduce the loan receipts over time—and I take it that there is a finite amount of assets available which we can divest in order to have currency available to put into the system. One might ask a question on this occasion not "where the money gone," but where is the money to come from? And that is my major cause for concern. We are going to have a situation where the demand is going to far exceed the available supply and, therefore, and insofar as the Government is staking its reputation on this move—I think it has been described as the most important decision it has made since coming into office—I ask the Minister to pay very careful attention to how the Central Bank carries out its role in this transition and in this major change.

Mr. President, as recently as Tuesday 6, the day before these measures were announced, in a debate in the Senate a number of very important points were made by my colleague, Sen. Mansoor, in relation to the state of the accounts between the Central Bank and the Government. If it is important, as the Minister says it is, to control the money supply, I suggest to him that in a situation where—as he reported in the course of the debate on Tuesday 6—the Government is persistently over-borrowing from the Central Bank—particularly if the Government is misguided enough to continue that state of affairs for political gain—that is a situation in which money will come into the economy which will then translate itself into Trinidad and Tobago dollars chasing after US dollars.

It is very important for the Government in its relationship with the Central Bank, as its banker, to be brought, and maintained, under control. Because it is this Minister who quite correctly in his first budget speech was critical of what he described as the too easy monetary policies of the Central Bank in the context of this over-borrowing.

Mr. President, another one of my “without which” wishes, is that without the Government and the Central Banking getting their relationship as banker and client so to speak, into proper perspective, and without this question of over-borrowing being addressed, we shall also have a number of difficulties. I ask the Minister to pay particular attention to that.

It has been pointed out by several commentators that for political gain Governments sometimes put much money into the system and despite tight liquidity in the commercial sector, that will become money available to chase US dollars. I am not as optimistic as the Minister, that we are going to get off to a smooth start as he has suggested. I ask that he pay some attention to these matters.

Another matter which causes me concern, while I accept there is a danger that the commercial banks may not be responsible and they may indulge in cartel-like activities—I think it is implied in what the Minister said—I sincerely hope that the coming of new entrants into the system, such as cambios and some of the non-banking financial institutions, will be postponed until the financial legislation, which we are told is in the pipeline, has received the attention of Parliament and is put into place. I think it is a very risky thing to pre-empt that legislation and in some hasty way introduce these new players into the financial market. The whole question which, as I understand it, is going to be addressed in the financial legislation about capital adequacy will become very important in relation to these players in the game. I ask that amidist fears that there may be some cartel activities, that that be postponed until the new legislation is put into place.

I note that in relation to the amendment to the Central Bank Act there is a replacement of section 23 by a new section 23, which will require the declaration of an Order by the President.

The Minister has been good enough to let me have sight of the proposed Order. It is not up for debate so I will not make any comments about it. But, I do think it is important, and it should become the practice that when legislation of this importance is being proposed—and really when the implementation of it hinges as fundamentally as it does in this case of the Order—it should become the practice to circulate the proposed Order with the Bill at the same time. In this case, really, the amendment to the Central Bank Act does not make very much sense without looking at the Order which is proposed. I ask that when we have such an inextricable link between the Order and the legislation, that it be circulated at the same time.

11.40 a.m.

I also think that it is very important that we do not lose sight of how much—this is a general proposition—the Government is depending on the Central Bank to be competent and efficient in working out these transition arrangements. It is for that reason that I have made the suggestions to the hon. Minister about the Government's relationship with the Central Bank. I do so particularly mindful of the fact that really the only person accountable to Parliament and the country for the operations of the Central Bank is the Minister.

I would be very concerned if despite the carefully thought out position of the Government, as portrayed by the Minister in this debate, some lack of competence or efficiency in the Central Bank causes this transition to go wrong. It is for this reason I am so concerned that the Minister, himself, keep a very close watch on the activities of the Central Bank in this very important transition.

I do say quite openly that if it has been suggested to the Minister, as apparently, someone has it in mind, that the commercial banks have a sufficient supply of currency to open the trading on Tuesday morning, I suggest to the Minister that if that has been presented to him as a major assumption by any of his advisors, including those in the Central Bank, he re-examine that assumption with the greatest possible urgency.

My information is that there is likely to be much caution on the part of the commercial banks as to the amount of money they will commit on Tuesday morning because, as I have indicated, of their prior arrangements, and also because it is quite likely, quite apart from the caution of the commercial banks, that persons who would normally bring in foreign currency into the system through the medium of the commercial banks, are themselves going to be cautious and hold back on the amounts of money which they bring in. That is another reason why I think it is important that the Central Bank be very clear that on Tuesday morning it should have resources available to intervene in the market if necessary.

With those few cautions, I will support the legislation before us, and hope for all our sakes that the timing of this decision does not turn out to be wrong. I also want to express, in conclusion, my tremendous anxiety that we do not lose sight of a particular peculiar factor about the circulation of foreign currency in this economy.

The Minister has made many comparisons and contrasts with Jamaica, and based on the material that was available to me in a short time, it appears that what he is telling us is supported by many of the commentators. For instance, the Jamaican Central Bank was not sufficiently cautious in its monetary policy; that there was too much liquidity and matters of that kind. It appears that the Minister is right about that.

I want to shout from the rooftops that apart from the conventional players in this game, to whom reference was made in the great debate that has been stirred since Wednesday at lunch time, I would refer to the other players in this game who have illicit sources of funds. Mr. President, you know it is a constant concern of mine, what will become of our country and how the Government will lose control of it, if we do not always look over our shoulders at those persons who are engaged in trades that produce vast sums of foreign currency.

While I have not yet been able to persuade the Minister to send Inland Revenue to certain of the larger homes to which we refer in the course of these debates, I think it is very important that we keep a very close watch on the possibilities that the new system—and in particular the ability to hold foreign currency accounts—opens up for money laundering. I know that the banks have between them a voluntary money laundering prevention agreement. I know that it applies to transactions exceeding $40,000 and both local transactions in TT currency and foreign currency.

There are some exemptions in it in relation to deposits in the usual course of a customer's business, that the $40,000 might be liberally construed. I ask that both the Minister and, I sincerely hope, the commercial banks will get very serious indeed, about the strictest, if necessary, over-strict enforcement of money laundering prevention procedures during this transition period. I do think that there is an Achilles heel there which we have to consider very seriously.

With those remarks, as I have indicated, I will support the legislation before us, and as a citizen of this country, I sincerely hope that the Government is successful in this initiative. No doubt, it would have to consider a certain course if it does not work. If, for example, the dollar is bid up to a very high price, this would make nonsense of the cautious assumptions as to how much the cost of living will rise.

On that basis, I would support this legislation, and pray that the Minister is challenging all the time the assumptions being made by his advisers. I have indicated the areas in which I do not think they are correct and, therefore, it would require a great deal of his personal supervision to make sure that these assumptions are not flawed.

Thank you.

Sen. John Rooks: Mr. President, I rise in support of the Central Bank (Amdt.) Bill which is long overdue as far as I am concerned. The whole country knows that for many years money has been illegally moving out of Trinidad and Tobago in quite considerable sums. Some estimates that I have heard state the amount to be over $3 billion. Whatever the amount, had it remained in Trinidad and Tobago and been invested locally, our country would have been much better off than it is today.

The money has been languishing in foreign banks at very low interest rates, or invested in real estate which has dropped in value, whilst it could have been invested here a with much better rate of return, whilst helping our country to grow and provide much needed jobs.

Why then were the people prepared to pay black market prices for the foreign currency and further lose by a low interest rate? Simply because, it was their money which they had worked for and they were at the mercy of other people telling them how and when they could spend it. They were not very happy with this situation and they moved it out simply because they did not know if they would be able to get it when they wanted it.

Several years ago, when Mr. Victor Bruce was the Governor of the Central Bank, I asked him why they had not removed all the controls on foreign exchange, and his answer was that he was in favour of this, but the Government was not. Now that the controls have been removed to a large extent, one wonders why only selected sections have been removed and not the whole Act. This will leave doubt in the minds of the population.

11.50 a.m.

There are some grey areas, as well, such as the withholding tax. How is this going to be monitored? What about the Free Zone Act? The original intention regarding foreign exchange is that once an investor was approved by the Central Bank, the company would have no further dealings with the Central Bank. They were to have their foreign currency accounts in a commercial bank of their choice and have all their financial dealings in that currency, except the payment of wages to local employees, who would be paid in local currency. There has been no mention of this in the Bill. The Government has more than once stated its intention of becoming the financial centre of this area, and this is a wonderful idea, but so is the free zone. We have been trying to get this started since 1987.

There were 32 customers waiting to get in here at that time, including one group which had US $100 million to invest. The catch was that they wanted Trinidad and Tobago passports, but our bureaucracy was not equipped to handle such an attack on our patrimony. This would not have cost Trinidad and Tobago anything, as the money was to purchase land, put in the infrastructure and put up the necessary buildings to continue their business, which they are today doing in Hong Kong and have been doing for the past 20 years. If our bureaucracy cannot operate more efficiently than that, we had better forget the very attractive idea of being the financial centre of the Caribbean.

The Bill, since Part III, Securities from Chap. 79:50, opens our stock market to other persons and nationalities and theirs to us. This is one more cog in the wheel towards Caribbean integration.

Mr. President, many people seem to be worried about what the exchange rate will be tomorrow, but I do not think that will be a real concern. The value of the TT dollar will be established by market forces which have been constant over the last couple years at a rate of $4.50 on the black market. I feel, therefore, that any increase tomorrow will be small but of short duration. I say "of short duration", because I feel certain that the new investments in the petroleum sector will be largely successful. We already have the example of Amoco's Flamboyant well, which is producing 80 million cubic feet of gas per day and 2,000 barrels of condensate. Translating this into figures that we can understand, this well is producing the equivalent of 16,000 barrels of oil per day, or two and a half times the largest well previously found in Trinidad and Tobago. The No. 2 well in the Flamboyant Field is due to start drilling next month. The seismic surveys on land and offshore have been very promising and drilling is due to start in the second half of this year at varying times, as will each of the foreign investors who have signed up to come in.

Mr. President, I think the Government should be congratulated o its timing, bringing this Bill to the Parliament at this time, when it will have the least adverse effect on our country and its people.

There is one item which still needs attention, as mentioned by the Chamber of Commerce, and that is the period to be allowed for payment of goods already in the country or in the process of arriving here by various transport means. There is precedent for this request. It has been done changes in parity of our currency in previous years.

That is the size of it, Mr. President. I thank you for this opportunity.

Sen. Roi Kwabene: Mr. President, at this historical emergency session, we have gathered to declare the Trinidad and Tobago dollar a floating concern. April 1993, in particular, this season of Easter, will be remembered for this difficult measure. I should like to begin by casting the hon. Minister of Finance in the role of Aladdin on the flying carpet.

However, Mr. President, as we consider to the Central Bank (Amdt.) Bill, 1993, we are fettered with stunning reality. Indeed, the intention to float the Trinidad and Tobago dollar was hinted at by the Prime Minister on more than one occasion. There was an instance where his announcement resulted in major capital flight. But now is no time to mete out blame for such a blunder. Whether it was the Leader of the Opposition's, response to his revelation, or the Prime Minister's statement itself, the fact remains there is going to be an effect eventually, especially since this Bill will be law by tomorrow.

Mr. President, cause and effect will be the determining factor. For, in anticipation of any devaluation, panic will ensue giving renewed strength and vigour to Trinidad and Tobago's greatest enemy. Trinidad and Tobago's greatest enemy is none other than uncertainty. It is a fear that many have been hampered by: the ordinary man, woman and child, the aged, the unemployed, the hopeless, the homeless, the youth, the women, the single mothers, the disabled, the disadvantaged and the dispossessed. Does anyone really care?

This issue of floating our currency must be viewed in the context of the balance of payments, while rising discontent continues to colour our vision. It is the same measure of uncertainty which plagues our social sectors; uncertainty reigns predominant, be it in the judiciary, the Parliament, the protective services, the public or the private sector. So let us examine this proposed liberalization of our economy.

Mr. President, it is instructive to note that though the hon. Minister of Finance is swift to declare how the prospects for the future glitter, he also takes the pains, to in fact, indicate that his Government will learn from the mistakes and problems of other countries that went that way, and "that way" I am referring to is obviously the way of floating the dollar or floating their currencies.

It is amazing, Mr. President, that the hon. Prime Minister always linked this proposed measure with the Jamaican experience. However, if we are to examine that experience, we have to take into consideration that liberalization was applied in stages, so much different from the Trinidad and Tobago situation.

I wish to openly declare that as a young citizen of Trinidad and Tobago I am aware that this new legislation is one of the basic components of structural adjustment programmes handed down as conditionalities by major financial lending agencies. I would like to refer to them today as the new colonial powers. We are expected to provide greater hospitality to foreign investment; we are expected to abolish foreign exchange and import controls, in addition to a systematic devaluation of the exchange rate of our currency.

Austerity programmes are the prescriptions, not only the satisfaction of those blood suckers, but recipes for revolt. I am speaking here about social upheaval. Such actions or measures impact very seriously on the national psyche.

In response, I would expect that the current regime would do as they have promised in this Medium Term Policy Framework—From Stabilization to Growth, where they have indicated in several parts of that document that one of the things they hope to do is to provide some sort of assistance to members of the public who would suffer from the resultant fallout.

It is important to educate the masses in Trinidad and Tobago. The reason behind the problem that occurred on Holy Thursday basically stems from the fact that people on the streets of Trinidad and Tobago are not totally aware of the problems and the implications that exist in our beloved land. People need to be educated. I keep repeating this over and over, that the responsibility of the Government is to inform the people. They have been advised; let us hope they do take that advice.

I know that at the end of the day we shall get rebuttals. Rebuttals always come! The fact remains that if we really want stability in Trinidad and Tobago, there is a means whereby we can really achieve this goal: Human resource management. Nobody seems to be concerned about the idle hands out there! Nobody seems to be concerned about the languishing of the unemployed on the corners! Nobody seems to be concerned! Of course, there have been promises of stimulation of our exports. But, as we are all aware, the manufacturing sector in Trinidad and Tobago needs to import inputs into the manufacture of their goods and, as such, that would obviously have an effect on the price which would be passed on to the consumers.

So whether this, in effect, will have any sort of influence on the decision that is being taken today, I cannot say, really, because the Prime Minister promised not only the Trinidad and Tobago Chamber of Commerce, but also the entire manufacturing sector, that certain provisions will be made to protect the interests of the manufacturing sector in Trinidad and Tobago.

Here I can refer to the Bureau of Standards, again. When are we going to strengthen, via legislation, the powers of the Bureau of Standards? I am very concerned about this. How can we really be serious about stabilization, far less growth, when the consumers, the general public, are constantly denied their rights? This legislation will result, obviously, in a steep rise in the cost of living. There is no protection! I do not know if it is forthcoming, and I do not know how soon. It may be soon, or it may not come at all.

To illustrate the point I am making, we have had the experience on this side of the Senate where promised legislation has never materialized; we are speaking now about the safety of commuters in Trinidad and Tobago, which is indeed relevant to this Bill. We are speaking about the Maxi- taxi Regulations. What happened to them? Are they coming forward? Are we ever going to have them? There are other instances: What about the ASYCUDA system? What is going to happen with the regularization of imports and exports in this country? How can pensioners on a fixed allowance be expected to survive on a pittance that will again be eroded?

There is no policy on agriculture in our country, and yet they are speaking about exports, when, in truth and in fact we are importing most of our food, and you know our taste is foreign; we have a foreign taste in this country. I am not sure that people will be flocking to the market-places—I mean, they may be constrained to do so, but I am not too sure whether that is going to be successful.

The prices of all goods of non-national origin are going to be increased, and, as such, it is going to be passed on to the consumer, the ordinary man, who in truth and in fact has not been prepared, has not been advised over a long period.

The Minister of Planning recently returned from Geneva—*[Interruption]*. Not Geneva, where was it? Could he correct me? I would appreciate it. He went for another loan, and this loan was supposed to assist, I believe, with access roads for the agricultural sector. How commendable! But at what price? The ADB still needs restructuring.

What about the unemployed? It is obvious that last Thursday's reaction of URP workers is a sneak preview of things to come. I have a little word of caution I would like to pass on to the hon. Minister who intervened: Minister, you are a very beautiful woman, take care of yourself, get your insurance in order.

The private sector, on the other hand, are also uncertain, since they would not be able to truly gauge the growing discontentment by merely a reduction in their sales.

Looting has already become the order of the day, so we can expect more looting. I do not intend to be a prophet of doom here, but we have to face reality and the reality is people want food, clothing and shelter. They are important.

The private sector will be further stuck with uncertainty, facing a situation whereby will be importing goods, even though they have goods already here that they will not be able to get rid of. This reminds me of a calypso sung by Valentino and I will quote him: "Hark, hark, the dogs they bark, beggars are coming to town." Mind you, all the beggars would not be in velvet gowns.

The social services are unable to function at present. Remember the employees in this very sector are members of the public service who have been fuming about their rightful earnings. Liberalization of our currency control will also give birth to speculative activity. I heard recently that in Venezuela there are millionaires as a result of this sort of activity. Perhaps some people will be invited to go down that avenue. Liberalization will cause far more negative than positive impacts upon our society, and escalation in the exchange rate will result from panic purchases.

Educational fees: What about those people who are taking correspondence courses, Mr. President? They will have to pay more. Rising prices do not augur well for a growing population of unemployed. Even those who chose voluntary retirement will realize that their credits have been drastically reduced. Labour unrest will be inevitable if there is to be a wage restraint. I do not think the

Jamaican Government owed its workers a large amount of money just as our Government owes its public service workers. This is a greater recipe for discontent. Either way, whether it is a controlled devaluation, or whether it is a floating currency, we are courting disaster in Trinidad and Tobago.

Interventionist financial policies do, in fact, play an important role in the restructuring of economies, and there are some successful stories. But we are not disciplined in fiscal measures, and this is obviously reflected when every year they come for a larger variation.

A word of advice to the Minister of Finance: The social protection schemes which have been promised are of prime importance. It is unfortunate that while he may have good intentions to implement them, the good intentions are basically coming from a reactionist point of view, for I am not too sure whether he is going to do it out of his heart or out of defense.

There is need in this Parliament for reform, and I do not know if it is forthcoming. Our Constitution is in dire need of change. If we are to stand dignified as a people in Trinidad and Tobago, certain changes have to take place. If they do not take place in Parliament, and the people lose faith in the politicians we are going to be confronted with the stunning reality that people are going to take their affairs into their own hands. We have to be very mindful of this, because we also have to look at this against the backdrop which exists in other parts of the Caribbean—and I would include Suriname in the Caribbean, because they have had a similar experience to us. The actions by the dispossessed get more daring as time passes. People have truly changed over the years. Our society needs aid, not patronage for votes.

The United Nations, through a report which they published in 1991, UNCTAD, Trade and Development Report, made a statement, and I shall quote them:

> "Micro-economic stability is essential. Governments should not allow interventionist finance to degenerate into inflationary finance and must resist excessive demands for credit and ensure fiscal discipline."

I continue:

> "Governments must ensure that the support and protection provided by them is well targeted and used for the purpose intended rather than hand-outs. They must constantly monitor how far their policies are attaining their objectives and undertake revisions when necessary."

I repeat:

"...revisions when necessary."

This is not an opportunity for the PNM to grab. I mean, it is a temptation to buy votes with public spending or do favours for their friends.

We need education. The schools, the educational system in our country has failed our young men. So much so that we are confronted with a problem today in this society where even a Minister of the ruling regime accepts—and I am speaking about the Minister of Social Services, who made reference to the fact that the single-parent syndrome keeps repeating itself and it is going to be disastrous for us sooner or later.

Will anyone take note before it is too late? The scale is over-balanced. The ayes will have it.

Thank you, Mr. President.

Sen. Michael Mansoor: Mr. President, I suppose this is an historial day in our economic history. It is a day which has been talked about for several decades, certainly since 1970. In approaching this debate one has to ask the question: Is this the right time? Is this the right juncture that we should introduce the abolishment of exchange control and the introduction of flexible rates of exchange?

The conventional wisdom for several decades has been that we needed a large buffer stock of currency, because as soon as exchange control was abandoned, there would be a huge demand for US dollars, sterling, and other hard currencies. We have been told by the Minister within the last few days that a consultant—I do not know whether it is a local or foreign consultant—disabused us of these fears: In the first instance, we did not need as large a buffer stock of foreign currency as we thought we would, in order to stop mayhem on the first day of free-trade. Secondly, this consultant told us that we were losing foreign exchange at a rate of US $200 million a year, the figure I believe I heard mentioned this morning.

