

Republic Economic

NEWSLETTER

June 2020 | Vol.28, No.3 | ISSN 1027-5215

Seeking to Regain Lost Ground

OVERVIEW

Given the global economic disruptions caused by the COVID-19 pandemic, the domestic economy faced some challenges in the first quarter of 2020. Available information on key indicators suggests an overall subdued economic performance during the quarter. In March 2020, Standard and Poor's lowered the country's long-term foreign and local currency sovereign credit ratings from 'BBB' to 'BBB-' with a stable outlook. On the other hand, the international rating agency, Moody's, maintained Trinidad and Tobago's Ba1 rating. However, they opted to downgrade the outlook to negative in May 2020. Trinidad and Tobago also recorded lower export earnings from hydrocarbons during this period. To add to this, the forced shutdown of many businesses due to the global threat of the novel coronavirus, resulted in lower non-energy sector activity. In light of these developments, Republic Bank estimates that the domestic economy contracted by 3.4 percent (year-on-year) in the first quarter of 2020.

On a positive note, the management of the virus has been effective so far. All confirmed cases were imported and as at 26/06/2020, there was no community spread of the virus. Oxford University ranked Trinidad and Tobago number one in the world to exit the lockdown without undue risk to the economy. However, it will not be business as usual.

TRINIDAD AND TOBAGO KEY ECONOMIC INDICATORS

INDICATOR	2018	2018.4	2019.4 p/e
Real GDP (% change)	0.0	-1.2	-3.4*
Retail Prices (% change)	1.9	1.4	0.4
Unemployment Rate (%)	4.2	4.5*	5.8*
Fiscal Surplus/Deficit (\$M)	-3,944.6	-2,793.9	-5000.2
Bank Deposits (% change)	2.85	2.23	7.79
Private Sector Bank Credit (% change)	4.48	3.37	4.12
Net Foreign Reserves (US\$m)	6,929.0	7,350.5	6,625.5
Exchange Rate (TT\$/US\$)	6.7800	6.7794	6.7818
Stock Market Composite Price Index	1,468.4	1,327.8	1,317.1
Oil Price (WTI) (US\$ per barrel)	56.98	54.83	45.76
Gas Price (Henry Hub) (US\$ per mmbtu)	2.57	2.92	1.91

Source: Central Bank of Trinidad and Tobago, TTSE, EIA
 p - Provisional data
 e - Republic Bank Financial Holdings Ltd estimate
 *- Republic Bank Financial Holdings Ltd projection

ENERGY

In the first quarter of 2020, the West Texas Intermediate (WTI) oil price averaged US\$45.76 per barrel (p/b), which represented a 16.5 percent contraction from an average of US\$54.83 p/b in the same quarter of 2019. Henry Hub Natural Gas prices also weakened from US\$2.92 per million British thermal units (mmbtu) to US\$1.91 per mmbtu. During the period, domestic energy sector production was mixed. Oil output declined by 3 percent (year-on-year), to 57,412 barrels of oil per day (BOPD) from 59,160 BOPD. The 6.5 percent contraction in natural gas production, which occurred during the period, negatively impacted the downstream sector. Output for LNG and Ammonia contracted by 5.5 percent and 13.6 percent, respectively. However, urea and methanol production increased by 4.8 percent and 6.7 percent, respectively. Drilling and exploration activity slowed, as reflected by contractions of 41.5 percent and 48 percent in total rig days and depth drilled, respectively.

As the first quarter of 2020 drew to an end, growing fears related to COVID-19 were applying increasing pressure on the domestic energy sector, with global energy demand depressed. Global oil inventories continued to increase, as US shale output grew to a level that threatened to breach the country's storage capacity. Furthermore, a price war erupted between Russia and Saudi Arabia, as OPEC failed to reach a production cut agreement with prime non-OPEC producers in March 2020. These developments all played a role in the unprecedented drop in global oil prices. On April 20, 2020, US WTI oil futures for May 2020 hit an all-time low, trading in negative territory for the first time since 1946. In May, global oil prices increased but remained below pre-virus levels. The rise was due partly to production cuts from OPEC and sharp curtailments from non-OPEC countries.

NON-ENERGY

The weak performance of the energy sector caused adverse spill-over effects for the non-energy sector. Construction sector activity slowed in the first quarter of 2020, on a year-on-year basis. Local cement sales, which are typically a good proxy for the construction sector, averaged 40,650 tonnes in the first quarter of 2020, compared to 40,919 tonnes in the same quarter of 2019. Trinidad and Tobago registered its first COVID-19 case on March 12, 2020 and at that point, the government embarked on containment measures to help curb the spread of the disease. These measures caused a slowdown in activity in most sectors, including manufacturing. According to the latest available data, the capacity utilization rate for the manufacturing industry improved to 65.5 percent in the fourth quarter of 2019 from 65.3 percent in the fourth quarter of 2018. However, due to the COVID-19-related disruptions suffered by the business community, it is highly likely that this indicator fell in the first quarter of 2020. Lower demand for goods and services from our neighbouring CARICOM members, which is the primary export market for domestic manufacturing companies, would have eroded revenues for the sector during this period.

