

The best of both worlds

INTERVIEW WITH SENATOR HON MARIANO BROWNE

MINISTER OF TRADE AND INDUSTRY, TRINIDAD AND TOBAGO



MARIANO BROWNE graduated in economics from the University of the West Indies (UWI), St Augustine Campus. He is also a Fellow of the Association of Chartered Certified Accountants (UK) and holds an MBA in finance from the Manchester Business School. He began his career as a banker and between 1993 and 2007 held several senior posts in the financial sector, both in Trinidad and Tobago and Barbados. Senator Browne was appointed Minister of Trade and Industry on 11th March 2009.

How significant is the trade and investment element of the forthcoming CHOGM, in your view?

It's very significant and the fact is we are promoting the event primarily as an opportunity to do business. The real benefit for us is in the follow-up to the Fifth Summit of the Americas as we have, in a sense, a foot in the Commonwealth and a foot in Latin America. Essentially, what we are saying is: how can we best marry the two? I see us as an honest broker or gateway between the two and I think it gives us a unique selling point and a means of waving our flag internationally. As a small country, it's important for us to be seen and to be heard because you have to first attract attention and generate awareness before you can attract investment.

What do you see as the main complementarities between the Commonwealth and Latin America, and how can Trinidad marry the two?

To answer your second question first: you've got to be close; we are an ideal port of entry in the sense that we're only seven miles away from the closest point in Latin America.

Secondly, there are a number of areas in which we and other Commonwealth countries will have a degree of synergy between each other. Although we may be at different stages of development, most of us have a basic regard for British law and jurisprudence and the essence of contract law, so there's a commonality there.

Thirdly, with regard to Latin America, we share a common history, if not a common language – and we're working to improve our use of Spanish as well. You could say we are Latinos who speak English, and that stands us out from the rest of the Caribbean.

What can business people expect from the meeting?

The first thing is opportunity, in the sense of what is possible here, and also a way to look at us in a different light. Before one invests one has to have an idea, and if you've never looked at us there is no possibility to have that idea in the first place. So the first step is to look for the opportunity, to generate a dialogue and for us to talk in a way that we've never done before. It will be the first time since the Summit of the Americas that we have brought so many people together in the same place, to talk about the same thing. We need to treat it as a follow-up to the G20 meeting and a stepping-stone to the subsequent World Trade Meeting. We hope that

if we can come away with some sort of agreement it will send a valuable message to the rest of the world at a time when the global economy desperately needs it.

Second is the issue of climate change. The Copenhagen Conference comes a week after CHOGM, so it will be an important meeting from which to signal an approach. There are about 187 members of the IMF and between CHOGM and the Summit of the Americas we will have had about half of them here, talking about climate change and sustainability, and with Trinidad and Tobago being part of the technical discussions that presents a second opportunity.

And third, the IMF suggests that although we have been in the grip of an economic slowdown there are signs that the economy has started to turn around. But during this global crisis there have been substantial deficits run by many developed countries and some developing countries too. Then you have the migration of decision-making authority from the G8 to the G20 that has taken place, recognising the need for financial reform. These are important elements of an agenda that needs to be set and that will have some formative element. So, that's a business element in itself and one requiring a foreign policy agenda of its own.

We could also talk about the IT industry. Although we do business with some Commonwealth countries, we would like to enter into partnerships with others, Singapore, for example, a world leader in its own right, or India, which is very big in ICT. You do not find business leaders of that type in Latin America.

How badly has Trinidad been affected by the downturn compared to its regional neighbours?

I think we're better off than our regional neighbours. An IMF report done in November 2008 suggested that we were one of the better-placed countries to withstand the downturn. On the basis of published data on this half year's figures, we sit somewhere between minus one per cent and minus two per cent. Also, our current rate of unemployment is around six per cent, way below the historical unemployment rates.

How concerned are you about the country's revenue position, given the delinkaging of oil and gas prices and the decline in oil production?