While I would want to congratulate the Government for making this very brave and enlightened move, I cannot help but ask the question as to why this has happened. Why have we been losing foreign exchange at the rate of US $200 million a year when we had all these controls in place for which the taxpayer was paying huge sums of money to the people who were supposed to exercise and enforce these controls? Why do we need someone to tell us—as if it were a surprise—that we were losing these large sums of money? And why did we have to wait so long to be told that we do not need a certain level of buffer stock or hard currency in order to make this move?

I ask these questions because I think that this country should have liberalized its currency a long time ago; 1993 is too late. I do not believe that we can take any pride in the fact that we have waited so long to join the rest of the world.

There is a cost to this. This country has lost something. It has lost by waiting so long. I will give you a few examples of how it has lost. We have lost our relative and comparative export edge—our competitive edge—because for so long, we have been insulated with the crutch of a fixed parity rate, such that we really did not have to compete in the real world. We did not have to ensure that when we imported goods we had to pay the real price, because the Government, by the instrument of a fixed parity rate, provided a cushion, as it were, so we could have imported whatever we wanted in whatever amounts, the only control being what the bureaucrats told us we could buy or not buy.

I think we have missed the bus. We have waited too long, and this country has lost much by waiting until 1993, when just about everybody else has realized that fixed parity rate systems, manned by bureaucrats and government officials, is not the way to ferment and encourage investment and trade.

The crutch has now been removed and we have to recognize that, even at this late stage, there is the opportunity for us to gain some economic ground and to make up the ground which we have lost. So we have to move from the question: Is this the right time?—it should have happened a long time ago—to the question of: What are the problems we have when the new system is introduced within a matter of hours?

The assumption has been made—if one reads the press—that the Central Bank will intervene at its leisure, if you will, and only on rare occasions—that seems to have been the conventional wisdom that there is enough hard currency within the commercial banking sector, that would allow us to pay for our imports and all the other services that this country has to pay for from the rest of the world. That is a very important assumption.

The Minister, no doubt, would have much more information as to whether it is a correct assumption. But I should just like to dwell for a moment on the sources of foreign exchange to the commercial banks. The major source of foreign exchange to the commercial banks has been the export receipts from the petroleum sector and from the other exporters in the economy.

12.20 p.m.

We know, from the statistics that they put out that our export receipts are in the vicinity of $8.5 billion per year, if 1991 and 1992 are any indicators. Our commercial banks in the main, receive these funds and use them to pay for our imports and our other services that we use from abroad. We have a favourable balance of visible trade, and then we have the overall deficit in foreign currency with the external world for visibles and invisibles.

Are we certain that these export receipts will make their way into the commercial banks? I ask the question for this reason. Up until now, exporters had to lodge these funds with the local commercial banks because of the law, and if you operated your business in accordance with the laws of this country, every time you exported you had a form, and that form required that your export receipts were lodged in a commercial bank. I suppose this applied to the big and small exporters.

Now exporters have an option: they can decide when they will lodge these funds in the commercial banks. So that the flow of income into the commercial banks of export earnings may not be as predictable as it once was, because an exporter, may say, "I will not lodge my receipts today, I will wait a month because I think that the parity rate being now flexible, will be x or y."

He may also decide that he does not want to bring his export receipts into the commercial banks in Trinidad and Tobago at all. When we say that the Central Bank will be able to take this very reserved position and not really interfere on a daily basis, that would only be so, Mr. President, if the hitherto predictable inflow of receipts into the commercial banks continues. If it does not, we shall have problems. I should like to ask the Minister what research has been done to make his assistants believe that this would actually happen: That Trinidad and Tobago's commercial banks and the cambios will receive the $8.5 billion or thereabouts of export receipts, that we have been accustomed to. What assurances do we have about that?

You see, we are making the assumption that the commercial banks will have enough funds to take care of the needs of the public; but we also have to remember that there is an international dimension to this. Let us take the question of letters of credit. Importers in this country have used letters of credit for decades, and a letter of credit may be issued by a local commercial bank on the strength of a guarantee of a foreign bank, be it Tokyo, New York or London. Those foreign correspondent banks have always known that the Trinidad and Tobago bank would be able to remit the foreign currency, whether it be yen or US dollars, because of the fact that the Central Bank guaranteed, as it were, that once an EC form was approved, the Central Bank would honour and provide the local bank, which will in turn provide the foreign bank, with the proceeds of that letter of credit.

I do not believe that the foreign correspondent banks would have that assurance today. Some of the six commercial banks that the Minister mentioned are in the very fortunate position that their flows will allow for this; but as of today, I do not believe that the commercial banking sector has enough hard currency to satisfy all of these liabilities, letters of credit acceptances, that the commercial banks have essentially guaranteed through their foreign correspondents.

Have we done a compilation of our foreign reserves and our foreign liabilities? Not for one bank, because one particular bank would be in a very good position. But have we done it for the system, so that we can be assured that we can retain the credibility which we now enjoy with the foreign correspondent banks? Mr. President, what I am hearing is that certain commercial banks are not in as happy a position as we would like them to be, because if they look at their foreign assets and they tot up their foreign liabilities, there is a deficit. If they do not have the assurance that the Central Bank will step in, or that they will be able to purchase the deficit from other commercial banks, there will be difficulty.

What we are doing is a good thing; I want to emphasize that; but I believe the position that the Central Bank has taken, that it will not come to the rescue, but rather it will just intervene to make sure that the rates do not go crazy, is cause for concern. What we need more than anything else at this stage is to assure the citizens of this country that there is not a problem, that we have enough foreign exchange to meet our import and other liabilities.

I would ask that the Minister consider, as Sen. Daly asked, whether the commercial banking system by itself is liquid; is it in a state of equilibrium, its assets and liabilities matching, or whether, we are really kidding ourselves into believing that this equilibrium will take place without the help of the Central Bank.

The amount of help that is available from the Central Bank is not all that great, because you will remember that when we looked at the 1993 budget exercise, we had to come to the conclusion that our foreign receipts from petroleum taxation and royalties were not as large as they were in a previous year and, indeed, the Government had to budget the inflow of some TT $.5 billion from the sale of state enterprises in order to balance its revenues and expenses.

I have done a very quick analysis of what foreign inflows the Government might have in 1993. I do this with an abundance of caution because the statistics that I have used are not really reliable. According to my reckoning, the Government will borrow about TT $1 billion from the foreign markets and will receive about $1.9 billion from oil taxation royalties, the sale of state enterprises and other sources, so that the Government by itself, through its agent, the Central Bank, will be in receipt of some $3 billion dollars.

And if we estimate that the central Government's foreign debt payments are in the vicinity of $2 billion, Mr. President, that provides a cushion of about a billion dollars. That billion dollars, if it is correctly quantified—this is just a rough estimate—puts the Central Bank in a position to provide sufficient foreign currency in the transition period, and eliminate a new form of exchange control. We are being told that the commercial banks will be asking for receipts, invoices, and will be selling only to their regular customers and so on.

That is all very well, but that can only be done for a certain amount of time until our citizens work out ways and means of getting around those strictures, because they can have bank accounts in several banks and they can present the same invoice three times. So those precautions are not going to last for very long.

12.30 p.m.

I would wish the Minister to corroborate or tell us what is the quantum of funds available to the Central Bank, or to the Government, in order to ease the pressure in this transition period. I have done a rough calculation, it could be wrong, but I think it is important that we know that any short-fall that the commercial banks may have would be satisfied, at least, in the short-run by the Central Bank and by the Government. I think if that is promulgated, there will be much more calm and ease in people's minds that, really, we do not have a problem.

If we look at the statistics, we have always enjoyed a very healthy visible trade surplus. Where we have gone adrift is in the payment of the invisible items—interest, insurance, and things like that. Really, we can manage our affairs and I believe that it is important, I say it again, that rather than withdraw, or apparently withdraw, from the fray, the Central Bank should be making some very positive statements that they will intervene, the rate will not get out of hand, and we will operate the way we have operated in the past, until the situation is regularized.

Now, Mr. President, I come to a few other concerns which I have.

Mr. President: May I enquire how much time you need?

Sen. Mansoor: Not more than 10 minutes.

The other concern I have, and I will attempt to wrap up in 10 minutes, as I said, Mr. President is: Will our citizens here be as encouraged as they might have been in the past to lodge their savings in Trinidad and Tobago dollars or in hard currency? This is a very fundamental concern and I raise it in the context of the insurance industry, because one of the very terrible things that exchange control did to this country is that it almost blackmailed the pension and insurance industry into investing in Trinidad and Tobago instruments, to the exclusion of all the other investments that might have been possible anywhere else in the world. So that pension plans and insurance companies have, historically, been able, with few exceptions, to invest only in Trinidad and Tobago dollar securities. One has to ask the question today: What is the cost of that? As the Minister well knows, many of these investments are bonds issued by Government at disastrously low coupon rates, and, therefore, at disastrously low market rates today. However optimistic we might want to be, I think most of us believe that there is some element of depreciation of our currency that is going to take place, starting tomorrow. All the savings of pensioners, the insurance industry, pension plans, are in TT dollars which will depreciate, and this will not be lost on our population. What are we going to do when the population decides that, really, we should lodge our savings, not in TT dollar instruments, but rather in instruments based in another currency?

Now, it may be all right for them to do that, I do not know, but I ask the question, because if it is that we leave the status quo unchanged with respect to insurance and pension plans and the tax incentives that pertain to those arrangements, what I think may very well happen is that everybody would want a pension plan and an insurance policy that is denominated in another currency. If they invest in TT instruments, they are likely to go the way of all flesh—the currency will tend to depreciate. So I believe that the Minister needs to address this. As I say, I am not a monetary economist, I do not know. But what will be the effect of the gradual removal of savings from a TT dollar base to some other base? Is this going to happen? Is it a good or a bad thing? I do not know, but I believe it is important that we think about these things—and I really wish we had the consultant here. He might have been able to tell us; I do not mean to be critical. You cannot expect a small country like Trinidad and Tobago to have people who are versed in every specialty of economics. We need help from outside, there is nothing wrong with that. But we need to address that point.

Mr. President, I come to the other burning issue in this debate, which is the question of interest rates in the local economy. For some time now we have been faced with interest rates that exceed 15 1/2 per cent which, I believe, is prime of the commercial banks; and what that translates into is that a large majority of the smaller borrowers pay rates of interest that approach 20 per cent, depending on credit risk, or this or that bank. I asked the Minister, and he very kindly responded that the Government may have no alternative but to ask the Central Bank to raise the reserve requirements, and this will translate into a further increase in interest rates.

That would be done, quite correctly, to stop people borrowing willy-nilly on the local market to chase US dollars, and that is good. I cannot help but ask questions: if we continue to use interest rates to control imports, as we were doing a few months ago, or up until a few days ago, and now to control the purchase of US currency, where will it all end? Will we be continuing to increase the interest rate if we do not like the flow of funds in and out of the country, or from TT to a foreign base? Will interest rates approach the rates that occur in Guyana or Jamaica? Will the Government have to do that in order to keep things in balance? If that happens, what is the likely impact on the very things that the Government is trying to increase—employment, business growth etc.?

Mr. President, I do not know the answer to that question. I do not have any idea as to what will happen. The Minister hopes, I believe, that there shall be a temporary rise in interest rates and then the thing will settle down and we shall be able to pull the lever back and reduce interest rates. If that happens, we would be very fortunate, but, to the best of my knowledge, it has not happened in other places. And I really worry about that, because for our small businesses and medium businesses, an increase in interest rates of another 2 or 3 per cent during the rest of 1993 could be disastrous. I really hope that the Minister can give us some hard evidence to suggest that these things will not happen, that the interest rates will remain unchanged—unchanged 15 1/2 per cent is probably already too high as your base rate. But if we let it get out of hand, it could well get beyond 24 per cent. Beyond that, I believe there is the Moneylenders Act to take care of those situations.

I am very concerned about the interest rates, because they have an effect on just about everything—on the long-term market in terms of mortgage rates and so on—and it certainly has a very direct effect, an immediate effect, on the cost of doing business.

Mr. President, if I may adhere to the 10-minute allowance you gave me, let me try to summarize. I am very concerned about the inflows into the commercial banking sector. I am very concerned about the individual positions of certain of the six banks. Not all of them control as much of the foreign trade, if you will, as one might think; and it is quite possible that export receipts may be delayed; the timing might be somewhat different. Therefore, we need, more than anything else, the assurance that the Central Bank will be there to provide a buffer. I do not think it is an extraordinary request that we are making, because the underlying statistics would suggest that we can balance our foreign receipt payments. They can be balanced. I think the sums indicate that there is a surplus in the Government inflows over outflows. They may not be as large as the Minister would wish, but I do not believe that the underlying statistics suggest the need to panic.

12.40 p.m.

The fact that the Central Bank is adopting this position of distance from the commercial banks, I think is, perhaps, going to raise questions, and I do not think those questions need to be raised. I think we have to also examine, very carefully, the ability of some of our commercial banks to get credit from their foreign correspondents. We have to remember that it was not too long ago that our commercial banks were, perhaps, blissfully selling foreign exchange to the citizens in Trinidad and Tobago, but the funds were not being placed on as regular a basis as we assumed it in the foreign banks. So there has been a question mark in the past, and I do not think that we need to allow that question to raise itself.

The other concern is the question of interest rates and the impact on fixed income people. I refer to my remarks on the insurance industry and the pension plan industry. The fixed income people are the people who are most likely to suffer the most in the shortest period if we do not maintain some semblance of order.

To summarize, this should have been done a long time ago. I compliment the Government on doing it now, but I am sorry it was not done five or 10 years ago. I would ask the Minister for his comments and clarification on the few points that I have raised. I thank you, Mr. President.

Mr. President: The sitting of the Senate will now be suspended. The Senate will resume at 1.45 p.m.

12.43p.m.: *Sitting suspended.*

1.45 p.m.: *Sitting resumed.*

Sen. Ainsley Mark: Mr. President, I rise in support of the Central Bank (Amdt.) Bill, 1993. The main intent of this amendment is to, in effect, abolish exchange controls thereby allowing exchange rates to be determined, essentially, by market forces. In a very real sense, as the Minister of Finance has pointed out to us in his presentation earlier today, exchange controls are, in fact, relics of a by-gone era.

In his presentation the Minister spoke about our history of controls. He traced the progression of exchange regime liberalization and, in fact, was at pains to point out that automation and telecommunication links have made the movement of capital worldwide very, very easy. Put on an even more basic level, what we are treating with in Trinidad and Tobago today is simply the refusal by individuals and corporations to have employees of the Central Bank determine how, when and how much of their money they can move in and out of the country.

The Minister of Finance also dealt with the various exchange regimes that we have had in Trinidad and Tobago; the fixed rate system; for a brief period we dabbled with dual rates; and over the years we have had several devaluations. While some of these measures did have a measure of success over varying periods, they clearly did not, and could not, by themselves, provide a sustainable solution to the underlying problem of excess demand for foreign exchange. If there is anything that we would have learnt from those experiences in exchange regime management over the years, it is that while much attention was focussed on exchange rate systems, the demand management strategy was not pursued with the required degree of vigour and consistency.

There are three issues that I would like to address. Firstly, do exchange controls work? Secondly, if they are to be removed, are there a set of preconditions which should be in place, and what should be the timing? Finally, and, perhaps, most importantly, what are the implications of their removal?

In the discussion and debate that has been going on since Wednesday afternoon, there still appears to be a considerable number of people who are arguing that the exchange controls should be retained. It is obvious that exchange controls, in our situation, have not been able to do what they were intended to do: I imagine, first of all, preventing capital flight or, secondly, effecting any proper rationing of our foreign reserves. From our experiences, we would note that exchange controls by themselves achieve very, very little; and that there is only some likelihood of their working if they are accompanied by a proper mix of macro economic policies in terms of monetary, fiscal and income policies.

Our experience is that notwithstanding the controls that we did have in place—even when, as we have done in the past 15 months or so, tightened up our monetary and fiscal policies—we still have been seeing the excess demand for foreign exchange spilling over into the parallel market and that the premium in that market—in our case the difference between the $4.25 official rate, and $4.50 street rate—gives us some indication of the extent of the over-valuation of the currency in the official market.

It is important, to understand that we are talking, essentially, about a 6 per cent over-valuation. So that when the question of the timing arose—is this the right time; should we have gone at this time? I would imagine that in terms of the extent of the over-valuation, the statistics will show that the 6 per cent over-valuation must be the lowest that we have experienced in very many years.

Exchange controls as a means of preventing capital flight: Again, our experience is that these controls do not prevent capital flight. We have heard in this Chamber, techniques such as under-invoicing of exports; over-invoicing of

[SEN. MANSOOR]

imports; various compensation deals, all of which allow persons intent on evading the controls to be able to do so with very little risk of detection. So that the question of whether exchange controls work, the experience in Trinidad and Tobago is, quite frankly, that they do not, and that their removal was simply a matter of time.

The second issue I wish to address is if exchange controls are to be removed, are there a set of preconditions which should be in place, and what should the timing of the removal be? Sen. Mansoor, stressed one of the schools of thought, that foreign exchange liberalization cannot be successful in the absence of a cushion of reserves which can enable the authorities, in our case, the Central Bank, to intervene so as to prevent the exchange rate from depreciating too sharply in the early stages of the process.

Now, Sen. Mansoor said that he heard that was the school of thought, and consultants said that was not, in fact, necessary. But the position is that while this cushion would doubtless be very desirable, and would make the process substantially less hazardous, the question that really has to be addressed is: How does one build such a cushion of foreign reserves in a meaningful time frame?

1.55 p.m.

The Minister spoke on the one hand about a whole host of governmental policies resulting in a ten million dollar increase in our foreign exchange reserves, while on the other hand we were losing two hundred million dollars through capital flight. The fact is, the liberalization of the foreign exchange system needs to be supported by an appropriate monetary fiscal and pricing environment and by appropriate demand management policies. And this is in fact what we have been able to do over the past 15 months.

The demand management policies have been tightened considerably. The Government has moved to further reduce the overall public sector deficit. What we are saying is that in terms of the timing of this move, and because we have been able to put some of the other critical pieces in place in terms of our monetary and fiscal policies, in terms of our demand management policies, the timing of this move is as good as one could have expected.

What are the implications of the removal of these exchange controls at this time? There is no doubt that there are difficulties and risks and we have to face up to the down side of this move.

Sen. Daly spoke about the "great risk," and in his judgment, it was the pressure on our foreign exchange reserves in recent times that precipitated this move. There is no doubt that assuming there is some depreciation of the exchange rate, there is likely to be increased prices of imports and, therefore, the possibility of increased cost of living. But I think that this forces all of us, citizens of Trinidad and Tobago, to consider very carefully what we purchase. There is no doubt that we must purchase our grain and pharmaceuticals—that is basically inescapable. If one were to walk through the groceries there are certainly a large number of items that as Trinidadians and Tobagonians we ought to leave on those shelves. I will give a very simple example.

I keep dogs. There was a time in the 1970s when we used to feed those dogs with all the imported feeds. There were not any local feeds. Then for a number of years there were no foreign dog foods on the market, and we made substitutions that have worked very well. There is no doubt in my mind that we have to buy the grain for our bread, but I cannot understand why people would buy foreign dog food. I use that as an example but there are a host of other items that are on the shelves, particularly in our groceries, that we can simply leave right there and let the importers decide that they are going to bring the prices down to get them off, and they would never ever purchase them anymore. We on this side are faced with a tremendous task of public education in terms of pointing out or assisting our people in making certain types of choices.

The second concern in terms of the down side of this measure has to do—it was raised by Sen. Daly—with the money laundering of illicit funds. I am hoping that the commercial banks will really be extremely vigilant in monitoring the various deposits they get—because it was, I think, the president of the Chamber of Commerce, who raised the point in another forum some weeks ago about the real difficulties of competing with persons who were selling the items below cost.

A third concern in terms of the down side was also raised by Sen. Mansoor—the possibility of increases in interest rates in the domestic economy as the monetary and fiscal policies are further tightened. We hope that there will not be any increases in interest rates, certainly not in the foreseeable future.

Mr. President, what about the benefits? I think it is critical that we appreciate the down side, but what about the benefits? The major benefit to this move would be the encouragement of investment and trade. Doing business would be easier.

We should anticipate the removal of the very speculative frame of mind that many of our citizens have been in. Had we gone for devaluation and for fixing it—and let us say we move from $4.25 to $5.00—then the next issue would have been: It really should not be $5.00, it should be $5.50. So we get on that treadmill again. If we go to $5.50, then it should not be $5.50, maybe, it should be $6.25. But by freeing it up and floating it, what we are in fact doing is eliminating a significant part of the basis for that speculation, because we are telling our citizens that it is not the Central Bank that will determine the level at which these currencies will be exchanged, but that these currencies will be exchanged on the basis of market forces.