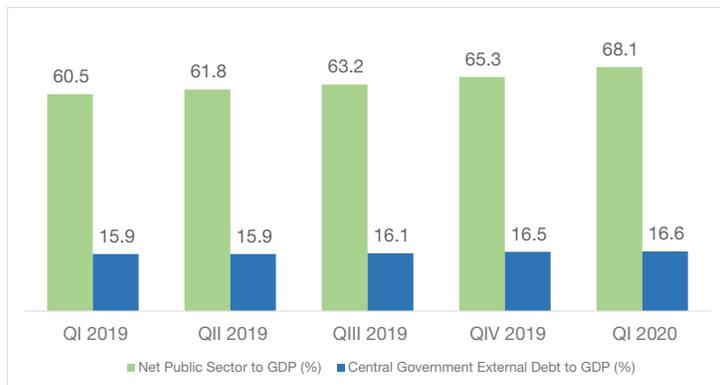
FISCAL POLICY

In the first three months of 2020, the government recorded a fiscal deficit of \$5 Billion, 79 percent higher than the deficit in the similar quarter of 2019. This increase was mainly due to a decline in revenue as well as increased expenditure. Lower export earnings from the energy sector and the weak performance of the non-energy sector led to lower government tax earnings. Also, the government's COVID-19 fiscal package (which aimed to support businesses and the vulnerable in our society) translated into higher government expenditure. In the 2020 mid-year review, the Minister of Finance requested a supplementary appropriation of \$2.686 billion to support the COVID-19-related fiscal measures. The fiscal deficit for 2019/2020 is projected to be \$14.5 billion, which is 179 percent higher than the previously budgeted figure of \$5.2 billion. The fiscal deficit is now expected to be 8.8 percent of GDP, compared to the budgeted deficit of 3.1 percent of GDP.

DEBT

A widening of the fiscal deficit will apply significant upward pressure on the nation's debt burden. By the end of September 2019, Net Public Sector Debt as a percentage of GDP stood at approximately 62 percent, but by the end of March 2020, it climbed to 68.1 percent. The Minister of Finance forecasts that debt will rise to just over 70 percent of GDP this year. Although this is a cause for concern, this escalation in debt is inevitable, considering the recent global economic crisis caused by COVID-19.

Chart 1: Debt



Source: Ministry of Energy and Energy Industries

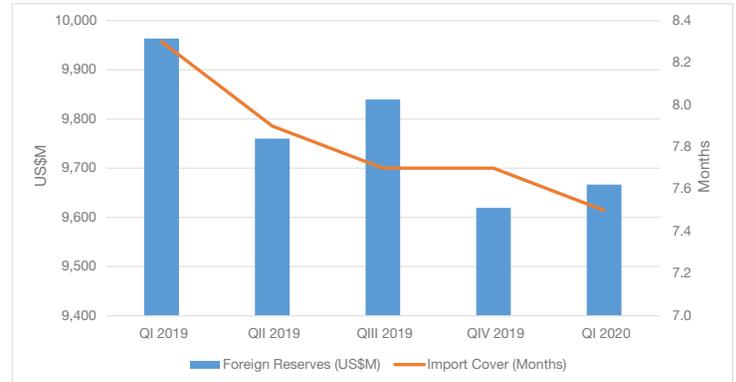
MONETARY POLICY

Currently, the Central Bank of Trinidad and Tobago (CBTT) and the government are working closely to mitigate the virus-related economic strain for citizens and businesses. The Reserve Requirement for commercial banks was reduced to 14 percent from 17 percent and the "Repo" rate was cut to 3.5 percent from 5 percent. As a consequence, commercial banks' prime lending rates fell to an average of 7.57 percent, down from 9.26 percent since January 2019. The financial system remains highly liquid at a record-breaking level of \$10 billion in excess liquidity. Headline inflation was mostly contained at 0.4 percent in the first quarter of this year, compared to 1.4 percent in the first three months of 2019. Food inflation was the major contributor, as it increased from 0.4 percent in the same period in 2019 to 0.7 percent.

RESERVES

Despite lower foreign exchange earnings, foreign reserves remained healthy at US\$9,666.9 million (7.5 months of import cover) as at March 2020. The nation's stock of foreign exchange increased to 8 months of import cover as at the end of May 2020. This improvement was mainly due to the injection of foreign exchange from international loans and the HSF.

