

Challenges for the New Administration

A world economy in crisis; falling domestic output; fiscal expenditures exceeding revenues; promises made in the heat of a political campaign; high prices and high expectations: enter a new government. The preceding helps, if only partially, to identify some of the major challenges facing the new Peoples Partnership Government of Mrs. Kamla Persad-Bissessar, which won the Trinidad and Tobago general elections of May 24, 2010.

It is only if the economy begins to grow again that the new Government will be able to provide the range of social services it has promised. So the question must be: How do we get the economy growing again on a sustainable basis? “Sustainable” means, inter-alia, that growth is broad-based and not solely government-driven for any length of time. In other words, the government of Trinidad and Tobago, like governments in other parts of the world can only provide stimulus measures for a very limited period of a few years, and at great cost, through increased expenditure usually derived from shrinking tax revenues or from borrowing. This kind of growth is not sustainable. Therefore, the private sector must again begin to invest, make profits, pay taxes, employ people and spend and together with government, work towards sustainable economic growth.

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Unfortunately, the governments of some countries try to spend their way out of a recession – but seem unable to get out. This path usually culminates in a crash of one sort or the other. The result is economic contraction and adverse social conditions such as high unemployment and poverty – conditions they might have been trying to avoid in the first place. Greece is a case in point. That country ran deficits for at least ten years, part of which went into hosting the 2004 Summer Olympics and saw its debt (reported) almost double over the same period. Its debt-to-gross-domestic-product (GDP)-ratio reached over 100 percent in 2009. Unfortunately, recent protests by themselves are unlikely to make the situation any better.

What is to be done in the case of Trinidad and Tobago? Trinidad and Tobago’s situation is not like that of Greece. The country still has a good international credit rating and a cushion of on-going activity which can give it some breathing space. When one considers the available statistics and the recent announcements of the Minister of Finance, certain action seems necessary:



1. Policy makers and citizens alike must act wisely;
2. The relevant Ministries must cost the various election promises against the available revenues and contending uses in order to determine what are the precise boundaries of expenditure;
3. Promotion of private sector growth must be a priority with clear focus on the removal of the constraints to growth, in the first instance;
4. Plans and programmes must drive efficiency and productivity across the public sector, first in areas which attract little or no additional costs;
5. The government must identify and fast-track investments that are revenue-generating;
6. The relevant Ministries must evaluate all economic sectors including those flagged by the previous administration for their growth potential;
7. The Ministry of Energy must review energy investment policy and fast-track action on the fiscal incentive regime.

This list is not exhaustive. Some of these actions must be taken in the short term and others in the medium to longer term. Prioritization is absolutely necessary as everything cannot be done at the same time, even if that is the expectation.

The pre-election period was characterized by a host of quarrelsome issues which were compounded by the global economic crisis. The end result of this might have served to cause some delay – and even postponement – of investment. Post-election periods tend to find investors more willing to take firm investment decisions. This might now be exploited in the quest for growth, especially where there is some indication that global growth is likely to resume once more.



A major pre-election issue was that of crime. Addressing crime must not be viewed only as a social imperative, as important as that is. A joint study by the United Nations Office on Drugs and Crime and the Latin America and the Caribbean Region of the World Bank in March 2007 showed that Caribbean countries could boost economic growth by reducing crime and violence. (Crime, Violence and Development: Trends, Costs and Policy Options in the Caribbean. New York: UNODC, 2007). In other words there is a potential increase in this country's GDP which is "locked up" in the high crime statistics. If the high cost of crime can be addressed then not only would there be an increase in the welfare of the population but an increase in GDP as well.

Trinidad and Tobago faces major challenges on most fronts. Fortunately there is a confluence of events that if appreciated can make a big difference to the development of this country. Among these events are a new administration, which will hopefully bring new ideas and action to the many challenges, and a gradually improving world economy. These, in the context of a still strong domestic economy, are useful ingredients in putting this country on a sustainable growth path.

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