There is no doubt also that this move is going to be a tremendous fillip to the manufacturing sector. In these times of high unemployment, whatever measures that will assist our manufacturers in adjusting to the new realities would, in fact, save some much needed jobs in Trinidad and Tobago.

In terms of our capital re-flows, the Minister was very clear that even if in the short and medium-term we are able to staunch just a part of that capital flight then, to that extent, the country would be that much better off.

Mr. President, the path before us is very clear. The Government has taken another bold step to bring Trinidad and Tobago in line with what is happening in the rest of the world. The risks are obvious, but the benefits are even greater.

2.05 p.m.

Sen. Rev. Daniel Teelucksingh: Mr. President, I believe that in the floating of the Trinidad and Tobago dollar, the Government has taken a leap of faith, one in which the nation's best posture should be that of optimism and hopefulness. Mine is therefore one of buoyant expectation and trust that our country would be spared the agony, trauma, brokenness and desperation which our neighbours in Guyana and Jamaica experience through years of financial uncertainty.

We must analyze very seriously, nevertheless, certain happenings in our community. I make mention of the unfortunate incident of looting in Port of Spain on Thursday, April 8, 1993. Other Senators have alluded to this, but I am really disturbed. The signals are unhealthy. Therefore, please permit me to repeat it for emphasis. This has to be a warning, since we need to be mindful of the negative effects of such behaviour. Furthermore, we cannot ignore the attendant militancy of those recently sponsored union protest marches, coupled with the convulsions within a society plagued by lawlessness, gruesome crimes and unbelievable violence.

Foreign or local investors will certainly feel more comfortable in an environment of greater social stability than that which we offer at present. A depreciated dollar is certainly not the only incentive to persons whom we may wish to attract to our shores. This city of Port of Spain is too often the unfortunate victim of social anger and political dissent. The city is not a good symbol of the maturity and confidence we would wish to project.

Therefore, we need to remind the entire population at this time of the need for all of us to walk together as a people on the road of true patriotism. We need to talk about love for our country again; to defend its institutions; to respect even its physical structures and our neighbours' rights and privileges, life and property.

The Government pleads for the confidence and trust of the population at this time, but it will take some time for this particular set of financial reforms to be appreciated by a population somewhat sceptical and fearful since the announcement was made to float the dollar. I believe the Government needs to set in place accompanying assurances that the population will receive its total, unreserved, caring concern and support, particularly during this period of transition and adjustment.

Certainly, the Minister of Finance knows that the new system has its costs and risks. Where, then—we are asking as a people—are the checks and balances, for example, to curb inflation; to monitor rising prices or possibly retard cost of living growth? Government must not sit down and appear helpless in the face of any cost of living upward spiral.

During those confidential discussions, days or weeks, you would have had as a Government leading us towards financial reform of this magnitude, has Government simultaneously advanced control mechanisms? Somehow my people are not seeing enough of this to go hand in hand with the announcement to devalue or float. Thousands more in this country, and even I, would have been more at ease to have Government announce supportive measures to an unsuspecting population, when the decision to float was officially released.

May I suggest a few areas where there might be need for some consideration, in search of support social systems beneficial to the poorer classes among us, such as the unemployed, the low and middle income groups or temporary workers.

Firstly, many of our people will welcome an immediate reduction in VAT on all locally produced goods to keep them at affordable prices, remembering that so much of locally manufactured goods depend on imported materials. Several small industries in this land rely on imported components. Furthermore, I think it would be a welcome move if VAT should be reduced on four cylinder motor vehicles to keep their prices down.

Secondly, mechanisms must be devised. We must invent ways and means to restrain the cost of basic utilities in our country. Water and electricity costs must not be a burden to the poorer sections of our society.

Thirdly, no matter what, gasoline prices should not be increased, not within the next few years. I know there has already been speculation about a predicted increase. I know the hon. Minister of Energy and Energy-based Industries said that not within the short-term. I should like short-term to be defined as being about five years.

Fourthly, Government must inspire, encourage, promote and give impetus to the agricultural sector, which can be a major player in the present scenario, since locally produced food will cost less than imported. Thus far, the perennial complaints of farmers have not been adequately addressed. We have made a mistake as a Government, whether it be the hazards of the wet season; the lack of access roads; poor irrigation or poor market facilities.

What of the diary farmers and the fishing community? What present assurances and support systems are being devised by the Government to promote this sector which can be the mainstay of our food supply?

Fifthly, I shudder to think how much it would cost, with a depreciated dollar, those persons who require urgent, specialized medical treatment abroad for health care not available in Trinidad and Tobago. A devalued dollar means prohibitive medical bills, hence the need to bring the Mount Hope Hospital on stream at a more rapid rate and fully commissioned. These are just a few of the matters which require our active consideration.

In conclusion, may I remind you that the wealthy, the upper and middle income classes will swim or float to suit the fortunes of the dollar, but we must not allow the poorer classes among us to sink. National confidence and social stability must never be allowed to float nor be devalued.

Thank you.

2.15 p.m.

Sen. Carol Merritt: The Central Bank (Amdt.) Bill seeks to achieve two purposes: One, to amend the Central Bank Act, Chap 79:02, to provide that instead of fixing a rate for the TT dollar, the President of Trinidad and Tobago will fix the basis by which the rate will be determined; and, two, the Bill seeks to repeal those sections of the Exchange Control Act, Chap. 79:50, which require prior approval or permission to be obtained from the Central Bank or the Minister before conducting any transaction in foreign exchange. The Bill will also repeal those sections of the Exchange Control Act which require residents to surrender receipts of foreign currency. Also included are the consequential repeals of subsidiary legislation.

So, in effect, section 23 of the Central Bank Act is repealed and substituted with a new clause, and the written law specified in the first column of the schedule is amended to the extent specified in the second column.

An irresponsible statement made by Prime Minister Manning very early in 1992 on floating the domestic currency prompted a massive outflow of funds which together with the common perception of an imminent devaluation has contributed to an air of uncertainty in terms of investment, and private enterprise had obviously adopted a wait and see approach. It is pertinent to remark at this point that the Minister did not tell the nation how much of our foreign currency had taken flight after this statement by the Prime Minister. However, that irresponsible statement and the speculation about the TT dollar are now history.

On Wednesday, April 7, 1993, the PNM Government, through its Minister of Finance, declared a free market in foreign exchange trading. He also declared at that point that all trading in foreign exchange was suspended until Tuesday, April 13, 1993 when the new foreign exchange regime would be in place. The Minister was not able at that point to state how far the TT dollar would fall in value.

The immediate effect of liberalizing the TT dollar will be effective devaluation. Theory suggests that, all things remaining the same, the new equilibrium rate will approach the existing parallel market rate of TT $5 to US $1. However, even such theory admits that this is, at best, a long-run situation. In the short-term, panic purchase of foreign exchange can logically be expected to sky-rocket the exchange rate. If I go by allegations that senior Government personnel have been leaking the proposed date of the float to their business partners, who started purchasing foreign currency three weeks ago.

Sen. Dr. Kuarsingh: On a point of order, Mr. President. I should like to have some clarification on that statement. Is this an allegation being made by the Senator herself or is this hearsay being presented to the Senate?

Sen. Merritt: I will talk to you separately.

Sen. Dr. Kuarsingh: Sir, I rise on a point of order.

Sen. Merritt: Mr. President I said ’allegations’.

Mr. President: The Senator says that you are claiming that a Government official leaked certain information. He is saying that that is imputing improper motive. Are you standing by your statement or are you prepared to withdraw it, or can you substantiate it?

Sen. Merritt: Mr. President, I am saying 'allegations’ were made within certain circles in Trinidad and Tobago. I am not stating any particular Government official per se. I am only saying 'allegations'.

Mr. President: Continue.

Sen. Merritt: Those businessmen who were not aware of the impending float would rush on Tuesday morning to exchange currencies. One banker even reported unusual requests for foreign exchange transactions over the last three weeks. I am going by a report in the *Sunday Express* of April 11, 1993, where the bankers stated that there were unusual requests for foreign exchange transactions over the last three weeks.

The term "structural adjustment" refers to the economic policies austerity measures attached as conditionalities when Trinidad and Tobago entered its first stand-by arrangement with the IMF. It is an economic strategy which seeks to improve the fiscal balance sheet of Government in the balance of payments crisis and to stimulate economic growth. The emphasis is placed on generating enhanced foreign exchange through increased exports. The austerity programmes were introduced in the 1980s when it became evident that underdeveloped and developing countries were unable to service their debts bloated by soaring interest rates.

In the Caribbean, several countries, other than Trinidad and Tobago, have instituted structural adjustment policies, for example Jamaica, Guyana, Barbados, Dominica and Grenada. Although each programme is tailor-made for the particular country, the policy changes, characteristic of structural adjustment, are fairly standardized to achieve the following:

(1) reduced local consumption so as to shift resources towards exports;

(2) higher personal taxes;

(3) government incentives to the private sector;

(4) dismantling and scaling down of state-owned enterprises;

(5) reduced public expenditure or services to local citizens;

(6) reduced number of Government employees;

(7) removal or reduction of tariffs and levies on exports, including oil;

(8) constrained wage growth;

(9) opening of domestic markets to foreign-based exporters; and

10) encouragment of expanded tourism.

But we will note that in Trinidad and Tobago there is no planned infrastructure for expanding tourism at this time.

Cheryl Sayer says on page 33 of her book, *The Debt Trap*, which was published in 1974:

"The basic components of any such IMF stabilization adjustment programme are the following:

(1) abolition or liberalization of foreign exchange and import controls;

(2) devaluation of the exchange rate;

(3) domestic anti-inflationary programmes, including:

(a) control of bank credit, higher interest rates and perhaps higher reserve requirements;

(b) Control of the Government deficit, curbs on spending, increases in taxes and in prices charged by public enterprises, abolition of consumer subsidies;

(c) control of wage rises, so far as is within the Government powers; and

(d) dismantling of price controls and greater hospitality to foreign investment."

In Trinidad and Tobago the austerity programmes, since 1988, have seriously impacted upon the national psyche. The Government devalued twice in three years, imposed a 15 per cent Value Added Tax on most goods and cut public servants' salaries by 10 per cent. While retrenching, the PNM Government has done some minimal repair in terms of removing the salary cut but not paying the accumulated dues; and they removed VAT on selected basic commodities. However, by actively pursuing other adjustment policies, the Government is aiming to achieve the listed characteristics.

What is disheartening is that adjustment is ascertained on the basis of economic criteria, often at the expense of social indicators, rising poverty levels, unemployment and rising crime rate. The working class is really on the ropes now. Structural adjustment is the sledgehammer blow which this Government has delivered to the working class. In this regard, the PNM is no different from the NAR. The NAR started it and the PNM has promised the IMF and the World Bank that it will finish it.

Is structural adjustment really a viable solution? One will note that whenever a government chooses that option voluntarily or under duress, the experience has been painful for the working people and the poor. Thousands have lost their jobs and poverty and homelessness increased. This country is now poised to take the dive over the cliff, like Jamaica. Trade and financial liberalization, the partner in crime of structural adjustment, destroys the immune system of the economy—when I refer to the immune system, I am talking about the negative list and the float of the TT dollar—leaving the country defenseless from attacks from the outside.

After mismanaging the economy for 35 years, the PNM has now brought us to this brink of disaster. What are at stake here are our rights to job security, to a decent standard of living, the protection of our independence as a nation, the right to be consulted as the owners of state enterprises whenever the Government decides to sell our most profitable enterprises to strangers.

Trade liberalization constitutes part of the structural adjustment programme of World Bank conditionalities assented to by the previous Government in 1989. The highlights of the agreements were essentially:

(1) to phase out the negative list by 1991 and shift to a system of tariff protection;

(2) total import charges on items removed from the negative list will not exceed 100 per cent of the c.i.f. price, except for textiles and garments which will have a maximum of 120 per cent. Such rates will be reduced to the corresponding Common External Tariff levels by 1995;

(3) Technical assistance for the strengthening of tariff customs administration and anti-dumping arrangements, trade facilitation forms, the introduction of the ASYCUDA system, the review of existing duty free concessions and the formulation of an action plan for this phased removal over three to four years.

Mr. President, history now has it that on June 30, 1992, the negative list was disbanded in favour of tariff protection for certain goods. The Government has also passed anti-dumping legislation and has assented to a decreased CET. However, it has yet to institute major changes in the Customs and Excise Division and Bureau of Standards. As my colleague pointed out that those systems are long coming and are due at this time.

The Government has embarked upon a trade liberalization policy, but the structure to ensure the success of liberalization has not been put in place. The threat of stabilization and structural adjustment programmes, which ultimately revolves around the regulation of markets, has been to reverse the post-independence trend, at least in theory, towards greater equity in income distribution between the owners of labour and capital with a view now to crudely increase labour productivity by cheapening labour. Greater reliance is placed on extracting more labour for less reward. The results are predictable.

An impoverished labour force is translated into a shrinking domestic market and a population surviving at progressively lower levels of social welfare. Workers have decreasing access to basic ammenities, such as health and education, and the vicious and expanding cycle of poverty feeds upon this sordid multiplier effect.

One of the conditionalities of structural adjustment is the liberalization of trade and foreign exchange, as I stated. The doctrine of liberalization argues that economic welfare will be improved by freeing private business from regulation by the state. In particular, the state should dismantle regulatory structures in financial markets, markets for trade goods and in labour markets. It is agreed that financial markets have their efficient operation impeded by regulation of interest and by controls on entry. These inhibit the free flow of capital through the economy, flows which are guided by profits which attach to the most efficient enterprises.

Even though much liberalization is taking place in the world today, the implications of such policies have varied from country to country. So we shall have to examine what the implications are for Trinidad and Tobago. The Minister will have to tell the nation outright whether the measures are going to create employment, or if the measures will rather shift resources within sectors of the economy. He will also have to inform the nation whether the liberalization of the TT dollar will realize the economic growth which will arrest and reverse the fall in living standards.

There is expected to be an automatic rise in the prices of all imported goods, as has been indicated by other Senators. Trinidad and Tobago is highly import oriented, even the domestic manufacturing sector has a high import content.

I had advised in a previous debate, in June, 1992, that we must set up particular programmes whereby we can attack our import dependency, especially in food. We must also call on those fortunate members of our society to be disciplined and curtail the importation of luxury goods, for example, cellular phones, fax machines, Reebok sneakers, champagne and high priced vehicles, too, to help save. We need to make sacrifices for the country to go forward. The whole behavioural pattern and attitudes of our country will have to change.

I expect that consumer prices will rise drastically, and this will further impact on the standard of living by making the poor even poorer. Individuals on fixed incomes, such as pensioners, as was mentioned before by Sen. Mansoor, will suffer as their purchasing power falls, and the people who depend on a five or 10 days' employment will be in a worse position.

I have to refer to this incident which took place in Port of Spain on Holy Thursday. Holy Thursday and we have a mob running through Port of Spain looting things like brandy, champagne, clothes and sneakers. Not food, luxury items. So maybe everybody from the lower class right up to the highest in this country has these expensive tastes; that is why we have so little foreign reserves.

On Holy Thursday, this praying, caring Government for some reason refused to pay the workers of the Unemployment Relief Programme their salaries before the long Easter weekend. These said workers waited for hours to collect their measly salaries. Failing this, they formed themselves into a mob, as was reported, and rampaged through the city looting businesses and vendors in their path.

I ask the question: Who is going to be held responsible for failing to pay the workers on time, for bringing further hardships on the roadside venders and the small businessmen on Charlotte Street? The eye-witnesses were scared out of their wits. Some even thought it was another coup attempt. I wonder if this type of behaviour was due to the mass confusion as regards what the floating dollar means, because the majority of the population does not understand what the floating dollar means. It is a whole new change in the system in our country.

Mr. President, allow me to highlight the advantages of floating the TT dollar against the disadvantages as I see it. These are the theoretical advantages of floating:

(1) adjusted prices or real exchange rates will emerge and be maintained at a relatively constant level by stabilizing speculation and will change mainly in response to changes in the equilibrium terms of trade between economies;

(2) external balance will be better maintained than under fixed rates;

(3) economies will be insulated against external shocks in society;

(4) policy-makers will find it unnecessary to impose trade restrictions and existing restrictions could be discarded, thereby enhancing the efficiency of resource allocations in the economy;

(5) capital flight will cease and, indeed, repatriation of funds held abroad will commence, we hope;

(6) stimulation of export manufacturing, since any initial effective devaluation will enhance the competitiveness of the devaluing countries exports;

(7) reduce expenditure on imports, as they may become expensive;

(8) can act as an incentive to foreign investment.

Mr. President, I will now highlight the disadvantages of floating:

(1) an immediate and uncontrollable escalation in the exchange rate, with no knowledge of where the equilibrium rate will settle—panic conversion could cause currency value to go into a tail-spin;

(2) high social cost in terms of rising prices and cost of living can lead to social unrest;

(3) loss of public confidence in the system and the local currency;

(4) foreign exchange shortage as panic conversion occurs;

(5) labour unrest, as unions attempt to secure compensatory increases to match inflation;

(6) reduce export competitiveness of export production based on imported inputs; and

(7) individuals on fixed incomes, notably pensioners and recipients of Government grants and subventions have a lower real income and, therefore, a reduced purchasing power.

Those are the advantages as against the disadvantages of floating the TT dollar.

Allocation of foreign exchange is determined solely by the market forces of supply and demand. Those with the ability to pay will be the ones to acquire foreign exchange. This brings me to a burning concern in the back of my mind. Is the Government going to place restrictions on the allocation and use of foreign exchange?

I make this query becasue of the escalating drug trade in our country. It is alleged that the people who control the drug trade are quite liquid and are able to purchase quite readily what they need. It is observed that if foreign exchange is a scarce resource, it must be allocated according to supply and demand. Those who pursue productive activity must compete with the controllers of the drug trade for the scarce foreign exchange on a level playing field. It is clear that the suppliers of drugs will obtain foreign exchange to the detriment of the entrepreneurs and the country's productive capacity. Therefore, some form of regulation or control has to be introduced to prevent such an adverse imbalance in the competition for foreign exchange.

Looking at this fundamental change in our monetary policies, I must note the impact on the social sector. There is also a deterioration in the health sector. I refer to a newspaper clipping from the *Daily Express* of March 31, 1993, pages 1 and 4, where the doctors at the Port of Spain General Hospital are telling patients that they will have surgery at their own risk due to the lighting system in the operating theatre. It is a serious situation. An unhealthy health sector in any country does not augur well for foreign investors.

There is going to be a further drop in standards at these health institutions. What of medication, medical supplies and equipment? Old age pensioners will have to pay more for over-the-counter drugs because most of these drugs are imported. Parents will have to pay fluctuating prices for school books and uniforms. Did the Government take all these factors into consideration before implementing the float? There has to be some mechanism in place to control inflation.

The Minister of Local Government was reported as saying in the *Trinidad Guardian* of Thursday, April 8, that electricity will cost more due to the price at which the National Gas Company sells to T&TEC, because the price that they sell us at is quoted in US dollars.

Mr. President, we would note that this is the same Minister who likes to sell anything he puts his hands on. He sold off the Urea and Fertrin plants for next to nothing as if he was selling an insurance policy. All the promised talk of discussion and consultation with the trade unions before the sale of our profitable enterprises are effected, floated through the window. He had no discussions with the trade unions, as far as I know. The policy is to sell fast for a quick fix. But some confusion seems to exist between this junior Minister of Finance and the Prime Minister, because the Prime Minister stated at a constituency meeting that the money realized from the sale of the Fertrin plant and the urea company was to be put into a fund for the Unemployment Relief Programme. But Minister Valley said that money is for something else. Maybe the Minister of Planning and Development will know what it is for. If there is confusion between the junior Minister of Finance and the Prime Minister, somebody has to know what the money is going to be used for.

2.45 p.m.

Mr. President, in conclusion, I must warn this Government to watch of the haste with which it introduces fundamental changes in the country without educating the population as to what the implications are, and how new measures will impact on their lives. Right now the population is completely confused as regards the float and what it means to them. What they can see right now is further hardship, according to the allegations circulating. People are saying all sorts of things will happen with the float; they compare it with what happened in Venezuela, Jamaica and Guyana. But we have to examine what is happening here in Trinidad and Tobago and how it will affect us. It is the responsibility of the Government to inform the nation what this means; it is a new measure.

Mr. President, it would seem as though Satan is really in our midst; he is very busy; because how can you explain the Prime Minister’s making an erroneous statement and mixing up his several prepared speeches.