Chart 2: Net Foreign Position



Source: CBTT

OUTLOOK

Like many countries, Trinidad and Tobago is planning to revitalize its economy to pre-COVID levels slowly. However, businesses are being forced to adapt during these trying times. Many of them had to implement various cost-cutting measures in response to lost revenue during the height of public health restrictions. The unemployment rate will almost certainly increase this year, as rehiring will occur at a slow pace. In addition, the extension of registered Venezuelan migrants period of stay until the end of this year, will increase competition in the local job market.

General elections are constitutionally due before the end of this year. With this event on the horizon, there may be an increase in construction, publishing, printing, advertising and media-related activities. However, the lingering effects of COVID-19 could limit any uptick in economic activity that occurs in the second half of the year. At this point it is difficult to envisage any scenario where citizens return to their usual way of life, even if all restrictions are lifted. Sanitizing, social distancing, remote work, the testing of inbound passengers and mask-wearing are now the new normal for many citizens. Given the uncertainty of this pandemic, we anticipate that the economy will see a minor improvement in the second half of 2020, but it will come at a languid pace, with both the energy and non-energy sectors facing lingering COVID-19 risks.

The country experienced a few days of social unrest, which began on June 30th in response to three men being shot and killed by police in the Morvant area. These protests disrupted activity primarily in Port of Spain and environs and involved some violent confrontations. While the authorities were able to quell the situation, a feeling of injustice still lingers among certain segments of society. This and the inspiration provided by the worldwide "Black Lives Matter" movement can lead to further protests, which may hurt the economic activity.

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Region thrown off balance by 2020 developments

S.o W.O.T.?

As the name suggests, a Black Swan is the occurrence of an event so unlikely, that it resides way outside the bounds of regular expectations. Other characteristics are that it has a major impact, and with rationalisation and reflection, eventually comes to be seen as a completely plausible development by some. If a Black Swan by its very definition is a rare occurrence, what is to be made of the flock of Black Swans this year? The first six months of 2020 have thrown up the worst pandemic in a century, that triggered perhaps the largest economic shut-down ever seen, negative oil prices, a

global uprising against racism and a surreal political tragedy in a fellow CARICOM state that seemingly has no end.

Any economic assessment at this time is likely to be as accurate as hurricane damage assessment carried out while the hurricane is still in progress. Nonetheless, the initial estimates and projections in Box 1 below paint a grim picture. Beyond accurately gauging their current economic status, forecasting and charting the way forward present perhaps even greater challenges for Caribbean states, as their well-being is linked to that of the global economy in general and major trading partners and source markets in particular, including the United States and the United Kingdom. When it comes to dealing with the COVID-19 pandemic, it is clear that no one or no country has 'the guidelines' or 'the roadmap'. However, the last six months have also shown the benefits of prudence, planning and discipline. Caribbean countries seeking to chart the way forward would do well to appreciate that even in unprecedented times, fundamental strategies and processes can still be of value. **S.o W.O.T.** is to be done.

Box 1: 2020 Developments and Forecasts

<p>Anguilla Projected declines in economic growth and increases in unemployment will contribute to decreases of as much as EC\$66 million in public revenue as well as a projected increase in poverty of 5 percent.</p>	<p>Guyana Central Bank Governor indicated that projected economic growth was lowered from 87 percent to 57 percent. The IMF, in an April 2020 report, projected economic growth of 52.8 percent</p>
<p>Antigua Barbuda 20,000 jobs lost, representing half of the national workforce. An additional 6,000 government workers could also be laid off.</p>	<p>Jamaica 153,000 out of 170,000 tourism workers (90 percent) were unemployed when the country's borders were closed. On 16/4/2020 S&P revised the country's credit rating outlook from stable to negative. Rating remained at B.</p>
<p>Barbados Early projections suggest the country's economy could decline by at least 8 percent. On 16/4/2020 S&P affirmed ratings at 'B-/B'; outlook stable.</p>	<p>St. Vincent Economy is projected to contract by between 5.5 percent and 7.8 percent below pre-COVID-19 projections.</p>
<p>British Virgin Islands The impact on the tourism industry has resulted in mass layoffs that are having knock-on effects on other sectors. A full recovery of the tourism sector is highly unlikely before the 2021 tourist season.</p>	<p>Sint Maarten The economy is projected to contract by 17 percent in the case of a 1-month total lockdown and by 21 percent if the lockdown extends to 3 months.</p>
<p>Cayman Islands GDP grew by 3.1 percent in 2019. An economic contraction of between 11.4 and 12.2 percent is projected for 2020. Hotels and restaurant sector to contract between 75 and 82.5 percent.</p>	<p>Suriname On 1/4/2020 S&P lowered the country's credit ratings from B to 'CCC+'; outlook negative. 5.6 percent economic contraction expected.</p>
<p>Grenada GDP expected to contract by 8 percent.</p>	<p>Trinidad & Tobago On 26/3/2020 S&P Foreign and local currency long- and short-term ratings lowered to 'BBB-/Stable/A-3' from 'BBB/Stable/A-2'. Economy projected by government to contract by 2.4 percent.</p>

