

The T&T Chamber Column – Express – January 6, 2016

“When we are no longer able to change a situation, we are challenged to change ourselves.”
— [Viktor E. Frankl, Man's Search for Meaning](#)

Getting serious about diversification

Concerns about the state of the Trinidad and Tobago economy have dominated news broadcasts over the past few weeks; and to some extent, have left members of the business community deep in thought about strategies to moving forward.

The Trinidad and Tobago Chamber of Industry and Commerce is certain of this: the wider international economic environment – as it relates to energy revenues – will always fundamentally remain out of our control. The combination of increasing oil production from OPEC, the remaining supply glut on North American energy markets and the removal of US restrictions on crude oil exports have enabled lower prices for energy commodities from the immediate term to the foreseeable future.

In Trinidad and Tobago, the economic downturn was evident from Q4 2014 onward, concurrent with the falling oil prices. This challenge has been endured by businesses in both the energy and non-energy sectors where sources of foreign exchange remain an issue, particularly for the latter.

In his address to the nation on 29 December 2015, Prime Minister Dr. Keith Rowley drove home the reality to us all by stressing the inability of the non-energy sector to compensate for the loss of export earnings from oil and gas in either the short or medium term. In the final analysis, our country's capacity to withstand marked decline in economic activity and similar types of shock is predicated on its ability to develop an economy with many different and varied contributing sectors.

The T&T Chamber is on record for commending the Prime Minister and the Government for “courageously indicating the external contributory factors to our current situation, while simultaneously expressing some of the internal failure that caused the latest developments within the economy.”

Beyond the mitigating measures outlined by the Government, however, the T&T Chamber remains adamant that work must start now in earnest to facilitate the necessary structural transformation and economic diversification to stave off the effects of another economic bust. In order to reap the rewards in the long run (beyond 5 years), economic diversification will remain a topic of high importance on the Chamber's agenda. Along with all key stakeholders, we propose to collectively up the ante towards this objective in order to drive new and innovative ways to attract foreign exchange inflows and create sustainable employment, among other things.

The T&T Chamber recognises the present Government's policy to diversify the economy. Apart from tourism, seven other clusters were recently identified: 1. Creative Industries 2. Financial Services 3.

Maritime Services 4. Software Design and Applications 5. Agriculture and Agro-processing 6. Fishing and Fish Processing 7. Aviation Services. In November 2015 the Government followed through on this stated policy approach by appointing an Economic Development Advisory Board (EDAB) chaired by economist Dr. Terrence Farrell. The Board falls within the purview of the Office of the Prime Minister (OPM), with a stated mandate of “advising the Prime Minister on matters of economic policy and spearheading the development of strategies, plans, programmes and policies towards the implementation of an economic development framework”. Through the EDAB the country will be afforded analysis of the short and long term impacts of alternative policies and investment, and develop an approach for national innovation.

This is a strong move. Institutionally, the EDAB can influence policy direction across ministries and action across sectors with the required level of coordination.

The successful development of the identified sectors/clusters will be sustained only if it gets buy-in from the private sector. Thus, the T&T Chamber stands ready to fulfil and maintain its representative role in working towards the development of a strong and sustainable national economy. The litmus test of good policy, however, remains the evidence of support (or not) from the business community in implementing it. Moreover, coming out of the boom period, how can we enable businesses to apportion a share of excess capital away from the import-resale model, toward the production and development of value added goods and/or services for export?

From a business perspective, a proper diversification drive may well require a reconfiguration of our understanding of what is “a good business”, and of how we do business. There are several practical areas where the business community, government, the labour movement and civil society can work together to establish our collective commitment to pursuing this change. Some of the challenging questions to which we must eventually bring resolve are: how can we increase credit availability to the private sector which will attract more foreign exchange? What is the right level of public-private sector participation to create an acceptable development balance for the nation? How can we encourage more large local corporations and Small and Medium-sized Enterprises (SMEs) to more aggressively expand their export of goods and services? How can we facilitate investment in innovation? How can we better the development of the skills and talent of our citizens so they can produce innovative and competitive goods and services? Where can we lower the cost of doing business to increase overall market efficiency?

As we grapple with these concepts and more, the T&T Chamber reiterates that over the next few years it will not be ‘business as usual’. We anticipate however, that as we prepare ourselves to confront the challenges of urgent structural adjustment towards eventual economic recovery, we will work with the mind-set that country must come first always.