Then there is the situation with the fishermen in Cedros. Whenever they venture out into the Gulf of Paria, it would seem they are being led astray by mermaids. You see, Satan comes in all forms.

Mr. President, what of the rich overlords, who are now, rustling land in the Nariva Swamp? And last but not least the cocaine lords seem to rule things—the Minister of National Security is not here now—in this town, so much so that when things get bad on the outside, they now have a nursery to run to for protection.

Mr. President, in concluding, may I say that Trinidad and Tobago is not ready for the liberalization of the TT dollar. There are not significant or relevant safeguards in place to protect the country against the vagaries of international competition. Our domestic economy is not yet suited to the implementation of the policies of financial liberalization.

Sen. Diana Mahabir-Wyatt: Mr. President, I support the passage of this Bill, and I compliment the Government on finally having moved towards the flotation of the dollar and the unfixing of the exchange rates. There are a couple of questions that I should like to ask about the effect of this Bill. One of these has to do with the functions of the Central Bank being passed on to commercial banks, as we have been told by the Minister of Finance is about to happen.

One of my first questions has to do with the effect of the passing of this Bill on the employees of the Central Bank. Presumably, there are a fair number of functions that no longer have to be handled by the Central Bank itself, and I think that we have had in today's newspapers notices by the Central Bank on the operation of the foreign exchange market. This, presumably, hitherto took up a fair number of employees of the Central Bank. One of my questions has to do with possible retrenchment, downsizing, rightsizing, or whatever the current euphemism is, in respect of Central Bank staff.

One of the reasons why I am particularly concerned about this, Mr. President, is that the Central Bank staff has been excluded from the Industrial Relations Act; Chap. 88:01 in section 2 subsection 3(d) removes the staff of the Central Bank from the coverage and the protection of that Act. In other words, staff of the Central Bank cannot go to the Industrial Court for help; they cannot use normal machinery which is set up for industrial relations purposes under the Act itself. They are excluded in the same way as teachers, police officers and various other categories of public staff are excluded. But in the case of teachers, police officers and prison officers, there is separate legislation set up which gives these people access to an appeal from decisions made in relation to employment, or gives them access to what the principles of natural justice provide for—a further step that can be taken, where their arguments can be heard in defence of their own cases.

In the case of the staff of the Central Bank, although they were removed from the protection of the IRA, no legislation was ever set up to protect them. As we are now looking at the Central Bank Act itself, it occurs to me, Mr. President, that this is perhaps, the sensible time to also take a look at this omission from that Act.

The Education Act, Chap. 39:01 has from sections 62 to 75 provisions which govern the termination of members of the teaching service and deal with negotiations for agreement in relation to terms and conditions for members of the teaching service and various regulations governing recognition.

I am suggesting, Mr. President, that something similar should be done in relation to the staff of the Central Bank. It has never been done in the past. This is fundamentally a breach in industrial relations terms of the principles of natural justice in relation to employees, and I am very surprised that no mention has been made of this so far. I strongly suggest, and I would very much appreciate it, if the Minister would comment on this when he makes his final statement in reply to the debate. I would suggest that provisions similar to those in the Education Act be included in the Central Bank Act, in order to protect the employees of that bank, particularly in the light of the possible retrenchment that might be coming up.

The second point that I should like to make is not very original because it has been made in a number of ways by a number of people, and I am not going to elaborate on or to go over the arguments that have already been given, but this has to do with the question of timing of this particular piece of legislation. I think that while most people in this country support the legislation, the point has to be made, and made again, that until there are certain aspects of social infrastructure in place to protect those who are the most vulnerable in the society, it is very dangerous to pass this kind of legislation and I urge that the so-called soft ministries of Social Welfare and Community Development be made hard very quickly.

There are certain movements taking place at the present time in the Government, and I should like to make a comment about a couple of these. I think that in relation to those who are on the lowest end of advantages in the social scale, the ones who are going to feel most keenly the effects of any possible inflation that is going to come, the relief measures that are now being taken would have to be escalated.

One of these has to do with the medical infrastructure. The cost of medicines is going to go up because we do not produce the medications that we need. Even insulin is difficult to get now for those who are diabetic, and, Mr. President, we have one of the highest per capita instances of diabetes, apparently, in the world.

2.55 p.m.

I know that the Minister of Health has been making waves lately in relation to looking at the medical establishment and the operations of the hospitals, but we all know that the demand for "bed money" has been going on for the past 20 or 30 years, and I think that now is the time, as we are floating our currency, and we are going to feel some of the discomfort of adjustment on top of the tight monetary and fiscal policies and controls that the Minister of Finance has already loaded onto us, that the investigations that are going on in the Ministry of Health be given every possible support.

Secondly, I should like to, once again, appeal to Government, as I have in the past, on a question that has to do with children. Those who are at the bottom of every demographic scale in Trinidad and Tobago, as we all know, are women and children, particularly women who are unemployed with children. As I was coming here this morning I was passing Gordon Street, I think it was, and I saw a woman sitting on the kerb with two little girls who could not have been more than about six or seven years old. She had a couple of garbage bags with her in which she had her possessions. She was sitting there with her children looking very tired and her children's faces were very grave. I realized that I was looking at another one of the tragedies that are so common in Trinidad, and it happens all the time. These are street people, and very often even when they have what they think is reasonably safe housing, a woman and her children will be thrown out of her house by her husband, or the man she is living with in a common-law union, because he chooses to bring another woman into the house.

I have been asking, on a number of occasions, that the Government consider an amendment to the Housing Act, Chap. 33:01, to ensure that in any government housing, where the family unit involves a mother, father and children, the legal right to rent it, or the lease, be put in the name of the mother. It does not take very much in terms of amendment—Parts 3, 4, and 5 of that Act are relevant. It would, at least, stop the rapid escalation of the kind of thing that we are now seeing, where women and children just have nowhere to go. It will not stop it, but it will help to some extent.

One of the other things which I think we have to escalate activity on is the whole question of vagrancy. From time to time we get noises about provisions for vagrants and things that are going to be done for them. The problem is escalating very rapidly. It is not just homelessness. There are also vagrants with AIDS, and the Government support for the AIDS programme has been very slow and halting. The problem with the growing army of vagrants, homeless and unemployed is that, as we have been warned by every international agency that we have dealt with from a long time back, when you do get into this kind of trade liberalization, social unrest can be the result unless—I hate using the words "safety net", it sounds as if we are talking about fish—some sort of provision is made for the less fortunate in the society.

One of the things this society has learnt, Mr. President, is that violence works; and the second thing that it has learnt is that the police either cannot, or will not, help when violence arises, whether it is because of bitterness or sympathy or compassion in themselves, or because of lack of equipment or of vehicles or whatever—but we know we are facing a situation, particularly in regard to the homeless and the vagrant, that is getting more and more difficult all the time.

The last section which I would, again, beg that we consider even more, is the education system. We are developing a nation of uneducated and illiterate people. The education system has failed us. I know the Education Task Force Report was laid in Parliament some time ago, but my point is that if we are going to move towards the amendments to the Central Bank Act whereby we are allowing our currency to float and market forces to determine our fate, we are not going to have a fate unless we improve our educational system. The growing number of illiterates is bad enough, but what is happening now is that parents are keeping their children away from school because they cannot afford to feed them; or cannot afford the cost of transportation to send them to school; and we have done nothing, firstly, about emphasizing community schooling, so that children can walk to school in their own communities and, secondly, provide them with the kind of education that is going to mean that they are going to be employable in the long-term. That situation, has to be looked at as well.

One last point which relates directly to something Sen. Mansoor said earlier, and which the Minister mentioned in his opening remarks: it has to do with interest rates and the possibility that in the short-term, interest rates are going to go up. I think not only that interest rates are going to go up, but if they go up, there would be an increase in mortgage rates. We may well find ourselves in a situation where people can no longer afford to pay mortgages because the increase in interest rates have pushed up the cost of the mortgages beyond the value of the house. In such instances, mortgagees cannot sell their houses either, because the value of the house is less than the mortgage that is owed on it.

I think we all know that the stability of a country very largely rests on its property owners. If you have a country where people own property, it tends to be a stable, solid country. I am worried that a situation is going to arise where we not only have to deal with a growing army of unemployed, homeless, those who are retrenched and so on, but with a disaffected middle-class—the teachers, nurses and public servants—who cannot pay their mortgages any more and are in danger of losing the houses which they have worked their whole lives to get. I am wondering, Mr. President, if it is not possible that the Central Bank can impose, although we are told that the Central Bank wants to get out of imposing controls, some sort of level on mortgage rates that will help to keep the country stable in the medium–term.

We have seen over the last three or four years, headlines in the press, over and over again, which state that banks are showing higher profits than they have ever had. Their profits are escalating rapidly. If this is happening at a time when banks are the ones that are being put in control of exchange rates, where banks are charging higher and higher interest rates, where bank-related mortgage houses are increasing mortgage interest rates, I think that what we are going to see is not just an army of disaffected people on the poor economic levels, but also the middle class.

I do not accept Sen. Merritt's point that marching through the streets and looting on Thursday was, in fact, as a result of people not getting salaries, which are not even due, I understand, until the 15th. I think that there are people in the society who will take advantage of any situation for their own ends. I do note, as she did, that these people were not looting for food to feed their hungry children; they were looting for scotch and champagne, which I think hungry children can well do without. Plus which, according to Minister Imbert, in the *Guardian* today, "the looters were not even URP workers." I do think that the greater danger to the country is the possibility of rising interest rates and the disaffection of large numbers of the society as a result of the process we are going through. And I wonder if the Minister can give us any kind of assurances as to whether the Central Bank can create some sort of ceiling, temporary though it may be, on the rising interest rates and mortgage rates.

Thank you, Mr. President.

3.05 p.m.

Sen. Dave Cowie: Thank you, Mr. President, for the opportunity of addressing this honourable Senate on a Bill that is of such signal importance to the economic future and fortunes of the Republic of Trinidad and Tobago.

Let me commence by saying that it is entirely misleading to suggest that the entire system of exchange controls is being dismantled. In fact, perusal of the amendment Bill reflects quite clearly that insofar as any two persons are involved or are to be involved in any foreign currency dealings, and any one of those two persons is not an authorized dealer, in fact, the Central Bank sanction for any such dealing remains a pre-requirement. So for practical purposes, this talk of liberalization has to be seen in proper perspective, because at best, if it is that it is a term that is going to be abused, certainly, the thrust of the proposed amendment would be lost.

A brief reflection on the public interest history of the Exchange Control Act has disclosed several interesting features, not the least of which has been within recent memory. There was at least one successful prosecution—I am subject to correction—against Navarro's and Company Limited, which unearthed the deep involvement of certain of the incumbent's then eminences in untoward financial dealings, in this case, involving the McDonnell Douglas Corporation.

You would also recall, within recent history, the prosecution of Mr. Gilman-Thomas Hussen, which was also successful and which predated the collapse of International Trust and the disclosures of fraudulent trading inter alia by the Commercial Finance Company, among others. We all know who the Commercial Finance Company's principals were.

Again, in respect of the subsistence, up to now, of the Exchange Control Act, there has been at least one successful constitutional challenge in the Central

Bank's arbitrary exercise of discretion, in this instance, toward a certain weekly newspaper, which matter is now pending appeal.

Against this tradition of disclosures, we find ourselves faced with a situation in which the hon. Minister of Finance is unable to say at this juncture precisely how errant—if I may so describe them—foreign currency accounts which remain held in foreign countries are impacted upon. He is not yet able to say in unequivocal terms which agencies are going to be permitted to set up foreign currency accounts locally and on what terms and conditions. As has been made quite clear in Sen. Daly's contribution, it certainly would have been a much more desirable approach for the Minister to have furnished this honourable Senate with the benefit of all those statutory and subsidiary underpinnings which are, it is hoped in effect, going to make the system work. So it is quite unsatisfactory that at this stage he is not in a position to put flesh on the bones of an infrastructure which is going to be the basis on which the entire system will either succeed or fail.

But to answer the Minister's concern in respect of the impact of the legislation on foreign currency accounts held abroad, let me respectfully suggest that insofar as the provisions of the Exchange Control Act currently obtain relative to loans by residents of Trinidad and Tobago to non-residents, the Bill provides for the repeal of that provision, in fact. Insofar as the relationship between depositors, residents of Trinidad and Tobago who are depositors in foreign banks, is concerned, they are deemed to be lenders; the foreign banks would be deemed to be non-residents. So the mischief of that section, having been repealed, appears that what has, in fact, emerged, is that a de facto amnesty has been granted.

A more important question is not simply whether or not the removal of these exchange controls is intended to forestall any further embarrassing disclosures that would affect the incumbents as they now comprise—because we would recall the involvement of their predecessors in several debacles. I can cite for reference just three of them, the Sam P. Wallace debacle, the McDonnell Douglas sequence, to which I have previously referred, and the Tesoro disclosures. In fact, one wonders now whether the PRIDE project and the proposed divestment of lucrative energy-based state-owned industries, are merely going to represent the spectre of an enhanced possibility of untoward and corrupt practices. It is important to note that in every one of these instances that have become public knowledge, not one has emanated from any domestic source whatsoever. All of these embarrassing disclosures have always emanated, without fail, from the Securities and Exchange Commission, which is an agency that is alien to this republic.

This does not mean for a moment that the Exchange Control Act which is now going to be substantially repealed, was effectual in serving the purposes for which it was intended. Quite the contrary! In fact, these provisions that are now being repealed were to a large extent so substantially porous, if I might describe them as such, that their retention, for all practical purposes, would have of itself been ineffectual to forestall abuses on an ongoing basis.

In my respectful submission, the question is not the substantive provisions of the law, or the absence of substantive provisions of the law, as regards exchange control. In my respectful view, the flight of capital, whether by invoicing, by capital transfers, by wholesale trans-shipment of foreign currency, by fictitious payments, by irregular compensation deals or otherwise, constitutes a premise, a given, on the basis of which enterprise or business in many instances is conducted in developing countries where governmental incompetence and political misdirection constitute the virtual order of business.

It would be difficult to see how, with the stroke of a pen, this incumbent with Government can transform the premise of flight of capital into nationalistic fervour. It is inconceivable that it will ever materialize and it is very simple-minded of the Government, if that is its position, indeed, to attempt to convey any alternative impression.

3.15 p.m.

Unfortunately, the Minister has not, for example, given us the slightest indication whatsoever, of whether there is any long-term initiative in prospect to encourage dealings in Trinidad and Tobago currency internationally. If it is the case that one is liberalizing ones currency to a limited float, as it seems in this instance, one wonders if what is being, in effect, paved at this stage is really a one-way street of no return in which, in fact, the Republic of Trinidad and Tobago will remain the subservient aspirant to a position on the world stage and, in my respectful submission, unsuccessfully so.

If the Minister is, at this stage, unable to say whether there is any move afoot to encourage dealership internationally in Trinidad and Tobago dollars, it does not speak volumes for the thoroughness of the conception on the basis of which this Bill has been presented.

Mr. President, one wonders whether, apart from the invariable benefits of a de facto devaluation that will accrue to drug dealers among others whose transactions are chargeable in foreign currency—we must note that this is a juncture at which the very frequent occurences of $30 and $40 million shipments of cocaine being washed up on secluded shore-lines—these are the ones that have come to public attention but what about those that have gone through successfully? What kind of strains have these dealings imposed on the foreign currency supply and demand within the Republic of Trinidad and Tobago? Does the Minister have any information or intelligence which has guided him not necessarily for public disclosure because there may be a great degree of sensitivity in that kind of information which cannot be made public.

Of course, prospective investors who would be availing themselves of the provisions of the Foreign Investments Act will certainly find their best interests served by de facto devaluation of the TT dollar for obvious reasons. I venture to think as well, that free zone operators who had been rather reticent to come forward to date, will begin to start crawling out of the woodwork. At the heart of the matter, confidence in the economy is not going to be generated by a diversionary tactic such as this. It would be absolutely ineffectual to ensure any enhanced generation of foreign reserves for one thing. It is a crisis of confidence that is not a tangible thing that has to be addressed. It is in this context that the unenviable task falls to the incumbent to deal with those contradictions within this society that have become exacerbated beyond the threshold of all tolerance.

The historic position or relationship between the official rate of exchange and the black market rate has been that the former, namely the official rate, has been, to a large extent, very persuasive of what the black market rate would sustain at any given point. The direction of this relationship, I venture to suggest, will certainly be reversed in the not too distant future, regardless of the quality and nature of Central Bank's intervention, and I propose to indicate why.

Here it will invariable materialize that the black market rate will virtually condition the official rate without regard to supports or not. The very fact of the matter is that the necessity for any intervention on the part of the Central Bank will be founded upon an exigency or crisis situation, greater or lesser, depending on the circumstances. The invariable drain on those resources will create its own difficulties in the short-term but, ultimately, the Central Bank would be faced with a situation in which its taxed resources go running after limited foreign currency resources at an increased rate of exchange which is unfavourable in the sense of devaluation of the TT dollar, relative to any foreign currency at any given time. What will, in effect, be created is a vicious circle in which the Central Bank's available resources might find themselves taxed to the limit, and its capability for intervention, if I may so describe it, absolutely disenabled.

At the practical level, if even such a measure is put in place, what is there that will encourage a depositor who holds a substantial balance of foreign currency in a foreign account to repatriate his money into Trinidad and Tobago in circumstances in which there is absolutely no indication at this stage as to whether such a depositor—if it is that he is going to be permitted to set up a local foreign currency account which, as has been mooted is going to be subject to the tax that is currently imposed on accretions of interest in local dollar accounts—if it is the case that one is going to invite this notional depositor to repatriate his money, then certainly there has to be something in it for him because he has already got his amnesty and he does not need any further amnesty.

If one looks at the divestment mode of the incumbent Government relative to this country's patrimony, one wonders what the measure of the differential would be in terms of the realization on sale of this clutch of assets, especially in circumstances in which the very same debt servicing constraints which are being pandered to by this divestment exercise, the very debt servicing obligations are cited in foreign currencies for practical purposes.

One should not lose sight of the fact that—albeit a rather late intervention on the part of the incumbent Government—it is something that sounds as having some measure of what we might describe as panic incentive. Invariably, one panic situation leads to another. If the situation becomes unmanageable what guarantees can this Government furnish a depositor who has, good faith, repatriated his moneys into a local foreign currency account that these moneys would not be subject to, shall we say, mandatory conversion the minute the appropriate crisis comes along? I am certain that a further casualty in the event that this situation should arise would be further loss of public and international confidence in this country.

3.25 p.m.

The timing of the move at the nadir of confidence is absolutely hopeless. The inescapable speculation that will be attendant on the move cannot be forestalled. Speculation is what we might describe as virtually the highest common factor of our local financial culture. And avoidance of statutory prohibitions might be described as the lowest common multiple. You would recall the abuses that were rampant during the two-tiered currency trading regime.

Mr. President, to articulate the position with respect to the insufficiency of this measure, its absolute inadequacy, we have no indication whatsoever from the Minister—and from the tone of his pronouncements with respect to the subsidiary matters that have to be brought into place, and to which he has referred—as to which of these matters will be dealt with in the context of subsidiary legislation and which will merely be the subject matter of administrative directions. Indeed, it is absolutely unclear on the face of the very skeletal Bill which comprises this amendment, as to whether there is to be any prohibition of foreign currency transactions at other than official rates. You will note that section 10 of the Exchange Control Act is one of the provisions that are in fact, to be repealed. So the amendment is silent on any prohibition against transactions at other than current traded rates. So in sum, you will find invariably that the Central Bank's own intervention will become hostage of a crisis situation which will compel it to act until it can intervene virtually no more: the situation becomes one that is essentially out of its control. Against a background of disinformation, rumour and imprecise information that will invariably prevail, I suggest most respectfully that the measure will be doomed to failure.

Thank you, very much, Mr. President.

Sen. Prof. John Spence: Mr. President, it seems to me that one of the first things we need to do is to be clear in our minds as to the difference between floating the dollar and devaluation. Some confusion arises at every stage when we address those two issues, even in the Ministry of Finance’s information document. In referring to freeing-up of the dollar it said that locally produced goods will now be as competitive as imports. Of course that can only happen if our dollar decreases in value.

The hon. Minister in presenting his case made the point that in some countries the value of the dollar increases. He said this happened in India. To begin with, we need to distinguish between floating and devaluation. We are assuming that there will be a devaluation because we are floating. But we do not know to what degree the devaluation will occur.