Apart from the Dominican Republic, the region's performance in dealing with the COVID-19 pandemic thus far has generally been quite good. As can be seen in Table 1, the total number of cases and total number of deaths have been much lower than those of most countries. While the case can be made that the

low numbers are influenced by the miniscule populations of many Caribbean countries, these countries also performed well in the more meaningful per capita metrics. With the exception of Cayman Islands, Dominican Republic and Sint Maarten, all other regional countries registered much lower numbers of

cases per 1 million population than the comparator countries from outside the region. These countries were selected based their size and level of development. Norway (pop. 5,421,241) was included as the top ranked country in human development in the 2019 edition of the Human Development Report. The sixth-ranked Iceland (pop. 341,243) was included because of the comparable size of its population. Comoros (pop. 869,601) and Djibouti (pop. 988,000) were included as small countries with low human development rankings.

Led by six members of the Organisation of Eastern Caribbean States with zero deaths, most Caribbean countries performed better than the comparator countries in terms of deaths per 1 million population, with Sint Maarten and the Dominican Republic being notable exceptions. The Cayman Islands led the way in testing, with the rest of the region way behind Iceland, Norway and Djibouti in total tests per 1 million population.

have less challenges securing their borders than land-locked states. A maritime border presents fewer access points for illegal migration, human trafficking and the smuggling of contraband. This is a definite advantage when trying to control the spread of disease as the authorities have greater knowledge and control over who is coming into the country. Strong border control, however, can only exist in tandem with a committed and well-resourced coast guard division.

Absence of hubris: Fully cognisant of their classification as ‘Third World’ / developing states, most Caribbean countries approached the pandemic with the respect it deserved. They followed the best-practice guidelines laid out by the experts, learned from the mistakes of others and were disciplined in their adherence to the course of action chosen.

Table 1: COVID-19 statistics as at 30/06/2020

	First confirmed case	Total cases	Total # of deaths	Total cases per 1 M pop.	Total deaths per 1 M pop.	Total tests per 1 M pop.
Norway	February 26th	8,879	250	1,638	46	61,712
Iceland	February 28th	1,842	10	5,398	29	218,097
Anguilla	March 26th	3	-	200	-	18,130
Antigua Barbuda	March 13th	69	3	705	31	6,944
Barbados	March 17th	97	7	338	24	27,215
British Virgin Isl.	March 25th	8	1	265	33	7,013
Cayman Islands	March 12th	200	1	3,043	15	361,382
Cuba	March 11th	2,341	86	207	8	15,079
Dominica	March 22nd	18	-	250	-	8,654
Dominican Rep.	March 1st	32,568	747	3,002	69	13,913
Grenada	March 22nd	23	-	204	-	48,568
Guyana	March 11th	245	12	311	15	3,278
Haiti	March 19th	5,933	105	520	9	1,042
Jamaica	March 10th	698	10	236	3	8,164
St. Kitts Nevis	March 24th	15	-	282	-	8,534
St. Lucia	March 13th	19	-	103	-	9,078
St. Vincent	March 11th	29	-	261	-	7,608
Sint Maarten	March 17th	77	15	1,796	350	11,662
Suriname	March 13th	515	13	878	22	2,121
T&T	March 12th	130	8	93	6	3,616
Comoros	April 30th	303	7	348	8	N/A
Djibouti	March 18th	4,682	54	4,739	55	47,068

Source: Worldometer

For decades, SWOT analyses have functioned as a vital process that provides illumination and serves as the foundation for any planning and strategising initiative. Developments thus far this year, have made it even more critical for individuals, businesses and countries alike to appraise their Strengths, pinpoint their Weaknesses, discern Opportunities and identify Threats.

Strengths

Greater control over borders: Though higher import and export costs are often a reality, islands by their very nature

Infrastructure and resources: It is disingenuous for detractors to surmise that the success of the region thus far in dealing with the COVID-19 pandemic is due to its small population. The only real advantage of a small population is if it allows for lower density levels (more spacing out) of people. The real strength of Caribbean states is the level of infrastructure and resources they possess compared to their population size. This can be seen in the Quality of Human Development Table of the 2019 Human Development Report, part of which is presented below (Table 2). In the Quality of Health section, not surprisingly, Cuba far surpasses all others

in the number of physicians per 10,000 people metric. While regional states are some way behind Norway and Iceland, they are significantly better than sister Caribbean state Haiti as well as Comoros and Djibouti which are all in the low human development category. Similarly, Barbados followed by Cuba have the highest number of beds per 10,000 people, with several regional states right up there with Norway and Iceland. The trend continues in the Quality of Standard of Living section. In metrics on the percentage of the population with access to electricity, basic drinking water and basic sanitation, regional countries are just behind Norway and Iceland but significantly

political environment allows for greater policy continuity and the continued functioning of state agencies and institutions. Political gridlock or instability, stalls local and foreign investment, slows economic growth and can scuttle social programmes and generally set the country back. This year is particularly important, with at least nine countries expected to go to the polls. Of the four elections that have taken place thus far, three (Sint Maarten, Suriname and St. Kitts Nevis) proceeded without any notable incidents while the Guyana election is yet to be settled.