Sen. A. Mark made the point that the dollar is over-valued in his estimation—I presume he has some scientific basis for making this assertion—by some six per cent. I think that would mean that the dollar should now go to $4.50—I am given to understand that this is the black market rate.

If the Trinidad and Tobago dollar were go to $4.50 to the US dollar then much of the advantages that are claimed for floating would not in fact, be evident, because a slight change in parity would not affect our imports or exports to any great degree. Clearly, there is some confusion even from those persons who are supposed to be giving us information about what will happen. We have to say that the dollar has been put to float and that we may get a devaluation, but we do not know to what extent.

My own position as I have urged over the last five years, is that we should have devalued our dollar to a fixed amount. I do not myself believe that floating the dollar is the way to solve the problems that we are trying to address. Nothing that I have heard this afternoon has caused me to change my position because, mainly, what we have been discussing is how to stop the change in rate; we have been discussing not the freeing-up of the controls, but what controls we still have to maintain in order to protect ourselves against a free-fall. While we are saying what we must do is to go to the market forces to determine what the rate of the dollar should be, we are at the same time hedging our bets by discussing the sort of measures that we need to take in order to prop it up to some value, presumably a value which we have some reason to believe to be to our best advantage. If that is what we want to achieve, the device of changing the parity of the dollar to some fixed position will be the better way to go.

The arguments, as I understand them, that have been used, are mainly that we are likely to get investments because investors are irritated by the difficulties that they have to face in trying to change money. This, to me, is a very strange argument, because it would seem that this is not a serious investor—if we are able to arrange the bureaucratic constraints in such a way that they are not really constraints time wise, that is, if they can be managed properly and the investor knows that he can bring his money in and that he can also take it back out, and that he can take his profits out easily, even where there is control, then those irritations, if he is a serious investor, would not deter him. If he is not serious then I think this is an excuse he would make.

However, let us say that is indeed the position, that because of the fact there are restrictions on conversion of the dollar we are preventing investors from investing in Trinidad and Tobago. It seems to me that one very important thing that we can do as a Parliament, over the next year or two, is to monitor very carefully whether this measure has led to increased investment. I have my doubts, but I may be quite wrong; the Minister of Finance thinks otherwise. Let us hope he is right, but it is at least incumbent upon us to monitor what is occurring, and we should ask the Minister of Finance to report to Parliament periodically on the position with respect to foreign investment—not in the oil sector because that is a special case, because we all know, that happens any how if the investor considers it important. So let us ask for that follow-up to what we are doing now.

Of course, the other changes will be more obvious to us so that if indeed there is a free-fall—which we all hope there would not be, and we are putting measures to make sure it would not happen—or if there is a very large increase in interest rates in order to address the problem of excess liquidity, and if indeed, there is a great increase in the cost of living, then all of those will be very apparent. So we will know very obviously in those cases that the system has not worked. Let us hope that those things do not occur. Even if we are able to maintain a reasonable parity and a low rate of inflation—I certainly hope we do—we still have the problem that we may not in fact be encouraging foreign investment.

Mr. President, with respect to the measures that are being put in place, at least in the short-term, we have a rather strange mixture of reports in our newspapers. First of all, the *Sunday Express* reported "No more big brother" and it is in essence saying, that no longer is the Government going to control things, that we will do it ourselves. Then, on the other hand, we have two notices in today's *Express*—April 12—both under the heading of the Central Bank of Trinidad and Tobago. I think it also occurs in the *Trinidad Guardian.* In the *Guardian* they are not shown as coming from the Central Bank but in the *Express* it is expressed there under that heading. So presumably, they are in fact, Central Bank approved releases.

3.35 p.m.

Here we have a notice which deals with the operation of the foreign exchange market. It gives four different provisions, but No. (3) is particularly significant. It says:

> "Banks will continue to use the limits and procedures applicable under the previous exchange control guidelines for the sale of foreign exchange for the following purposes:

Vacation Travel

Business Travel

Medical

Education"

Later on it says as an overall comment that the banks are anxious to see an orderly change over to new arrangements, and it is in everyone's interest to avoid speculation—We might discuss that in a while—banks will therefore not condone speculation in any form—maybe this is why they are putting all these measures in effect, and that we must be patient with these arrangements until the system settles down.

What does that mean? When would it settle down? After we have gone four weeks and the exchange rate seems to be at a particular level; after eight weeks or six months? Suppose it starts changing again, will the commercial banks again come in with some such provision?

In other words, I think we seriously have to ask the question: Are we freeing up or are we not? In the system of management, surely the emphasis should be put, as Sen. Mansoor indicated, the possibility of Central Bank's intervention, rather than on commercial banks on control. Quite frankly, as an individual, I would much rather trust the Central Bank to be fair when I apply for foreign exchange in granting me that foreign exchange, than the commercial banks. I still have a period of waiting to know whether indeed I would have complete freedom, or whether the system is being changed to my disadvantage. What we are saying is that the commercial banks will exercise the control which was formerly exercised by the Central Bank. I do not think this is a very good system.

The hon. Minister has indicated that most countries in the world are moving in this direction. He did say there is 28 per cent residue of developing countries which have not. In fact, are the developed countries themselves entirely moving in this direction? During his presentation, I asked him to amplify a bit more on the European exchange rate mechanism, but he did not do so.

I am not an economist so I should like to be enlightened as to how the Europeans exercise some control over their currency, even though it is seemingly a system in which their currency floats. As I understand it, a group of them got together and decided that they were not going to allow their currencies to move too far apart from each other. In effect, this is a form of control. While they may float in relation to other major countries, a substantial number of European countries got together and formed a very substantial bloc. What will happen with the Free Trade Area in North America? Will they too form a bloc and put their currencies together?

In essence, what we see is not a movement towards a complete random floating between individual countries, but a move towards a more uniform relationship between the various currencies in different countries. While I am not an economist, it seems to me, just on the face of it, that the concept that they are all going to float freely because this is the best economic system to the world, will not work. I honestly do not see that happening. Certainly, from the literature which I read about the economic fortunes of the various countries, it would seem that this is not the universal view. However, there is certainly more than one view in Trinidad and Tobago, and elsewhere, as to whether this is the way we should arrange our monetary affairs.

It seems to me that we need here, if we are going to work this floating system—and of course, I understand that we are going to have it, so let us be quite clear—once we have taken that step we cannot go back. I am arguing that the measures we put into effect to guide us slowly into the system are themselves counter productive to the system. Certainly, that is the way we are going and we must accept that is the way we shall be for the next 20 or 30 years, until the economists have a different view.

What European countries do with their currency is to agree that each of them would support the other with respect to intervention by their central banks in order that the currency would not get too far above a norm that they have agreed on in advance. The problem, as Sen. Mansoor has pointed out, is that our Central Bank may not have the resources to do that. This is really the greatest difficulty that we face.

Sen. Dr. Kuarsingh: Could the Senator tell us where he got the information—because I should like to be informed—that the European banks have agreed to support one another to maintain the value of their currencies?

Sen. Prof. Spence: I am not an economist so I cannot give the Senator the details of how the system works. I read that when the franc is under pressure the German bank intervenes by buying francs. Perhaps, my information is incorrect, but certainly this is what I read in the United Kingdom press when I was there. That the banks intervene by buying the currency when they feel it is going to fall too far off the line. The hon. Minister is an economist and he can set me right, if I am incorrect. Indeed, that is why I asked him the question, for information, so that I would be able to assess whether indeed that is how the system works. This is certainly my impression from what I read.

I do not think that our Central Bank will have the resources on a continuous basis—and this really is one of the issues that we are facing now—to intervene in that way. Let us hope that it will do. I agree entirely that out position is different from that of Jamaica and Guyana and, therefore, we should be able to do that to a much greater degree. Let us hope that we can do it sufficiently so that we would not have an extreme change in our rate of exchange.

Why do we not try to make an arrangement, the way I think the European arrangement works and get some big brother, not big brother within the country by way of government, but big brother by being a friendly country, to assist us in this regard. Why do we not approach the United States of America and ask them when our currency is drifting too far down to buy Trinidad and Tobago dollars? I think the point made here by Sen. Cowie with respect to trade in Trinidad and Tobago currency is valid. Are we going to allow trading in currency or are we only freeing it up partially?

Frequently, the US Ambassador gives advice to Trinidad and Tobago on various matters. I am now going to be rather presumptuous. I would suggest to the US Ambassador that she take back to Washington a request, that we get assistance in this regard by intervention in our foreign currency, by buying Trinidad and Tobago dollars. No detriment and cost really, because subsequently, it is only over a period, it could be resold, so there is no great problem.

Surely, this is the sort of thing that the Americans should be doing for the Caribbean in general, not just Trinidad and Tobago; not just intervening by giving aid by way of cheap food, or food on credit because that does not help us. What that does is block our agriculture. By giving us credit for food, we then would not create our own food supply, but intervening in this way, certainly would help. I am not an economist, but perhaps the hon. Minister can tell me why this cannot work. What would the cost be? Presumably, they can get higher interest rates here in Trinidad and Tobago than they get in USA where there are very low interest rates, so perhaps it might be a profitable enterprise. Perhaps we need some assistance in intervening with respect to buying Trinidad and Tobago dollars in order that the system does not run away with the value of our dollar.

The other point that we have to understand—the hon. Minister has referred to it with respect to tourism—is that if we are going to take any advantage of any movement in the rate of exchange, certainly $4.50 would not help us very much in this regard. If there is a move to about $6.00 or $7.00 perhaps, then, we can talk about the advantages to the manufacturing, tourism and agricultural sectors.

I note that the Minister has omitted to mention the agricultural sector. I think that is a pity for it is an important sector in this regard. It seems that he had some difficulty in talking about agriculture. In my regard, I must say, that I, too, am a farmer, and therefore what I have to say has a conflict of interest as well. If we are really going to be able to stabilize our currency, in the final analysis we need to produce more and export more, or, we need to reduce on our imports.

The hon. Minister has pointed out to us that we have been losing about US $200 million yearly, through leakage even with the control system. One way that we might have addressed that is by trying to reduce our expenditure on other items that we import, for example, on food. If we had an agricultural policy which would develop our agricultural sector, we might have made up $100 million of that $200 million, and that might have put less pressure on us to float.

3:45 p.m.

In the last two presentations that I made in this Senate, I called attention to what we are doing in the agricultural sector and, interestingly enough, I made precisely the comment that if our rate of exchange were changed—I must say that I did not expect it as quickly as it has come, so I put it six months or a year down the road—then our imported food would be more expensive than our locally produced food, after we kill the agricultural sector. That is precisely the point I made. Here it has happened and still we have not addressed the issue of our agricultural sector. We have had no announcement, with the freeing-up of the dollar, that the subsidies are going to be paid to farmers, which in part, is causing the problem we are seeing.

If we are serious—not just about depending on the income from oil and hoping that in three or four or five years time that would solve our problem—in addressing our whole system, which we certainly need to, if we are launching on this sort of path, then let us understand that we have to address the other sectors.

Now, there is no country in the world that does not rely upon a strong agricultural sector. Why is that? Why is it that every country in the world supports its agricultural sector, even by fiscal measures. Look at some of the figures taken from an UNCTAD publication of different commodities:

— Rice farmers in the United States, 49 per cent subsidy.

— Milk farmers in Canada, 79 per cent; EEC, 69 per cent; in the United States, 62 per cent.

— Poultry farmers in New Zealand, 57 per cent.

— Sugar in the United States 57 per cent, in the EEC 47 per cent. I could go on, Mr. President.

Mr. Mottley: How much in Trinidad?

Sen. Prof. J. Spence: In Trinidad, we will soon find out, because the figures will be published shortly.

Mr. President, in all these countries, it is considered that you need a strong agricultural sector. In a sense, what we are really discussing here, in discussing whether we have an agricultural sector, is what sort of society we want to build; what quality of life we want to have. This is my difficulty with the Minister of Finance, his lack of interest, or apparent lack of interest, in the agricultural sector. It seems to me to be projecting a different view as to the sort of society we want to have in Trinidad and Tobago. We want to have an urban society which is the business and commercial centre. We do not want to balance it with a strong, stable rural sector.

It is interesting that various comments which come from Government sources seem to imply that the problems that are likely to arise will arise in the urban sector. Yet, we do not seem to understand that the more the agricultural sector collapses, the more people have to drift into the towns and the urban problems will multiply.

Really, the next two years, as Lloyd Best has pointed out, clearly have to be managed between addressing the social issues and hoping that the economy will pick up. We still do not know which one we are going to be able to get through first. Will we manage the social issues or will it be too late before the economy, indeed, picks up? Part of the management of the social issues is addressing that rural agricultural sector, an extremely important part of that management.

Again, as Best has suggested, one way of addressing the social issues is by looking at the School Feeding Programme. So when we are looking for social networks—social nets as Sen. Mahabir-Wyatt has pointed out, although she does not like the terminology—when we are looking for measures to address the social ills, the School Feeding Programme is an extremely important avenue for that. It will catch a large proportion of the vulnerable population, and at the same time if properly managed, address the development of the agricultural sector. So it is an extremely important, sensible and worthwhile proposal which Lloyd Best has made. Certainly it is incumbent upon us to pursue it actively.

In addition to that, my own position is that the other activity which we should engage in, which will address the social issues, as the cost of food rises, is a campaign in which we try to assist people in growing some of their food intake.

In 1988, which is five years ago now, I spent a complete session in this Senate on a special motion discussing a Grow More Food Campaign. The Government of that time, of course, was not interested in that sort of effort to assist the population. I have mentioned it again in this Parliament without much of a response, even now. So I mention it again, today.

One way of helping people to help themselves in a situation which is going to become harder, because the cost of food is going to go up if the dollar changes substantially in parity, is to try to help people to help themselves grow some food. During the Second World War, those of us, like you and me, Mr. President, who are old enough, will remember that there was a substantial amount of food produced by individuals in this country. So we can do it again now. Unfortunately, I suppose most of the people who are in charge are younger than we are and so they are not aware of the efforts which we made for a foreign power—I keep saying this: The efforts that Trinidad and Tobago made to help a colonial power during the war, we are not prepared to do it to help ourselves now.

The resources in the Ministry of Agriculture, Land and Marine Resources are quite substantial for providing planting material for rearing rabbits which people can grow, for providing the wherewithal, the knowledge and the know-how to facilitate this sort of activity. There are a number of experimental and propagating stations within that ministry. There is a large proportion of the labour which is less and less useful, because there are not the financial resources to provide the other tools needed to do their work, but they cannot do other things because we do not have the financial resources. Put them to do something which will help the population at large; put them to prepare the planting material which the individual persons can then use.

I made a suggestion to a friend yesterday that part of the Savannah should be ploughed up to grow more food. This was horrific; that is the response I got. But it is extremely important that we consider it in that sort of term. We have done it before and we can do it again to help people. Now, of course, the problem is praedial larceny. But I have thought of a solution to that one, too: Why do we not declare part of the Savannah an army camp? The army cannot arrest people, but they could, indeed, keep people off, if the land were designated as part of their environs. So hand over a substantial part to the army, but designate it for people to go and do their gardening.

In England, even today, there are plots which people work. A friend of mine who is retired there goes and minds his little plot around the corner and grows a substantial proportion of his food for his table. Now, clearly there are some things one cannot produce in that way, but certainly it would help; at least it would show that we are trying to do something. Not only would it say that we are concerned, but that we are acting in a way that would show that we are concerned, and that, perhaps, is just as important as anything else that we might do. If we can say, "Let us launch a campaign to help people help themselves," even if it does not succeed in the way we hope it would, at least if a few people help themselves we can show that we can do something in a substantial way for a large part of the population and have a national effort in this regard.

Do we have anybody who would say no we should not do this? Would the Opposition oppose this? I cannot see how they could. The farmers may say that the Government is competing with them. But the fact of the matter is, our farmers should be looking to fill these gaps where we have large imports of commodities which clearly cannot be grown on a small scale in someone’s backyard, and also looking to exports to earn foreign exchange.

Mr. President, my position is this: In summary, I do not agree with the floating of the Trinidad dollar. I agree that we needed a devaluation, which I have been asking for for the five years I have been in Parliament. Since 1987 it has been clear that we needed to have a different parity to our dollar. I believe that we have launched on this path and there is no turning back. So I believe that having launched on it, we must be fully confident of it and, therefore, the only intervention that we can make is through buying and selling of the Trinidad and

Tobago dollar, either by our own Central Bank or by the banks of our friends. That is how I think we have to proceed in that regard.

With respect to the social measures, because my field is in the agricultural sector, I believe that we can do a great deal in that sector to assist, both by way of developing the sector to save and earn foreign exchange and to help people to alleviate their hardship by growing some more food.

With respect to the tourism which the hon. Minister has suggested will be one of the measures for creating employment, I believe that unless we link tourism to the agricultural sector both by way of the food which we produce and the furniture and the building materials for the hotels we may build, then we may find, indeed, the tourism sector is not a large net earner of foreign exchange, even though it may provide some jobs. Unless we manage our tourism sector effectively, and I think what we should be talking about is eco-tourism and not mass tourism for sun and sand, we may find that what we have done is to reduce the value of our country by indiscriminate construction of large hotels in Tobago, and that we have an environmental problem on our hands through our desire to get the foreign investment.

One advantage of tourism over the agricultural sector, of course, is that we are likely to get the investment from outside. But the foreign investor may be interested in a certain type of tourism, which may not be the type we would like to see ourselves.

With respect to employment in the agricultural sector, I do not believe that agriculture should be a residual employer of labour. So I do not think that we should have an inefficient agricultural system with a large number of people on an acre of land. But because this sector could grow to be an important part of our economy, making a substantial contribution to the GDP, what we should have is the whole sector providing employment, including the inputs and the outputs.

In the United States, there are perhaps about 3 per cent of people on the land, but 30 per cent contribute to the GDP from the whole of the food sector. So it is not just the employment in production that you enhance in this regard; but it is, also the services which are provided in order to achieve that production.

Mr. President, those are my views. Thank you very much.

Sen. Dr. Harry Kuarsingh: Mr. President, a very strange incident occurred this morning. Normally, on this side, one waits until the Leader of the House asks you to contribute. But I took the extraordinary step of contacting the Leader of the House to ask if I might contribute to this debate. I will explain to you why this was done.

I view this legislation as the most significant step that this country has taken since independence. I view this measure as a turning point in our history. I shall explain a little more, but I view this as a casting off of the black man's burden. And let me explain that right away, Sir. Marxism has imprisoned so many countries in the Third World for so long, and it is this Marxism that I refer to as the black man's burden. *[Interruption]* Honour the Standing Orders and you shall be enlightened.

I, therefore, view this change as one which all of us in conscience who believe in this should come to support. This floating of the Trinidad and Tobago dollar is something which I have argued for the longest time, and I am happy to be associated with it. Before I get into the technical part of my contribution, I must say that the men and women of the Cabinet who have supported this measure have acted as true heroes.

This measure will not necessarily bring benefit to the PNM, but surely as night follows day, it will bring benefit to Trinidad and Tobago. Putting aside their own interests, they have acted in the interests of the nation. Lastly, I consider this matter to be so fundamental that I will recommend to my own side that we claim a division: Let every man stand and say what he stands for today. This is our Trafalgar. Let the cowards go and hide. Let those who wish to defend it stand and fight.

Sen. Capildeo: I think you mean Waterloo.

Sen. Dr. H. Kuarsingh: Senator, Trafalgar was more important than Waterloo. Review your history.

The changes which come to us today are inevitable. Let me tell a story to the House: Two hundred years after the Ming dynasty had collapsed, the emperors of Europe were writing very polite letters "Your Great Highness". They did not realize that the Mings had been executed and had been followed by some men North of the Great Wall.

Today, if that were to happen, in a fraction of a microsecond, we would know about it, and it would affect our lives. The changes which have come today have been the inevitable result of technological change. In the last 25 to 30 years, the most important thing that has happened on this planet is that information technology has grown at an exponential rate. More than that, recent analysis has shown that the most important commodity trading in the world today is information.

Today, if there is a riot in Trinidad and Tobago, the Japanese know about it. I shall tell you another story. During the 1990 problems, a certain factory along the East-West corridor that assembles Japanese kits got a call from Japan, before the news had spread to the far corners of the country, that, "Look, we understand that you are having troubles, but we are going to support you with your kits." The truth of the matter is that we live in a different and changed society.

I have prepared a chart for hon. Senators. I did the drafting myself, but it is going to help you. I have not included the Soviet bloc, because I do not know what is going to happen there. But, Mr. President, the white unshaded portion represents the portion of the world that has free and liberalized currencies. If we account for it only on population, then the narrow red strip represents where Marxist controls are still in place. The rest represents where you have free liberalized trade. This is not to argue that we must do necessarily what the world does, but this is to argue that you must look at the evidence and act upon it.

This measure we have taken allows us to join the leading nations of the world, allows us to join the trading community and allows us, if we have the wherewithal, and if I were on the political platform, I would say "the testicular fortitude", but, of course, I would not say that; we are not on a platform. If we have the wherewithal to make our way in the world, this single measure allows us to move forward.

Before I move forward in this, let me explain to the Senate that this Bill that is being passed today is law forever. I stress this point, because investors and owners of US dollars must have the confidence to know that whatever action they take, they are now beyond the reach of politicians who might hold their wealth in envy.

We all remember when Hindu marriages were not recognized by the state. It is not possible today for the state to reverse that measure. We all remember when there was no adult franchise. It is not possible for the state to reverse that measure.

Mr. President, I respectfully submit to you that the state cannot go back on this measure. It is not technically possible. I have, to a certain extent, studied the literature, and in no case where a country has gone for a liberalized currency has it been able to go back. So I stress this, principally for the investors, that this is, in fact, law forever. For Sen. Capildeo, and others who might have substantial wealth abroad, this is the place to invest.

Sen. Capildeo: Mr. President, I do not have the little blue book, but would the Senator give the source of his information that I have substantial investments abroad? I object to that. If he says I am a very wealthy man, of course, I do not deny it.

Sen. Dr. H. Kuarsingh: If I have offended him, I apologize profusely.

Sen. Capildeo: Accepted. But does he know that we can pass a law and make him a female here?

Sen. Dr. H. Kuarsingh: I was only using this as an example. But in the last 10 years or so, perhaps US $2,000 million to US $3,000 million has left this country as flight capital. The point of the matter is that people have most of this still and that this money can and should come back for the benefit of those who are here.

As I say, Mr. President, this is law forever. I stress this point, because every investor must understand that the money invested in Trinidad and Tobago is safely invested.

I want to go now to the question of capital flight. This is the Parliament, we are meant indeed to be friendly towards each other if we can, but our first concern should be to be truthful. Why has there been such capital flight? Answer me! There has been capital flight of this nature because the average citizen was of the opinion that the politicians, if they could get their hands on his money, would take it. Therefore, he placed the money beyond the politicians' reach. This Bill we are debating today will change all that. The politicians will not be able to tell us how we can spend our money.

Indeed, one of the principal benefits that this legislation will bring is that the capital flight, after the initial settling down period, will be a thing of the past. The second benefit is, we have accumulated close to 25 years of accumulated demand for capital flight. I will explain.

Since the currency restrictions and controls were put in place, there has always been the belief that things will get worse, therefore, if I can, I should move my capital. For all these years the thing has been building up and building up. Those who say that there will be uncertainty on Tuesday are correct—there will be uncertainty for this very reason. But after this day, there can be no build up of demand, there can be no pent up demand. It would have been finished with.

I will come later on in my contribution to deal with the technical platter to try to assess the benefits and the negative effects. But I wonder, Mr. President, if I have your permission to digress for a little while. I want to congratulate Sen. Capildeo on his attainment of high office. I congratulate him; he has got his crumb. But at what cost?

Sen. Capildeo: On a point of order. I have always had everything I wanted, including high office.

Sen. Dr. H. Kuarsingh: It is not a point of order, but I am not going to stand to put him down. I congratulate him on his attainment of high office. How many phone calls were made, what trips were made to achieve this, I do not know. But what damage has this done to his immortal soul to have to lead a band of confused Marxists now.

Mr. President, we in Trinidad and Tobago have the wherewithal to do a dirty float. Let me explain. A dirty float is a float in which the Central Bank can intervene to influence the rate. My colleagues have stressed—and I do not intend to go over the arguments already made because I think they are a waste of time and bore everyone to death—that we are not Jamaica or Guyana, and that is so. We have substantial earnings on a yearly basis from our hydrocarbon production. In my view, these earnings would increase perhaps by between 10 and 15 per cent over the next two to three years.

Our Central Bank, therefore, always has the ability to enter the market and to influence the results. I ask all of them: Do they think that we in the PNM

Government will sit down and watch our country go to pot when the wherewithal to do that which is right is in our hands? *[Interruption]*

Mr. President, one of the techniques in a dirty flow is that you must keep quiet. This brings me to Sen. Mansoor's point. Sen. Mansoor was very concerned that the Central Bank planned not to intervene and so on. All I can say to Sen. Mansoor is that you never show your hand. I leave the more difficult points of Sen. Mansoor to be dealt with by my ministerial friend who has the ability to do so. Firstly, even the mighty Bundesbank—and one only hears rumours that its toilets have gold tiles—stays away from intervening in the market too openly. Secondly, Sen. Mansoor said that we should say how much foreign reserves we have to defend our currency if we are going to. I would point out to the Senator that the last thing you want to tell your enemy is how much ammunition you have.

I want to address a point. I have already discussed this with Sen. Rooks in private, the point of the cambio that he has raised. I am a working politician in that I am out in my constituency every day. This country is a land of rumours. Since Wednesday, people have been calling me in the night asking: "Is there going to be a cartel of the banks?" Now, the cambio serves an important psychological purpose: Firstly, it shows to every citizen that, besides the big banks, there are others who can buy and sell. Secondly, the cambio introduces into this system competition and, knowing the desperation of Trinidad and Tobago businessmen to succeed and pay a 20 per cent bank rate—or in my case 25 per cent bank rate—there is going to be a drastic cutting of profits which can only benefit the citizens. Last but not least, go to Venezuela; the cambios, on their own, reduce the spread and give the customer a better deal. So I look for his support on that matter.

Even Sen. Rooks and his colleagues might run a cambio, and because of lower overheads, would be able to give the population a better deal. I was going to say that the UNC could run a cambio and do the same, but considering what happened to the hardware of the All Trinidad Sugar Estates, I do not think I would recommend that.

Sen. Capildeo: When I tell you about the legacy of the PNM, I hope you take it in as light a vein.

Sen. Dr. H. Kuarsingh: I want to answer seriously the questions asked by the UNC. The reasons for that are many. I am not blind to the fact that the United National Congress has received with every election a substantial number of votes; I am not blind to the fact that it represents an opinion of our citizens and we must take it seriously. Whatever we may say, we must take the citizens' concerns seriously. Therefore, I have to deal with the UNC's concerns in the most serious manner.

I am sorry that Sen. Baksh is not with us. I mean, it is hard enough to sit down for an hour and listen to this boring, Marxist/Fabian socialist nonsense and then not have her here to hear what the reply is. But I am going to give my reply through you, Sir.

Mr. President: Is that a description of the Senator's speech?

Sen. Dr. H. Kuarsingh: Yes, Sir.

Mr. President: I do not think that language is becoming of the Senate.

Sen. Dr. H. Kuarsingh: All right. I withdraw all remarks describing the speech. I am going to have to consult my May's Parliamentary Practice, because I really feel that so much of the contribution is based on a certain intellectual confusion. That is the point I was getting at. But I am guided by your ruling. I am happy to be guided by your ruling. There is no prospect of a walk-out here.

4.15 p.m.

We are told by the UNC that the IMF exists to exploit poor people; that the IMF is the new colonial power; that the IMF is a set of blood suckers. Now, I invite you to intervene. If that is your belief, would a UNC Government disassociate itself from the IMF? Answer!

Mr. Capildeo: Mr. President, once again, I may be all things, but I am not a Government.

Sen. Dr. H. Kuarsingh: The truth of the matter is—I am not going to say that you talk nonsense—you come and oppose for opposition sake, present to the population ideas which are not clear and not in the national interest. That is the reason for the word that I used, Sir. Since I am on that, let me also help you—the quotation from the UNC, "Hark! Hark! the dogs do bark, the beggars are coming to town", was not a quotation from Basdeo Panday or any of his associates; it was from GM Trevelyan's, *A Short History of England.*

We heard from the UNC, that the negative list is the immune system of the country. Have you explained to the people what it is? Are you proposing, should you ever form the Government, to reintroduce the negative list? I invite you to intervene. We hear from the UNC, that we are selling to strangers. Mr. President, what could be more irrelevant than to say that we are selling to strangers? We are in the world to sell our goods, and he who has the cash can buy it.

We heard from the UNC that we are leaking information to friends. Well, I did not press the point even though I was clearly right. Before I leave the UNC, Sir, I think I would be very much out of order not to try to answer the questions raised by Sen. Cowie. I tried to find the connection between what he said and the Bill before us and I must confess, that I could find none—totally irrelevant. But, what I do know now—

Sen. Cowie: Is it that the Senator is purporting to usurp prerogatives of the Chair at this stage?

Mr. President: Nobody got up on any point of order saying that you were irrelevant. The Chair awaits. You will recall the last time I ruled on anybody being irrelevant it was on a point of order by somebody else.

Sen. Cowie: I trust the Senator is guided accordingly.

Sen. Dr. H. Kuarsingh: But what I learned from his address is where I have to go if ever I have a case that is weak in law, or has no law at all.

I want to make a few remarks on speculators. We would be blind to reality if we do not know that this country is going to have some speculation in the initial stages of the floating of the dollar. As long as these speculators do not break the law, there is nothing we can do. But that is not right, there is something we can do! I have done some calculations. For a speculator to make any money, our currency must be devalued at more than 30 per cent per year, and I have not put into that calculation the cost of that speculator going abroad to meet the bank. If there are going to speculators, they are going to get their fingers burnt.

We are in Parliament and we must answer what the other side says and, indeed, deal with the points that are raised even on our side. But, I want to deal with two matters, that came out in the general debate on the subject. We have had many criticisms from the thinking class of the university, and I think the best way one can describe—

Sen. Mahadeo: I am sorry, Mr. President, I should have gotten on my feet about three minutes ago. I hold no brief for Sen. Cowie on the Opposition Bench, but I think Sen. Dr. Kuarsingh, in speaking about Sen. Cowie’s professional competence, said that whenever he wants legal advice or a lawyer he knows where to go. I think it was very unprofessional of him, as whatever doctor he is, to have made that pronouncement in this Senate.

Mr. President: Are you standing on a point of order?

Sen. Mahadeo: Yes, I am on a point of order. Although Sen. Cowie has not taken it up, I thought it did not savour very well in the Senate. He is debating a certain aspect of the Bill, and he has moved on to become personal by addressing certain Senators. He has not attacked me personally, but I think—

Sen. Dr. H. Kuarsingh: Am I in breach of any Standing Order, Sir?

Mr. President: I have heard no objection on any point of order. All I ask you is to avoid very harsh descriptions. If you deal with points made by Senators and you challenge them and show where they were wrong, you are quite in order.

Sen. Dr. H. Kuarsingh: However, I must follow up on this. I am guided by the law and the Constitution. I have them here before me. As far as I know, I am not in breach of any Standing Order. I have used debating techniques that are common in all Parliaments. I was a frequent visitor to the House of Commons in London. I have not done anything that is legally or morally wrong vis-a-vis the Standing Orders. If I am wrong, I will be punished accordingly.

Mr. President: Nobody said you were wrong. I just cautioned you to be careful with your tongue.

Sen. Dr. H. Kuarsingh: The Government has received a certain amount of criticism from what I like to call, Sir, the thinking class of the university. The criticism has been mostly that the society is not going to work without controls. To this thinking class, I answer as follows: Wherever there have been bureaucratic controls, it led to the impoverishment and degradation of the population. All the evidence in the world shows, that countries that have liberalized their trade, that have liberalized their currency, countries that have moved to control the extent of the bureaucracy in the affairs of genuine businessmen, traders, entrepreneurs, have benefited. That is my answer to the criticism that comes from Central and St. Augustine.

In the same regard, Sen. Salisha Baksh told us that she did not believe that currency liberalization would lead to capital coming back into the country. That is a vacuous statement. The truth of the matter is that the technical data does not support her argument. Those who wish to criticize the Government, by all means do so, but be aware that an examination of the data shows differently.

4.25 p.m.

Now, Mr. President, I would be less than honest if I did not openly say I support this measure. I believe I am the strongest supporter of this measure among the many supporters in our group. I would be less than honest too if I did not say that this measure carries, particularly in the short-term, certain consequences that are not of the best. In the initial period, there is going to be uncertainty in the market. It is possible that the currency value might drop. When that happens the cost of all imported commodities is going to be increased. But the period of uncertainty is not likely to last years, rather months, and very few months at that. It is unlikely that new shipments, replenishing, and re-supply would have to be done before the settling-in period is over. So while there is, in fact, going to be a period of uncertainty, it is not going to be forever. If the dollar value drops, the truth of the matter is that prices of imported commodities will go up.

This is a good stage for me to answer the matter raised by my friend Sen. Prof. Spence, who asks: Why do we not approach the United States to support our dollar? Well I am going to tell you: If I thought that this would work, I would be the first to go to them. The truth of the matter is, if we set our dollar at an over-valued price, every time we make a purchase, the United States taxpayers would have to dip into their pockets to support our lifestyle. Mr. President, I am telling you right now, they are not going to do it. That is the reason.

As a matter of interest, I do not think there is any treaty where the European Central Bank supports each other. In fact that is the reason why they fall out with one another all the time. So there are certain consequences that will come as a result of this measure. Imported goods, if the dollar is devalued, even initially, will go up. There is likely to be, in my view, a slight rise in interest rates and, initially, an increase in the cost of living consequent on that. But I want all of you, in making your analysis, to understand that not 100 per cent of your disposable income goes into buying foreign goods. I myself do not think that mortgage rates are going to go up, and if they do not go up a substantial part of your payments is unaffected. So, the matter is not simply to say that when the dollar devalues prices of foreign items rise and therefore the cost rises. It is not as simple as that; it is greatly modified. My own view is that for every 10 per cent devaluation of the dollar, the cost of living would be increased substantially less than three per cent, which the Minister quoted. There are other negative effects to all this, but, in general, the benefits outweigh the negative by many percentage points.

I will end my brief address, Mr. President, by restating what I consider to be the positive effects that are going to come out of this. For the first time in many years the Trinidad and Tobago dollar, after the initial period of settling down, will come to its true value. We shall not be in that ridiculous situation where with every trade, we have to borrow money to support somebody's lifestyle. Secondly, capital flight after the initial settling down, will be a thing of the past. Our children will read about it in the same way they read about the dinosaurs. Thirdly, after Tuesday, there could never be a build up of pent-up demand. It will be a thing of the past. Fourthly, Trinidad and Tobago will become a more competitive country. For the first time in my life, the door is open for every entrepreneur to risk his capital and make a profit. Now I know that this does not go down too well with you fellows, but profits are essential.

I end my address, as I began, by stating that this measure is a historical event. It marks a turning point in our history and a peak that we have reached. From now on we have changed direction; we are on the right economic course. *[Interruption]* Well, we shall see. What happens to us in the future depends upon the energy and determination of our own people, and that cannot be bad. Our destiny, at last, is not in the hands of a few bureaucrats—good, decent men as many of them are—but in our own hands. These benefits are as great as the benefits that came to us with Independence. Mr. President, I will encourage my side to claim a division. This is a moral issue on which we vote today and I want to see every man stand and be counted.

Mr. President: Hon. Senator, I think you are guilty of anticipation. The question has not been put yet.

Sen. Dr. H. Kuarsingh: No, I know. So with those few words, Mr. President, I thank you for allowing me to make my contribution.

Mr. President: The sitting is suspended for half an hour. The Senate will resume at 5.00 p.m.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

Sen. Surendranath Capildeo: Mr. President, do you mind if we await the arrival of the Minister of Finance?

Mr. President: He is in the Chamber.

Sen. S. Capildeo: I must give the Minister time to sit. You see, the hon. Minister reminds me of Shylock. "There is some ill abrewing towards my rest for I did dream of money bags this night." *The Merchant of Venice*, Sir. I want to thank Dr. Harry Kuarsingh, a colleague of the hon. Minister, for asking a very serious question, and that is: Why the lack of confidence in this country? I want to advise the Minister and ask him to take the advice in the spirit in which it is tendered, that he has a very serious problem. He has an unwanted legacy. He has a yoke around the PNM's neck. He has inherited, whether he likes it or not, the documented misdeeds of Johnny O' Halloran, the late Prime Minister, Dr. Eric Williams' best friend, and the shadowy, smelly rumours of the man he trusted the most in the PNM, one Francis Prevatt. It was all summed up by one PNM expression, "all ah we tief."

Ever since the floating of the dollar debate started, another rumour has been floating around, that some people—and I would spell it out—that some big businessmen, particularly those having connections with the People's National Movement, have had advanced knowledge of this Bill and have been paying off their bills. I would suggest to the hon. Minister, whose integrity I do not question at all—I have known him for many, many years—that he publish a list of the names of all the people who have bought US dollars in the last month or so. I am sure the revelations will be startling to him and they will answer some of the questions our people are asking. We will know some of the answers and we will know where Fort Knox is in Trinidad.

There is much hue and cry about floating the dollar, as if it is some new theory being propounded, as if it is some new, miraculous, financial theory now discovered. This is old hat. But it is like the never-ending story. It has provided no answer to date, this floating of the dollar. It is more than 20 years old. Twenty-three years ago, in l970, Canada decided to float the dollar. The pound sterling has been floated since l972, and the Japanese Yen since l973. With respect to Japan and that economy, that has to do with the question of a civilization and their approach to life, but with respect to the Canadian dollar and the English pound, they are both basket cases now, as you know. Their flotation has not really solved their economic problems.

What is most important in this debate, and what the country has been trying to tell this Government, and what we hope they will begin to understand, is that the financial structure of any society is based on three fundamental principles. They are all human and they all require a basic civility, which is not only to be enunciated, but is to be carried out, it is to be lived. Quite simply, they are faith, trust and confidence. Without these three elements working in cohesion, any financial structure will collapse. In fact, it will not even get off the ground, and all the fears of Sen. Michael Mansoor, as he expressed them, are based on these questions. Do we have the faith, the trust and the confidence in ourselves? If we do not, this legislation and all such legislation is doomed to failure.

We must have the confidence in ourselves that we can hold these twin islands together as an independent republic, in a hostile, uninterested and uncaring world. We must trust each other, to the extent that we become our brother's keeper. We must have the confidence in ourselves to get on with the job without the corrupting influence of fear or favour.

So notwithstanding all the technical arguments and all the legislative minutia that may come forward and all the subsidiary legislation that is yet to come, if the people of this country do not have faith, trust or confidence in this country, then the floating dollar will sink. Right now, that trust, that faith, that confidence, is not there. After all, you see, the dollar bill is not the "dollar wine." A dollar bill is merely a paper symbol of the promise by the Central Bank that it shall at all times hold assets of an amount in value sufficient to cover fully the value of the total amount of notes and coins for the time being in circulation. It is a straight case that we must have faith, trust and confidence in the Central Bank to honour its promise. The day that disappears, so does the financial structure of the country. It seems that we are creeping at a rapidly increasing rate to that dismal day, the day when faith, trust and confidence disappear.

We cannot look at this Bill in isolation. We have to look at our society as a whole and see how this Bill fits into it. The reality in Trinidad and Tobago is that law and order is being rocked to its very foundation. We have reached the stage where the city of Port of Spain can be held to ransom by looters and thugs employed by the PNM in their belching, corrupting programme of URP.

5.10 p.m.

Mr. President, the whole of Central and South Trinidad are at the mercy of criminals. Let me avert for one minute to when I sought your leave last week Tuesday and went down to Cedros. One of the problems the villagers told me of—and they were completely demoralized and in a complete state of despair—was that there is one road in and one road out, and the bandits had them at their mercy. The bandits would pick the time to block the road either when they were going in with goods or when they were coming out with money. They were at the mercy of the bandits. So one has a capital city that, at the drop of a pin, could be subject to looting. Every small businessman in Central Trinidad has a litany of woes of robbery at will; and in deep South, almost total anarchy.

We have reached the stage where the people have lost confidence in this Government as far as law and order is concerned. People are actually talking about forming vigilante groups. In that setting, does anybody here really believe that they would have confidence in the financial administration of the country? Does anybody really believe that? You have a Prime Minister who says, on the sale of two of our plants to foreigners, that the money will be used to fund approximately 8,000 jobs. That is a very serious statement. It did not come from a junior Minister of Finance; it did not come from a nominated Senator; it did not come from a Back Bencher. It is the Prime Minister of the Republic of Trinidad and Tobago saying, We have sold two plants for US dollars, and those US dollars are going to provide 8,000 jobs.