Table 2: Quality of Human Development

HDI rank	Country	Quality of Health		Quality of Standard of Living		
		Physicians	Beds	Rural population with access to electricity	Population using at least basic drinking water sources	Population using at least basic sanitation facilities
		per 10,000 people		2017	2017	2017
1	Norway	46.3	39	100%	100%	98%
6	Iceland	39.7	32	100%	100%	99%
74	Antigua Barbuda	27.6	38	100%	97%	88%
56	Barbados	24.9	58	100%	98%	97%
72	Cuba	81.9	52	100%	95%	93%
98	Dominica	10.8	38	100%	97%	78%
78	Grenada	14.5	37	96%	96%	91%
123	Guyana	8	16	89%	96%	86%
169	Haiti	2.3	7	3%	65%	35%
96	Jamaica	13.2	17	99%	91%	87%
73	St. Kitts Nevis	25.2	23	100%	99%	92%
89	St. Lucia	1.1	13	99%	98%	88%
94	St. Vincent	6.6	26	100%	95%	87%
98	Suriname	12.3	31	91%	95%	84%
63	T&T	26.7	30	100%	98%	93%
156	Comoros	1.7	22	74%	80%	36%
171	Djibouti	2.2	14	26%	76%	64%

Source: 2019 Human Development Report - UNDP

better than the low human development countries. It should be noted that Norway, Iceland and Barbados are categorised as very high human development countries. All other regional states are designated high human development countries except Guyana (medium human development) and Haiti.

The inconvenient truth is that Caribbean countries are generally better resourced on a per capita basis than many other developing countries. It is inconvenient, because much to the chagrin of some leaders, this fact excludes most countries in the region from some forms of assistance and aid which the international bodies quite logically reserve for poorer countries.

Functioning institutions and strong democratic traditions:

The region has a history of largely free and fair elections with smooth transfers of power when necessary. This not only allows for the continuation of social stability but has economic and developmental benefits as well. A stable

Weaknesses

Limited economic diversity: Whether it is gold, energy commodities or tourism, it has long been known that most regional states rely heavily on one sector to drive economic growth and generate foreign exchange. This weakness was brought into even sharper focus by the conditions triggered by the pandemic. The concentration index in Table 3 is a measure of the degree of product concentration in exports from a country. A value closer to 0 indicates more variety in a country’s exports (greater diversity) whereas a value closer to 1 indicates that a country’s exports are highly concentrated among a few products (less diversity). Because the index deals only with the export of goods it does not accurately gauge the level of diversity in tourism-dependent countries, however, the data is still instructive.

High levels of unskilled workers: There is a gap between leading countries and Caribbean nations (the few with the data) in terms of the percentage of skilled labour, with some

states doing better than others. The plethora of countries for which the data was not available is instructive as well. It suggests that for many countries, this characteristic is not important enough to be measured and tracked.

Little or no innovation: While it is no secret that lack of innovation is one of the region's most glaring weaknesses, the data below shows the extent of the problem. Iceland's research and development (R&D) expenditure equivalent to 2.1 percent of its GDP is seven times that of Cuba and 21 times that of Trinidad and Tobago, the only regional countries with available data. Again, the absence of data for so many countries suggests that innovation initiatives are either too small to be measured or are simply not a priority.

High debt levels: While the Caribbean was once one of the world's most heavily indebted regions, debt levels have been declining in recent years. Nonetheless, the debt-to-GDP ratio for many states remain at or above the cautionary threshold of 65 percent. This reduces the ability of governments to provide support, take corrective action or pursue new growth initiatives.

Relatively small domestic markets: The small markets in most states, mean that local producers do not benefit from economies of scale; the lower per-unit cost of production that results from having a high production capacity.

Relatively little determination to break into external markets: While some manufacturers export their products

within the Caribbean, very few have been willing and able to overcome the intangible and tangible challenges, including increasing productive capacity, product quality and cost efficiency, to allow them to break into extra-regional markets. Consequently, trade agreements negotiated over the years have resulted in largely one-way traffic, with regional manufacturers not putting themselves in position to capitalise on trade concessions unlike their foreign counterparts.