Shortly thereafter, the junior Minister of Finance got up and said "No, that money is earmarked for paying our external debt". That is a deadly serious situation, Sir. It shows that the left hand knows not what the right hand is doing; or the right hand knows not what the left hand is doing. What it emphasizes to the people of this country is that we cannot have confidence. To back that up, look at what is taking place. A full page advertisement by the Ministry of Finance in the *Sunday Guardian*, dated April 11, 1993 on page 19:

"A free dollar: for investment, growth and new jobs!"

The heading is:

"On Wednesday, April 7, Government liberalized the exchange rate, and floated the Trinidad and Tobago dollar. We believe it is important for us all to fully understand the situation:-"

Let us look at the first paragraph:

"What this means ...

> There are no restrictions on foreign exchange transactions e.g. for vacation, education, trade or other business purposes etc. Any resident of Trinidad and Tobago can buy and sell as much foreign exchange as they need, and they can no longer be prevented from holding foreign currency."

That is the *Sunday Guardian*, a full page, massive advertisement.

Today, Monday, April 12, 1993,

"Central Bank of Trinidad and Tobago ..."

Not Guyana, Jamaica, or Barbados, the Central Bank of Trinidad and Tobago in a half-page ad in the *Express* puts a notice with respect to the operation of the foreign exchange market. It says :

> "3 Banks will continue to use the limits and procedures applicable under the previous Exchange Control guidelines for the sale of foreign exchange for the following purposes.
>
> Vacation Travel
>
> Business Travel
>
> Medical
>
> Education
>
> Requests for foreign exchange for these purposes must be supported by standard documentation in the normal way or such other evidence of bona fides as the banks may require."

So you have the Government saying, "everything is free, no restrictions", and you have the Central Bank saying, "nothing has changed". What does the ordinary man think? The right hand knows not what the left hand is doing, and the left hand knows not what the right hand is doing. It means that this Government has not worked out what it was going to do, and it supports the theory that they are carrying out what they have been told to carry out. I quote from page 172 of the *Inter-American Development Bank 1992 Report: The outlook for Trinidad and Tobago in 1993: Trinidad and Tobago's Recent Economic Trends:*

> "In the second semester the foreign exchange reserves were also affected by fears of an imminent devaluation, which induced prepayment of private external financial obligations, domestic hoarding of foreign exchange, and

> outright capital flight. Following the election in mid-December 1991 of a new administration perceived as favoring a floating exchange rate ..."

this is a 1992 report:

> "Following the election in mid-December 1991 of a new administration perceived as favoring a floating exchange rate, the reserve loss initially accelerated. Devaluation fears subsided in the spring of 1992 after the administration succeeded in stabilizing reserves by squeezing domestic credit."

They squeezed out all the excess Trinidad and Tobago dollars that were supposed to chase the US dollars.

The telling paragraph on page 173 states:

> "These trends confirm the need for decisive measures to diversify the country's economic base and place greater emphasis on private investment and employment creation, including an enhanced role for foreign direct investment. This would require further trade and foreign investment liberalization measures, which would be in line with current intentions to divest of public sector interests in the petro-chemical sector. The resulting reduction in future debt servicing outlays would free resources for investment in appropriate physical, technological and human infrastructure necessary for a resumption of balanced growth and adequate employment creation"

So the powers that be, initiated the procedures and steps and this Government is merely carrying out what it has been told to carry out. This country has not only lost its economic independence—

Mr. Mottley: Mr. President, I was being led along a certain line of reasoning and argument, and then came a non-sequitur, and I wonder if the hon. Senator could just elaborate more clearly what instructions we were following?

Sen. S. Capildeo: Mr. President, let me re-read what they were saying:

> "These trends confirm the need for decisive measures to diversify the country's economic base and place greater emphasis on private investment and employment creation, including an enhanced role for foreign direct investment."

That must mean that you make it easier for foreign direct investment in this country. So you are floating the dollar and freeing up the exchange.

> "This would require further trade and foreign investment liberalization measures,..."

That must mean you are carrying out your policy of structural adjustment to liberalize the programme—

> "which would be in line with current intentions to divest of public sector interests in the petro-chemical sector. "

That must mean the plants that you have sold and the moneys that you received—we do not know what is the policy. Are you creating jobs with it or paying off your debts? Your Prime Minister is saying one thing, and the Minister of Finance is saying something different.

And we are back to the question again. What are the people of this country to believe? If, as I have said—and I think it cannot be disputed—the whole financial structure rests upon trust, faith and confidence, and any of that is not there, even though you have advertisements like this appearing, where do you expect the trust to come from? If the people in this country are living almost under siege, how are they going to respond to a situation where you are floating the dollar and you have not thought out the process completely?

5.20 p.m.

Mr. .President, let us assume, for the sake of argument, that there are about US $200 million for sale in this country—$110 million in the Central Bank and $90 million in the commercial banking system, and there are about l00 bank branches scattered about this country, by tomorrow, lunch time, all that money would be sold out. People would be lining up to buy. There will be a run on the US dollars. I dare say, not a single one of those dollars is going to return here. They are not going to come back because the people of this country do not have the confidence that they ought to have in the country. That is a fact of life.

That fact is substantiated by the manner and the human conditions of our people. The Government comes with this legislation. It is an epoch making piece of legislation. It is going to change the financial direction of this country for the next generation. Where are the concomitant tax proposals? The Government is telling people they are free to trade in foreign exchange and bring their money back. Is it also telling those people that when they bring their money back the Inland Revenue is not going to ask where they got the money from? Where are the concomitant taxation relief clauses? Where are the suggestions?

India is used as an example in this Chamber. But how on earth can you compare a giant of a market like India with a country like Trinidad and Tobago? It is a nuclear power, huge industries. And you use that as an economic comparison? In fact, we sometimes wonder whether all these West Indian nations should have all these different currencies— a Trinidad and Tobago dollar, a Grenada dollar, a Barbados dollar, and the whole lot of us could fit in a suburb in Calcutta or in a city in America. But we all have an army, navy, air-force; our different currencies; and a Leader of the Opposition and a Leader of Government Business. One sometimes wonders at the reality of life and how serious these people are. *[Interruption]*

Mauritius is a different scheme of things completely. We cannot be compared to Mauritius; it is like comparing us to Singapore. When the Prime Minister of Singapore told the PNM Government that we had carnival mentality, everybody jumped up and bawled like 40 tarzans. When we were told that money was going to run through us like a dose of salts, they jumped up and bawled. But these are factual statements. It is a carnival society and money did run through us like a dose of salts.

The legacy we are left with is that people do not have the confidence in this country to bank here. When legislation is put forward like this and you did not put forward concomitant pieces of legislation to ensure—take, for example, you are in the middle of very difficult negotiations with unions—it is almost like a husband and wife separation—you are paying off people to retire and go into business, you have not gone through that yet, you have not given the people the money yet and you put into law a measure that effectually devalues their money before they get it. Do you want those people to have confidence? How are they going to have confidence? What is going to happen with all those negotiations? What is going to happen to the people with fixed incomes, the pensioners, the people who cannot move? Where is the legislation with the relief clauses in them?

Prof. Spence could talk until he drops dead, not one thing will take place with this Government with agriculture. From 1956 to now, the People's National Movement, has as a matter of policy, ignored agriculture in the development of Trinidad and Tobago. In fact, it has killed agriculture. It is one of the legacies of the PNM that agriculture has died under it. Agriculture is the major method of employment in this country, but we want to urbanize the country and set up brand new police stations and army camps right around our city so that we can all live like hostages, not only in our homes but also in the capital city as well.

Mr. President, what has happened to the several budgets, all those figures in the Appropriation Bill, and the budget debate? They have gone through the window just like that! When we come to the question of the timing of this Bill, it speaks volumes for the independence of this country. We have lost our independence. We did not have a say in the timing of the Bill. We had to do it now or else. I do not want to take issue with my friend Sen. Ainsely Mark but when he was speaking about feeding dogs with imported food, I could not help but think that never before in my living existence in Trinidad and Tobago have I witnessed poverty and starvation on such a scale. Feeding dogs with imported or local foods, when people in this country are worse off than dogs. There is serious starvation and poverty in this country. The whole social system in this country has broken down; the education system and the health system in this country have broken down .

It is incredible that 14 persons died at St. Ann's and up to now they do not know why, or who is responsible. I am not being irrelevant, Sir. If this Government cannot tell this country after so many months who or what is responsible for the deaths at St. Ann's, how on earth can it expect the people to have the confidence that it can manage their money? If you give people a chance to buy US dollars, they will do so, but they will bank the money outside.

5.30 p.m.

We come to the crunch of this whole thing. This big ad about freeing up the dollar. They cannot have it both ways. Is it either you free up or not.

If you say we are an open market economy, then, every Tom, Dick and Harrilal is entitled to free up, speculate and make money. If the new policy is money at all costs, morality gone through the window, and our social dynamic now is the earning capacity to earn money and money is what counts, then everybody must have the freedom to earn that money.

This idea that the Central Bank would still be exercising some kind of restriction makes absolutely no sense. It is either we are free or we are not free. It is either we are free to trade in our dollars, speculate and make money—because if that is the kind of society this Government wants, it cannot have it both ways. If it says free up the dollar, we free it up and every man in this country is entitled to speculate and make money on the dollar.

This business of the banks getting together to tell the country at what rate the dollar will go up or down...and they say we are free! The interlocking directorates of these banks, together with the people from outside in international financial institutions, have a stranglehold on this country that is going to cause social problems of such enormity that we shall not be able to control it.

This Bill will be passed and it will be made law. I warn this administration, that unless it thinks the matter through and come up with solutions to problems of the unemployment, poverty and social distress that surround us, it would rue the day it passed this piece of legislation. Epoch-making, though it may be, it would backfire in their faces.

The key to the whole issue has been, and I repeat—if the Government cannot inspire faith, trust and confidence in the people of this country that their money is safe in our banks here, not only is the Bill doomed to failure, but also this country is doomed. It convince the people outside there that this move would not affect their water rates, electricity bill, or that it would provide jobs, social security, put a roof over their head; give them adequate transport; allow them to take down the burglar proofing from their windows; permit them to walk freely at any time of day or night in their district. It is not going to do that.

What this will do is open up the economy to the people with large sums of money. They are the ones who would speculate and make money. The rich would get fabulously rich, and the poor would not only be always with us, but also it would be also a wretched poor that we have not seen the likes of in this country. I repeat, never in my life, have I seen such starvation in the land of Trinidad and Tobago.

One would have expected that coming together with this piece of legislation would have been statements easing the burden of the poor people. I trust the Minister of Finance will speak some words of comfort to the population, that he will begin to establish the kind of trust, confidence and faith that the Trinidadian and Tobagonian citizen needs in his own Republic of Trinidad and Tobago. At present, it is at its lowest ebb, and I could say that some citizens in certain parts of this country feel totally alienated from Trinidad and Tobago. We have a long way to go before, as the advertisement says, we can free up the dollar. Firstly, we have to free up our minds.

I thank you.

Sen. Everard Dean: Mr. President, coming at this late hour of the day, and having heard the contributions made earlier on, what I have to say may be just rhetoric because most of the things have already been said. Nevertheless, I think it is worth repeating. Before I begin, let me congratulate the Government on having the guts to make the hard choice of floating the TT dollar, or as some would prefer to say, the liberalization of the foreign exchange. I am not yet persuaded to support that decision. When I look at the PNM manifesto page 8 states:

"Foreign Exchange

> The PNM's ultimate aim is to liberalise exchange control. Initially individuals, both nationals and residents will be allowed to hold foreign currency accounts in local banks without exchange control approval."

It continued on non-oil companies.

I did my own version of the people's meter. What it came up with, unscientific as it is, like the other one, is that 90 per cent of the people I spoke to did not know what liberalization of the currency means. It would be surprising to know that 100 per cent did not expect the floating of the dollar so soon.

When I read in the newspapers that bankers and some businessmen support the measure, such support to me, was not at all unexpected. For you see, it is the rich that will get richer; the millionaires will now become billionaires, while the poor will become vagrants and mendicants. It is for these people I speak. My heart goes out to them, for what will now happen is that on almost every commodity will be price increase, while the income of these people, that is their wages and salaries, will depreciate there.

Immediately I think about the students abroad and those who intended to pursue their studies at a foreign university, and the cost of medical supplies, particularly to senior citizens and those who suffer from chronic illnesses. The ECA in a release stated that their members have agreed that they will not raise prices unless they are forced to do so. I submit that we have heard that kind of statement before.

5.40 p.m.

Again, Sir, do you know that on Saturday when people went to the hardware stores the businessmen were telling them to come back Tuesday, "We are out of stock", and they were selling only small items. Shortly after the official announcement about the float, we read in the newspapers that certain businesses will be closed on Saturday, April 10, 1993, no doubt to check their inventory and prepare for the price adjustment, depending on how high we float on Tuesday.

While I am on that question of floating, Mr. President, permit me to congratulate Dunston Williams on his magnificent cartoon in Friday's *Trinidad Guardian*, depicting a caricature resembling the Minister of Finance in flight on a magic dollar over the Twin Towers. Greater imagination could not be found elsewhere. In today's newspaper, at the side of George Harvey's column, there is another Dunston William's cartoon, indicating that our dollar has been clean bowled.

Last night I do not know if you were able to listen to the news on one of the television channels, *Review of the Week*, by Errol Pilgrim. The lead story was the floating of the currency. That opened and closed with the theme song of *Aladdin*.

I ask the question: What are the social or antisocial consequences of this flotation? Have we properly weighed the balance of social issues versus the decision to float? I hate to repeat this, but only last week we witnessed a rampage in Port of Spain when some misguided people who did not receive their wages took to the business houses to help themselves to other people's goods. Is this an isolated incident, or are people just fed up with an overdose of government?

In floating the dollar, I believe the Government has dealt with the vending problem on the streets in that they have effectively killed the suitcase trade. What will these people do now?

When trade liberalization was debated in the Senate, we were assured that employment would increase. Less than a year after, we are, in fact, seeing the reverse. Instead of job creation, we are experiencing right-sizing. We saw VTEP, we are speaking of VSEP; and soon we shall be seeing retrenchment on the Port and other places. It seems, Mr. President, that the letters "PNM" now stand for "Press Nationals More"

In keeping with Good Friday tradition, we were all beaten like "bobolees".

[SEN. DEAN]

What would happen now to the micro-entrepreneurs among us? What would happen to the nuts man and the doubles vender and people like them who are ekeing out an existence through their enterprising efforts? We do not grow enough nuts here, we do not grow wheat, nor do we grow channa, which are the main ingredients of these products.

Perhaps there is no doubt that we have to build a maximum security prison, but probably for different reasons other than those stated by the fearless and admirable Minister of National Security. I say "fearless" because he is very aggressive. He wants to get something done and he is doing it regardless of the situation. I admire him for that. In fact, I admire the Minister of National Security so much because even when his police make a mistake, he apologizes on their behalf.

The Minister in the Ministry of Finance, on one of the talk shows, indicated that a consultant brought down to advise on floating indicated that we lost $1 billion in foreign exchange during the period 1986 to 1991. I ask the question: What did the Central Bank do to stop this haemorrhaging of foreign exchange? It is not the first time that a Central Bank has been accused of tardiness. Only last week, and earlier today, references were made to the way they operate. When I think of Jamaica and Guyana, I shudder to think what can happen here. For if the measure does not work, we are in deep trouble, and here I echo the sentiments of many people.

I would now like to refer briefly to the establishment of the dealers or cambios, as they will be called, which will be set up for the buying and selling of foreign currency. It seems to me that this would be the ideal avenue for the quick acquisition and disposal of drug money. So I ask the question: What safeguards are we putting in place to prevent this from happening?

It is said and generally accepted that market forces will determine the price of foreign exchange. Yet, I have heard that the banks will determine the rate after discussion with the Central Bank. Are we not sending the wrong signals here?

Senators speaking before me referred to the notices in the newspapers. I have one from the Ministry of Finance, one from the Central Bank and one from God knows where, and they are all different. They do not mesh. It seems that they have some kind of pollution of information in that they are not straight with this kind of information coming before the general public; and we are talking about confidence here. People are more confused today than they were when the Minister made the announcement and the Ministry of Finance notice came out.

It is said that one of the immediate benefits would be an increase of cash for travel purposes as one will not be required to fill in the famous or infamous EC form. The fact remains that where previously you could purchase just over US $600 for TT $2,500, the cost of that $600 would now increase to heaven knows what. While the facility is going to be there, the power or ability to purchase will not.

It is expected that the new measure will encourage the reduction of imports and increase exports. But, Mr. President, we live in an import society: We import most of the things we use; we even import to export, in that we import grains for our flour and for poultry and animal feed; we import most of the basic inputs for the things we manufacture.

Have you ever seen or tasted corn flakes made in Trinidad and Tobago? I am sure you have. I am also sure that you know the corn in those flakes came from abroad. In other words, all we do is assemble the food we eat. So that when we speak about reduction of imports, are we going to close down these so-called manufacturing plants? Of course not! But we will have to pay through our noses for the assembly.

In preparing for this debate, I once again referred to an article in the May 1992 issue of CANA Business. It is found on page 19, and is written by Michael Ritter, a lecturer in economics at the University of the West Indies, Mona, Jamaica:

> "The thrust of the stabilization and structural adjustment programmes, which ultimately both revolve around liberalization, has been to reverse the post- independence trend toward greater equality in the distribution of income between labour and capital with a view to cheapening labour. This is a crude and vulgar way to increase labour productivity, since it relies on extracting more from the working people for less reward and an impoverished working people means a small domestic market and a population subsisting from low levels of social welfare. This, of course, undermines any attempt to increase labour productivity. As the state is marginalized, traditional sources of funding for social services disappears. With declining purchasing power, the working

people are less able to access the basic services such as health and education. This again undermines the drive for increased labour productivity. "

In the words of the late Albert Gomes, I will simply say: "I told you so."

If we are not careful, we shall now have to print $500 and $1000 bills, or we shall need to use wheelbarrows when taking the TT dollar to purchase foreign exchange. Foreign exchange is the lifeblood of our economy and we should be careful how we tinker with it.

I recall the Minister of Finance saying that we are in a better position than Jamaica due to the fact that we have a stronger player in our Central Bank. I assume that he is referring to our foreign exchange income from the taxation on oil. But is it not a fact that we have to service our foreign debt commitment and, therefore, does this commitment not reduce the Central Bank's effectiveness on the foreign exchange market? It would be interesting to know the net position after debt servicing in terms of the Central Bank's effectiveness as a player.

Finally, I should like to find out what is the plan, or if there is a plan, to control the increase in terms of interests and price, and at what pace it will be allowed to move, because I expect that if these things are not properly managed, social fall out will begin. The population of this country moved from ecstasy in 1991 to agony in 1993.

Mr. President, while I may not support the decision, I wish it every success. Thank you very much.

Sen. Carol Mahadeo: Mr. President, seeing that I have come at the very tail-end of the bowling from this end—and I use the word "bowling" deliberately, because I think the hon. Minister of Finance is the batsman who has got to give me the runs here this evening—I am left with very few points which are going to be new upon which I can elaborate. But knowing our hon. Minister, and I think nobody sitting in this august Chamber, including those in the public gallery and our reporters and so on, would gainsay the fact, or deny him his prowess and agility in the athletic field. Knowing this about him, the measures he has proposed in this Bill for the flotation of our currency at this time, despite the caricatures about him over the Twin Towers and so on, I know, trust and believe he will use the same agility to race after that floating dollar, if it should waft higher than the kites.

My worry and concern is in the Explanatory Note which does not really form part of the Bill, but it does state very clearly what its purport is. One of the very first suggestions is to amend and fix the basis—this is the relevant word the "basis"—by which a rate will be determined by the President.

I confess that I do not know much about accounting, economics or economic consultancy—I say this each time that I am faced with something like this—but those who are will be able to enlighten me.

What I should like the hon. Minister to elucidate upon this evening is what are the criteria that the President—it may be the Central Bank—will use to fix this rate. Unless that is being told to us here this afternoon, it is anybody's guess as to what the cartel of the six acknowledged commercial banks will be using as their basis to float the dollar and to tell us what rate it is this morning, and what rate it is tomorrow, and what rate it is the next day.

The cambios, as many of the Senators have suggested—and I bow to Sen. Kuarsingh at this point—would come to our rescue. A colleague of mine says no, they are going to aid and abet corruption. So, again, we are in a fix with cambios and the bureaux which will be coming in privately to work out the situation.

How are we to determine whether we are going to get fierce competition to keep the rates lower than what obtains in the black market at the moment, or to float it and really and truly have it floating and spiralling skyward? How are we to tell at this point? This is the aspect which I should like our hon. Minister to explain so that people like me would be able to understand.