Absence of hubris: Hubris is clearly a double-edged sword. While there has been a covert but longstanding tussle between the larger Caribbean countries for regional supremacy, extra-regionally, things are different. Caribbean countries too-willingly embrace their 'status' as small, poor, powerless, young, developing states. Doing so makes a more compelling case for assistance and provides cover for us regularly falling short of our goals and aspirations, but there are consequences. This mindset weakens our hand in international negotiations, condemns us to be perpetual followers instead of leaders and hampers us from achieving our true potential.

Relatively passive regional institutions: Patience, tolerance and understanding are laudable traits in both individuals and institutions. However, the generally passive culture that can be found in some regional institutions has not served us well. Established and agreed-to deadlines are often missed and then routinely extended, leading to a glacial pace of regional progress and development. This lack of assertion makes it more difficult for the body to achieve unity and consensus

Table 3: Economic Sustainability

HDI rank	Country	Skilled labour force	Concentration index (exports)	R & D expenditure
		% of labour force	value	% of GDP
		2010 - 2018	2017	2010 - 2017
1	Norway	84.3	0.368	2
6	Iceland	74.5	0.461	2.1
74	Antigua Barbuda	N A	0.416	N A
56	Barbados	N A	0.16	N A
72	Cuba	69.4	0.235	0.3
98	Dominica	N A	0.409	N A
78	Grenada	N A	0.208	N A
123	Guyana	42	0.452	N A
169	Haiti	9.4	0.508	N A
96	Jamaica	N A	0.498	N A
73	St. Kitts Nevis	N A	0.283	N A
89	St. Lucia	N A	0.268	N A
94	St. Vincent	N A	0.524	N A
98	Suriname	45	0.668	N A
63	T&T	71.9	0.348	0.1
156	Comoros	N A	0.56	N A
171	Djibouti	N A	0.222	N A

Source: 2019 Human Development Report - UNDP

on issues and weakens its position when dealing with large countries or other trading blocs. In some instances, it also results in problems persisting for longer than they should. A more assertive position by CARICOM, may have brought about an earlier end to the political stasis in Guyana, that has existed since the incumbent government lost a no confidence motion in December 2018, over 18 months ago.

Opportunities

Known plans and initiatives: Every country has important and needed initiatives that could not have been implemented, as scarce resources needed to be directed to sectors that were up and running. With the pandemic bringing most things to a halt, officials can consider launching some of these initiatives while also restarting the traditional sectors. For instance, in a country with an established manufacturing sector, with the regulatory structure, financial systems and physical infrastructure in place, recovery of the sector is highly likely, with the extent and speed of the recovery most likely dependent on the level of state support provided. Channelling state resources towards launching a new industry may result in a longer recovery period for the manufacturing sector, however over the longer term the country would have two established sectors.

Capitalise on new opportunities: The pandemic triggered a greater push to provide online services and forced more people to work from home. Individuals, companies and countries should seek to capitalise on these and other new opportunities that now exist.

Build on what was learned and what worked: The health sector of regional states performed well in dealing with the challenges presented by the pandemic. Governments can learn from the strategies that worked and build on the new platform of performance established over the last six months to improve treatment of varying ailments.

Capitalise on initial forced starts: The lockdown measures forced many people to change some of their habits, good and bad. This is a great opportunity for people as well as state agencies to piggyback on the forced positive changes and keep them going. One example of this is combatting lifestyle diseases by pushing for positive eating habits to be maintained.

Proactive approach to tackling inequality: The killing of George Floyd in the US brought global outrage and focus on racism, that has evolved into much more. While the initial triggers of racist policing and systemic racism do not apply as much to this region, parallels can easily be drawn in terms of classism. State agencies, companies, groups and individuals, would do well to reflect on their policies, interactions and any inherent biases they may possess, to ensure that people are treated fairly, regardless of their race, gender, class or socio-economic status.

Proactive approach by regional institutions: The global pandemic has inadvertently resulted in a temporary lull in geo-political contention. That is quickly coming to an end. Regional bodies such as CARICOM should (1) Co-ordinate protocols and measures for the re-opening of international borders and adopt a unified approach to preventing a resurgence of COVID-19 cases. (2) Seek to forge consensus on pressing geo-political matters, so the region can take a united, principled position on issues when they arise.

Threats

Indiscipline and complacency: The successes achieved in battling the Coronavirus and any other positives gained as a result of lockdown measures could be easily eroded through complacency, indiscipline and lack of commitment. Further, lack of determination and commitment can prevent important programmes and policy initiatives from even getting off the ground.

Giving in to immediate pressures: Understandably, there is incredible pressure on leaders and officials to deal with immediate and short-term needs and get things back to where they were as quickly as possible. However, as indicated earlier, doing so could jeopardise the chance for the country to be better than it was.

Lack of unity: Lack of unity, cooperation and coordination between countries on regional and international matters or protracted political contention and social unrest within countries, will make recovery and growth beyond the challenges of 2020, that much more difficult to achieve.

Hurricanes: This can never be left out. According to the National Oceanic and Atmospheric Administration (NOAA) there is a 60 percent chance that the Atlantic hurricane season, which started on June 1st, will be above normal, a 30 percent chance that it will be normal and a 10 percent chance that it will be below normal. NOAA is forecasting a likely range of 13 to 19 named storms, of which 6 to 10 could become hurricanes, including 3 to 6 major hurricanes.

Caribbean countries are acutely aware of the devastating force of hurricanes and have decades of experience rebuilding after the destruction they have wrought. In these instances, often, the cry is to 'build back better', which is wise, as rebuilding your house stronger than it was, would make it better able to withstand future turbulence. Now this is easier said than done, because in most cases, rebuilding the house as it was, already requires significant resources, effort and sacrifice and 'building back better' would require even more resources, effort and sacrifice as well as more time. Still, in light of the destruction visited upon Caribbean economies this year, if we are desirous of a better future, do we really have any choice but to build back better?

Walking the Agriculture Talk



With low energy sector revenue since 2015, declining foreign currency reserves, deteriorating fiscal accounts and a weak growth outlook, the Trinidad and Tobago economy could hardly face a more urgent need for diversification. Sadly, the devastating economic impact of the COVID-19 pandemic has drawn that need into even sharper focus. Like the rest of the world, Trinidad and Tobago is trying to craft a post-COVID economic recovery strategy. Accordingly, in April 2020, government convened a 23-person committee to formulate a multi-sectoral approach, which is now documented in what the authorities have labelled, the “Economic Road Map”. It is widely hoped that this plan would not only spur economic growth in the wake of the virus, but also breathe new life into the country’s diversification initiatives. Consistent with the need to broaden the country’s economic base, the committee focused on eight sectors to drive the economic revitalisation. Agriculture was included in the list, which also includes construction, energy, manufacturing, services, wholesale, retail and distribution, banking and insurance, small business and credit unions.

The inclusion of the agriculture sector is by no means a surprise. After all, this is a country burdened by a \$6 billion food import bill; a country in which 80 percent of what the average citizen consumes is imported. In this regard, the expansion of the sector could play a critical role in the country’s economic transformation, as it could enhance food security and conserve valuable foreign exchange resources, which are now much harder to generate. While there is no possibility of the country becoming totally self-sufficient, there is significant scope to increase the sector’s contribution to GDP and total employment. Between 2014 and 2018, agriculture accounted for 1 percent of GDP and provided jobs for 3.5 percent of the nation’s labour force. Over the years, many initiatives have been proposed or introduced to propel domestic agriculture to higher heights, but, to little avail. From plans to lease over 40,000 hectares of land in Guyana

for agricultural purposes, to several subsidies and other fiscal measures, all the strategies to gain meaningful momentum in agriculture have fallen short for various reasons, including fundamental deficiencies. This note focuses on some of the essential elements that are necessary for the transformation of the sector.

No industry can be expected to prosper in the absence of adequate and appropriate infrastructure. For the agriculture sector, this extends well beyond the provision of fishing ports and sufficient land space for planting and rearing livestock. It also includes the delivery of all the related amenities in a manner that is supportive of the development of a contemporary agriculture sector. It is widely known that the sector is dependent on properly maintained access roads, safe and reliable electricity and water supplies, as well as proper-functioning support institutions. However, technology is now playing an increasingly significant role in the sector. In addition to the greater use of high tech machinery, globally, the sector is growing more dependent on broadband internet access to facilitate the use of tools such as guidance systems and soil mapping. Admittedly, the infrastructural failings in the domestic agricultural sector are comparatively, still very basic. Chief among them, is the fact that there is not enough acreage under production. This is reflective of the misuse of agricultural land, the inability of some farmers to acquire plots of their own and the reluctance of the average citizen to work and invest in the sector. Because of these and other issues, state-led initiatives such as mega farms have failed to improve the prospects of the industry, while several parcels of land distributed by the state for agricultural purposes are used for building houses and other structures, or just remain fallow. In a Trinidad Express Newspaper article on April 8, 2016, the Minister of Agriculture, Clarence Rambharat indicated that very little agriculture was taking place on the 1,400 two-acre plots distributed by government to former workers of Caroni (1975) Ltd. He expressed the view that many of the recipients

were selling the leases, rather than going into agriculture. This underscores the need for stronger mechanisms to regulate the distribution of agricultural plots, particularly the requirement to ensure that farming spaces are given to bona fide farmers and that such land is put to no other purpose. Other examples of infrastructural issues include inadequate facilities at some fishing ports, the low water supply during the dry season and government bureaucracy, which can cause significant delays in finalising land tenure, among other things. These and other infrastructural challenges must be addressed to generate meaningful and sustainable growth in the agriculture sector.