He did say before the lunch break that there were some meetings this morning and that the various bankers had sat somewhere and they were deciding on certain things. I do not know whether it is very clear in my mind that they had come upon what they were going to be doing or they were going to declare what they would be doing. I hope at the end of this exercise this evening the Minister will be in a better position to tell us what the outcome of that meeting was.

The second thing in the Explanatory Note is that certain sections of our Exchange Control Act requiring the Central Bank to give authorization to persons as dealers in foreign currency will be repealed; they will be retaining the Sections requiring prior approval for things like imports and exports of gold and currency notes, certain exemptions, and enforcements.

Now, “certain exemptions offences and enforcement” are, again, an area which is rather gray to me, and I would like to get that specifically stated. Many Senators have commented on the fact the Central Bank are keeping their distance. For various reasons they do not feel very happy with this, because it means that the Central Bank will not have full control to say, "All right, you are not doing the right thing, you are doing much too much”, or, “You are doing much too low, let us strike an even balance."

The Central Bank ought to have been brought into the picture so that they can at all times come forward and put their hands on the problem.

The “certain exemption...and enforcements” may be in the Central Bank Act, but I should like the hon. Minister to explain it fully for the edification of those of us who are not loyal and who are not able to read and interpret legally what these exemptions and enforcements mean.

Again, Sir, I am not like a badly behaved school child, but I believe that the Minister has been sidelining me from my question this morning, and as a school child who does not get what she wants at the time she asks for it, I am going to ask the question again of the hon. Minister, and I hope he is going to give me the answer when he is winding up.

He elaborated a great deal upon the flotation of the currency in Jamaica, in Guyana, and what wonderful effects it has had recently in India. He also spoke about the Latin American countries. I did pose my question to the Minister this morning, as to how those Latin American countries were faring in this regard, because some had started it off in 1990, another in 1991, another in 1992. I think Bolivia, Brazil, Chile or Peru, whichever one it was, in that order—and he did promise me that he was going to come back to it a little later.

Mr. Mottley: I ran out of time.

Sen. C. Mahadeo: I hope then, that the Minister will address that in his winding up.

The hon. Minister also mentioned that the flotation would mean an increase in the cost of living, and this has been so over-played and over-burdened and beaten about today by several Senators as to who will be affected. Well, naturally, not the big fish.

He also did elaborate by saying where you get a 10 per cent depreciation,the concomitant rise in the cost of living would be about three per cent. This is the danger that we are trying to avert.

At this time, Sir, I do not want to borrow from Sen. Ainsley Mark, but I am forced so to do. He was pointing out his preconditions and the timing and the effects on Trinidad and Tobago. He is a management consultant and he would know exactly what he is saying there. I have not managed that. But with the massive unemployment situation that we have in the country today, and at the last count, I believe it was late last year, it was something like 22 per cent, and I think the figure has risen in the first quarter of this year, it would be something more than the 22 per cent unemployment—

I am not going to refer to that thing that happened on Holy Thursday on Henry and Charlotte Streets. I will not talk about that at all. What I am saying is that with this massive unemployment situation at the moment, where people's tempers are raring to go, what is our position when not even their salaries are in their hands? The cost of living will be rising, there will be further retrenchment and more people on the breadline, if there is any bread to get at all.

With this inevitable situation, Sir, how is it possible for the Minister to tell us at this point that with the flotation of our currency we are going to stabilize and then grow? Actually, we have no stabilization at the moment. How then can we proceed to growth? This is the part that worries me most at this time.

It is a very commendable thing that he has proposed at this time, but the timing, to my mind, is bad. At this point, when our unemployment rate is so very high and people are looking for avenues to create further friction in the society, this is the wrong time to have thrown the country into this surprise move of floating the dollar.

I was taken by surprise, like so many others who are in the Senate today. I do not know if all the Members of Cabinet were privy to this before the news broke out on the television stations, but I was certainly taken aback when that news came through.

So, Mr. President, though I would say the move is a good one, we do need to have, as Sen. Teelucksingh said earlier today, certain checks and balances coming out of the Central Bank. To oversee, the Central Bank must never, during this period, close its eyes to or keep itself aloof from the situation. It should always be there to oversee the situation as to what is happening with this currency which is now being set loose, to float whichever way it wants.

I do want to congratulate the Minister for having the guts, courage and grit; he has always shown it. However, he does not know if half-way through he may fall with the flotation.

Thank you, Mr. President.

6.10 p.m.

The Minister of Finance (Hon. Wendell Mottley): Mr. President, I propose to deal with the issues that were raised, rather than with the individual matters raised by individual Senators. I think one fundamental issue raised, is the concern that the Central Bank, in all of this, does not stand aloof from the issue of the flotation.

I have information that in fact the bankers' meeting did take place earlier this morning and carried on into this afternoon. They have agreed on a rate at which they will open and that rate will be disclosed tomorrow at the banks. I do not want to disclose that rate right now, but there was some agreement on that.

Clearly, Mr. President, there is a correct feeling in this House, which we in the Ministry share, and it is a view shared by the Central Bank, that its role has changed. It does not, however, divorce itself from matters of exchange rate management.

For the information of Senators, in 1992, for instance, commercial banks purchased US $970.7 million from businesses and other entities. In order to meet their commitments, over and above that US $970.7 million, to meet the sales to the public, including sales to businesses, the bank required, in 1992, US $259 million cover, from the Central Bank.

I tell you these figures, Mr. President, to show that the flows in the private sector—so to speak—are quite considerable and not to be underestimated, and that the Central Bank, therefore, does have an ongoing and continuing role. That role would be assessed continuously and the Central Bank does have the capacity and the willingness to intervene in that market, to provide the kind of support that the system requires, especially initially, as it settles in. We ought to be under no illusion that the Central Bank is taking a laid-back attitude, as far as the rate, the management and the initial likely over-demand are concerned.

It is clear that there is some measure of uncertainty, it is a new system, and even with the best management in the world, that uncertainty would lead to people saying, "Well, I better take in front, let me get US dollars upfront." It is for that reason that the banks themselves have anticipated this, and despite the fact that they have resources of their own—because that assessment was done and they do have resources within the banks right now—the Central Bank stands behind them with their own resources. But even with all of that, if everybody decided to pay-off every bill in the world, and they anticipated every medical expense and vacation travel in the world, then there would not be the resources to meet it all. Our situation is no different from the Bundesbank or anybody else in similar kinds of situations, where they face shot flows of money in particular speculative movements.

For this reason, before the situation is clarified and a measure of certainty comes to the market, the commercial banks have agreed among themselves that:

(1) That that is the rate they want, they feel that that is sustainable rate.

(2) They will among themselves be policing that rate and not allowing outlying branches to go and dig up that rate beyond a clearly specified ceiling and floor.

On top of that, Mr. President, the banks, for the clarification of Sen. Capildeo and Sen. Mahadeo and others who raised it, took out a public notice in the newspapers this morning, stating how they propose to operate in the transition. It is clearly meant not to be permanent operating procedures for the banks. It is meant to be an operational procedure in the settling-in period.

The *Guardian* newspaper had it right, I think that there was some mix-up in the *Express*. The *Express* has it as a Central Bank notice. There were two notices published on the same page of the *Express*, one dealing with the Central Bank itself, that is the lower one. But the top one which is signed by all the commercial banks—so to speak—is a purely commercial bank notice. As I said, it was properly stated in the Trinidad *Guardian*. It is headed up in the Trinidad *Guardian* "Public Notice: The operation of the Foreign Exchange Market" and it starts off "Commercial banks were made aware...", and signed off by all of the respective commercial banks:

Republic Bank

Royal Bank of Trinidad and Tobago

Bank of Commerce

Scotia Bank

National Commercial Bank

Workers Bank (1989) Ltd

Trinidad Co-operative Bank

Citibank

This final notice of the operation of transitional arrangements by the commercial banks, is an advertisement of the commercial banks and it states how they plan to operate.

In answer to the question which Sen. Spence posed, ’are we having freeing-up or are we not having freeing up’, it is clear that we are having freeing-up. But there is a transitional period during which we work through the operational uncertainties of the situation. It is like a new car—you have a new car or you do not have a new car, but when you do have a new car, you are not expected to drive it at 250 kilometers an hour the first day you get. The new car can drive fast, it is reliable, but it is clear that there are restrictions while you settle it in.

Sen. Capildeo: The notices in the *Express* newspaper, the two of them, clearly begin "Central Bank of Trinidad and Tobago" so notwithstanding the people who sign below you get the impression that this is the Central Bank—

Hon. W. Mottley: I agree with you. That has created some confusion, and I am now pointing to the correct situation which is in the Trinidad *Guardian* which shows two clear advertisements; one taken out by the Central Bank and the second one taken out by the commercial banks.

There is a very important matter raised by Sen. Daly. He said that in all these accountings and so forth, the moneys that are coming in by borrowings from the multilaterals, there are the moneys that are coming in as a result of loans divestments to the Central Bank and there are the moneys from oil receipts. The oil receipts are there permanently, but, hopefully, we will not be borrowing as much from the multilaterals in years to come and, ultimately, we will run out of assets to divest and, therefore, where is the money coming from in the future to support the commercial banks? It is a very good question, Mr. President, because "ultimately", that money has to come from the exports of this country. Mr. President, "ultimately," and this is a point that I have made and I have not hidden it.

In the first instance, in the oil boom, this country ran down the savings that we put abroad in New York to cushion our coming to reality. In the second instance, to cushion reality, we borrowed excessively abroad. In the third instance, Mr. President, we are using the proceeds of divestments and some multilateral inflows. That is the last straw.

Ultimately, Mr. President, if this country does not diversify its exports, strengthen its petroleum base, surely, but also move on to strengthening its tourism, and I want to say the word—it is coming with difficulty to my throat—succeed in agriculture—

6.20 p.m.

PROCEDURAL MOTION

The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith): Mr. President, I beg to move that the Senate continue to sit until the third and final reading of the Bill before the Senate.

Question put and agreed to.

CENTRAL BANK (AMDT.) BILL

Mr. President: Please continue.

Hon. W. Mottley: Yes, Mr. President, clearly, ultimately, we put it squarely to the population, we have to succeed in exports if we are to sustain a reasonable standard of living in this country. Exports mean not only agricultural and manufacturing exports but, of course, dollar earnings from tourism, services, and other activities.

Sen. Mansoor asked a question: what if, in this transition period especially, exporters do not lodge their receipts in the commercial banks and, therefore this stream of dollar resources that hitherto available to the commercial banks dries up? Mr. President, that would be a serious matter, indeed, and we do not contemplate any lengthy withholding of export receipts. Because the facts are that to most manufacturers/exporters of whatever type, these streams of income are just what they are—income. And in fact, some businesses are so hard-pressed to encash those receipts, that even when they come due as receivables, and not cash, they factor those receivables.

So that it would be an unusual set of companies in Trinidad and Tobago, indeed, which could receive export receipts and continue to trade, do business, pay wages, buy new raw materials and so on and so forth, but have those receipts sterilized abroad, or locked away in some bank as cheques that are not going to be deposited until some future date when they anticipate the exchange rate may go up. You may play games like that for a few days, maybe some richer companies for a week or two, but certainly we do not anticipate for much longer than that, Mr. President.

It is in that situation, too, that the question of interest rates arises. If it is made difficult for companies to borrow in that transitional period, then they will be even more hard-pressed to sterilize those US dollar receipts that they are getting for their exports; and it is for that reason that the Central Bank was considering increasing its interest rates, or upping its reserve requirement temporarily. My own information is that the Central Bank has, at least for the time being, decided to hold its hand in that respect and will not, for the time being be increasing interest rates or upping its reserve requirements. They believe, from their own assessment of the situation, that it does not, as yet, warrant that situation—hopefully it will not arise—and I, too, share with all of you, especially the business community, the concerns about where interest rates can trend; and we want to avoid the interest rates getting out of control.

It was Sen. Teelucksingh who was very concerned about the population needing assurance. He said that we had taken a "leap of faith," and he being a gentleman of the cloth, I did not think that he was going to rail against us for ourselves taking such a leap of faith. But, Mr. President, he is right, the population needs assurances that this whole matter is being well managed. We are trying to minimize risks. He suggested areas in which we could actually put our support. He said that we should reduce VAT on locally produced goods. That is not possible since, if we did that, it would be viewed as discriminatory against imports and would violate the Caricom agreements and GATT, so we cannot go that route. However, we need to be assured that while this is going on—we have reduced tariffs considerably, as of January 1, this year, and propose to do so again, in keeping with the Caricom agreements, on January 1, next year. I have heard Sen. Rahael in this Senate, on another matter, recite the considerable reductions in a number of imported items that have already taken place in Trinidad and Tobago. So we ought not to view the risk of price increases in isolation, related to this measure alone. There is likely to be some give and take as a result of other measures which the Government has taken.

The facts are that this Bill seeks to amend the Central Bank Act because the original Central Bank Act contemplated only a fixed exchange rate regime. So now that we want to move to a flexible exchange rate regime, we have to change the legislation so that we say now that the President will fix the basis by which a rate will be determined. An Order, which will be signed by the President, is being published and it will say that:

> "...during the continuance in force of this Order, the par value of the Trinidad and Tobago dollar in terms of the United States dollar shall be based on prevailing market rates."

That is the kind of legal construction that they have used in order to enable us to move away from a situation where it was only contemplated that the President could change a rate—$4.25 to $5.00—to a situation where it is now viewed that the rate will be floating. I hope that answers Sen. Mahadeo’s question.

Sen. Prof. Spence: Mr. President, would that not then mean that the banks would be acting illegally to fix the rate which was not determined entirely by market forces?

Hon. W. Mottley: No, the law sets out the par value basis and then it states that the President is now saying "during the continuance in force of this Order the par value of the TT dollar in terms of US dollars shall be based on prevailing market rates." So the President is saying if you want to find out the rate, look to the market. It is just a change in legal construction by which we are effecting this.

Sen. Prof. Spence: Yes, but does that make it legal, not to have it under market rate?

Hon. W. Mottley: It is market rate. It is stated here by Order.

Sen. Prof. Spence: If you have an agreement among the banks to fix a certain rate, is that a market rate? That is no longer a free market rate.

Hon. W. Mottley: No, no, you have to start. The banks met—and they did not meet and pull a figure from the sky—they met consistently over the weekend, went back into their books, saw what the demand was, what their own supply was, tried to anticipate market conditions and came at a rate that they want to start with. It is an initial rate.

So that Sen. Rahael in that instance, Mr. President, recited a number of items that had gone down—not only electronics, but fabric, imported food items etc., so that Senators ought to be fair and consider that in conjunction.

Mr. President, Sen. Capildeo raised a fundamental matter, that is, the question of confidence and some of the factors that affect confidence, one being our chequered history in relation to matters of dealing with corrupt incidents. But more than that, yes, in financial dealings it is the whole perception that affects confidence. Sen. Capildeo focussed not only on that, but also on the question of crime and how that would affect confidence. And he is right. But I would say that the vast majority of the population in Trinidad and Tobago have a vested interest in living here.

6.30 p.m.

Many people who moved money from this country in times gone by and who went with their money, are too ashamed to tell you that they have lost all their money abroad, and that they understand that Trinidad and Tobago is their home; they understand the people and their way of doing business, and that they do not understand things in Miami at all and even with the problems that we have here, they want to put down their bucket here. Once that fundamental understanding is preserved and absolute lawlessness does not take place, as I am sure my colleague, Sen. Huggins, will ensure, then I think that we can feel reasonably assured that people will not want, out of an absolute compunction, to move every single TT dollar into US dollars, because they are moving, themselves physically with their money abroad. Once they are staying here and they have need for domestic goods, they need to keep their businesses alive, and I think we ought to know that especially over the last 18 months, this economy, although it lost foreign exchange, net, a number of people, to keep their businesses alive in this country, had to bring money back.

Therefore, we ought to take comfort from some of these facts to understand that once we continue to manage our affairs here, not only financial, but also social and regulatory, regarding the police and crime and so forth, once we show confidence and we convince our population that we are serious about some of these issues, then I remain reasonably confident that some of the fears that Sen. Capildeo was expressing—which are real fears if it gets away from you—will not be realized.

Sen. Mahadeo asked about the experience of some of the Latin countries. I talked about Europe, India, Jamaica and Guyana. What has happened in some of the Latin countries is somewhat of a mixed experience. On the one hand, we know that Venezuela, for a number of reasons, largely political, has continued to see its Boliva depreciate. The economy has grown robustly; unemployment is relatively low; but there has been virtually a continuous depreciation of the Boliva. In Mexico, on the other hand, there has been a very slight depreciation of the pesos. In fact, at times, there was appreciation of the pesos which the Central Bank there has tried to reverse. The Mexican economy has grown extremely robustly, and foreign investment is pouring into Mexico. They are doing extremely well. Chile has been, perhaps, the outstanding country in this hemisphere. Chilean exports of agricultural products, especially their grapes, and even the agro-processed products, especially their wines, have virtually been explosive, as well as their regular production of copra and so forth. Chile has done extremely well and has benefited from very robust capital inflows. As a result of having taken some of these very steps that we have taken, not only this measure, but the packet of measures, Chile now has the financial resources to deal with some of the social programmes that hon. Senators have been advocating here.

Social programmes cost money. As Sen. Mahabir-Wyatt would know, even though there is the intention, often times the pure capacity is not there. Even while we address hardship, we need to turn the society's eyes towards the attainment of prosperity, out of which hardship can, in fact, be dealt with. Poverty programmes cost money.

Sen. Mahabir-Wyatt: Would the hon. Minister answer my question asked early this morning about the staff of the Central Bank and their lack of coverage under the IRA, their lack of legal recourse to a third party, in cases where, for example, they might be facing rightsizing as a result of this particular piece of legislation? Could he comment on that?

Hon. W. Mottley: I heard the hon. Senator on that. I am not in a position to say. That is a matter for the Central Bank. They have not discussed it with me. The Exchange Control Division, I am not sure what is the size of the staff there, I believe it must be about 60 persons or so. At this stage I am not in a position to answer that question. I assure the hon. Senator, however, that I will discuss it with the Governor of the Central Bank to determine whether there is any need for this to happen. She has raised it with me. I had not considered it, in all honesty, before, but I have been alerted and I will now look into it.

Let me close by making the point that there is a fundamental link between investment, growth and jobs. The Government, in the short-term, because our room for manoeuvrablility is limited—we go out and we take resources, and we have URP, we have Civilian Conservation Corps and other programmes to sop up and relieve unemployment, but none of those jobs are sustainable. Sustainable jobs are created only by investment. Ultimately, with the growth of the economy, other sustainable jobs start to attach and you start to get a mushroom effect and permanent, well-paying jobs are created. That is the process. Government, in the short-term, has a limited unemployment relief role, but the medium to long-term solution is based on investment. All of us in the society, even as we look at the hardships, we need to understand deeply that fundamental economic message. So this measure, along with others that we are putting in place, is designed to address this fundamental business of attracting domestic and foreign investment to this country, out of which will come growth and the creation of long-term sustainable jobs.

Sen. Rooks: Mr. President, I would remind the Minister that the Chamber of Commerce has asked whether there is going to be some time made available for the payment of existing bills.

Hon. W. Mottley: Mr. President, this is a situation in which the country has learnt from its experiences. During the Chambers' administration, such a transitional arrangement was put in place when the currency rate was moved. It led to no end of confusion, cross-claims, difficulties in identifying claims. The Robinson government cut clean, and it is the view of this administration that the experience of the country shows that it is better that we cut clean, that there be no transitional arrangements as far as payments go.

With these few words, I beg to move.

6.40 p.m.

Question put and agreed to.

Bill accordingly read a second time.

Bill committed to a committee of the whole Senate.

Senate in committee.

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

Question put and agreed to, That the bill be reported to the Senate.

Mr. Chairman: Before the Senate resumes, there are two typographical errors. On page 4 of the Bill. After "(a) The following definitions are deleted:" the very first one, “authorised depositary”, the final "o" in "depository" should be an "a".

Then, item I, on page 6, the same error—it is in the plural now—the final "o" in "depositories" should be replaced by an "a".

Typographical errors corrected.

Senate resumed.

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

ADJOURNMENT

The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith): Mr. President, as you aware, at the last regular sitting on April 6, the Senate was adjourned to Tuesday April 20, 1993 and we have since met in special sitting today.

Following discussions with all parties in the Senate, there has been agreement that it would be more convenient for the Senate to sit one day earlier.

As a consequence, therefore, I beg to move that the decision of the Senate made on April 6, 1993 for the Senate to meet in regular sitting on April 20, 1993 be rescinded, and that this Senate do now adjourn to Monday, April 19, 1993 at 1.30 p.m.

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 6.42 p.m.