The quality of infrastructure plays a major role in determining the level of safety and security in the sector. For instance, an inadequate water supply may cause farmers to use water from ravines, which may be contaminated. Even if there are laws in place to protect consumers and the environment, insufficient legislative power and inadequate monitoring by regulatory institutions, could result in situations where there are serious threats to key stakeholders' safety. For this reason, it is important to ensure that organisations like the Environmental Management Authority (EMA) and the Consumer Affairs Division are properly resourced and imbued with the requisite authority to safeguard the interests of the sector and the wider society. In terms of security, the farming community has been blighted by praedial larceny for years. At the same time, there are regular reports of fishermen experiencing disturbing acts of piracy while at sea. Such crimes do not only drive up the costs of doing business, but also deter new entrants to the sector and reduce the motivation of individuals to remain active in agriculture. To a large extent, this is reflective of the overall high crime levels in the country but is also related to resource constraints in certain areas, such as border security. When it comes to food production, safety and security are critical matters that must be prioritised.

Enhancing safety and security in agriculture could help generate a greater level of interest in the sector among investors and young adults. However, there are several other factors to consider. The windfall gains generated by Trinidad and Tobago's energy sector in the 1970s and 1980s made it very attractive to individuals seeking jobs, facilitated the development of other sectors such as banking and gave government the wherewithal to employ a large portion of the country's labour force. This resulted in the creation of many white-collar jobs, which offered more attractive working conditions than the average agriculture job. As a result, farmers found it increasingly difficult to recruit and retain workers. Over time, this resulted in a substantial fall in the sector's contribution to GDP and employment. Agriculture's contribution to GDP fell from 4 percent in 1984 to 1 percent in 2018, while its share of total jobs decreased from 12.4 percent to 3.5 percent. It should be noted however, that the closure of Caroni (1975) Ltd, in response to persistent financial challenges and the loss of preferential access to the European market, also contributed to the declines. Domestic farmers also began facing international competition for the labourers who chose to remain in the sector, with large-scale farms in Canada offering seasonal work to locals, with comparatively attractive compensation packages. Even the state-funded Unemployment Relief Programme (URP)

and the Community-Based Environmental Protection and Enhancement Programme (CEPEP) have drawn workers away from the sector. Any plan to revitalise the sector must include creative strategies to increase its appeal to investors and workers alike. Notwithstanding the many advances of the sector, to many young adults, agriculture is an overwhelmingly blue collar, low paying and high-risk vocation, which is unlikely to grant them a fulfilling career. To ensure that agriculture has an adequate supply of labour and investment over the long-term, it is vital to change how the sector is viewed in some quarters. This is by no means an easy task. It may require some adjustments to the school curriculum, along with substantial public education initiatives and major shifts in public policy.

To get the most out of agriculture, it is necessary to build and enhance linkages with other sectors in the economy, including agro-processing, tourism, and food and beverage. This will help to increase agriculture's value-added and at the same time, reduce the country's reliance on imports. For example, several hotels and restaurant franchises currently import a lot of the ingredients for their menu options, some of which can be produced locally. Displacing such imports should be a major objective of the drive to expand the sector. In terms of the sector's linkage with agro-processing, vertical integration could provide an avenue to significantly boost both sectors.

A common complaint from farmers and to a lesser extent, fishermen, is that they find it difficult to compete with cheaper imports from international producers that possess scale well beyond the capacity of the domestic industry. Compounding the problem, is the fact that strong energy revenues in years gone by, caused domestic consumers to acquire a taste for imported goods. Against this backdrop, some stakeholders have asked for the state to implement policies to nurture the domestic industry and protect the local market from dumping. Such policy actions are certainly not new. Even in developed countries, governments take actions to protect the farming sector. However, given the challenges facing Trinidad and Tobago, a strategic and targeted approach would be best. For instance, crops that are likely to result in the greatest foreign exchange savings, can be singled out for support. A recent example of a targeted approach is the decision by the government of the Bahamas to place import bans on bell peppers and tomatoes in 2018, to allow domestic supply to meet local demand. However, when such policies are implemented, there must be measures in place to ensure that they do not encourage inefficiency.

The country certainly has the potential to develop a viable agriculture sector, which could appreciably enhance its food security and save foreign exchange. In addition to arable land and reasonable water resources (notwithstanding management issues), the sector has access to cheap energy and agro-processing plants. Further, when one considers that some fertilisers are produced locally, one can understand the abundant talk about the sector's continued under-performance. However, to truly walk the agriculture talk, the basic issues plaguing the sector must be addressed as a matter of urgency.