Well, in our case you can say that the country has undergone a substantial shift in the composition of

its revenue: 80 per cent of our revenue comes from gas; through the monetisation of liquefied natural gas (LNG) in the first instance, and secondly through the alternative export of hydrocarbons in the form of urea, ammonia and methanol. I believe approximately 61 per cent of our gas goes towards LNG and approximately 27 per cent goes towards the production of ammonia, urea and methanol. The fall in commodity prices will have hurt us, but to counter that there's been a rising trend in [US bellwether] Henry Hub prices – the number we used in the budget was around US\$2.50 or US\$2.75 and the current number has been creeping up – I think we had US\$4 and change this week (September). So, we are not concerned. Our revenue figures for the past four years show little change, although 2008, when it went up to US\$56 billion, was a blip. The projected revenue of US\$36-39 billion follows our trend line. All we have to do is be judicious in terms of our expenditure profile.

So, you're still earning more than you spend?

Not this year, no, we will have a deficit of approximately six per cent at current GDP rates and next year we project a deficit of approximately five per cent. And those figures assume that the revenue numbers will hold sway, i.e., that we stay on a trend of somewhere between US\$36 and US\$39 billion which are figures that we are projecting for the next two years. So it is likely we'll have shortfalls. But those can be comfortably compensated for because we have run budget surpluses for each of the past eight years.

People here do seem to be worried about the prospect of a devaluation though, don't they?

Well, that's historical. There have been concerns about high inflation, a problem that most developing countries would have faced. But because we are not self-sufficient, we have a high food import bill. The rapid escalation in prices of corn, wheat and soya affected us fairly dramatically and because food is at the base of everything, it meant that the increase worked its way through our system very quickly. Inflation increased dramatically between January 2008 and mid-June, 2009; prices of almost everything spiked in that period and our inflation rate jumped as a result of it. But, the overall rate of inflation that has been forecast is going to be less than two per cent, which leads us to the conclusion that our rate of inflation is imported inflation.

How successful has the government been in its efforts to diversify the country's economy?

Diversification is a multi-sectoral, multi-skill process. Exporting hydrocarbons proved to be the basis of a very strong economy for us. In the early days, the

export of crude oil was the major source but in 1974 a huge change took place: we built our first gas pipeline and began supplying natural gas, or stranded gas to T&TEC (the Trinidad and Tobago Electricity Commission). Five years later came the development of the Point Lisas Industrial Estate, now a mature estate.

Then in 2000, Atlantic LNG came into being. This company underlines the substantial growth of the economy, having grown by a factor of three, that's 300 per cent, over an eight-year period.

So we've made a substantial effort in terms of diversification, if only away from oil into natural gas, but the argument will be, of course, that it's still a concentration. We do have plans in position to diversify downstream and the first plant in that regard will come on stream in the summer of 2010, namely Caribbean Methanol; other plants are producing methaldehyde and they are moving downstream of methanol into other value-added products. Those other products still only account for approximately 24 per cent of our total output, so we still have a lot to do.

The manufacturing sector has grown as large as it can at the moment on the basis of CARICOM, and that in a sense explains our outreach programme in terms of CHOGM and the Summit of Americas. We have negotiated free trade agreements (FTAs) with Costa Rica, Cuba, Venezuela, Colombia and the Dominican Republic, as well as an Economic Partnership Agreement (EPA) with the EU. We also have a memorandum of understanding with Brazil and have started negotiations with Canada. For a small country, it's a pretty exhaustive round of negotiations in a very short space of time.

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Trinidad and Tobago's Minister of Trade and Industry, Senator Mariano Browne, in conversation with Alastair Harris, Editor of FIRST



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I think we've done a lot in the 35 years since the signing of the Chaguaramas Declaration [establishing the Caribbean Community and Common Market] although there is still a lot more to be done.

India has made the transition to services, so the services industry is very much a part of its economy. We understand that we also must improve our service output but we do not have their resources. India is still expanding its manufacturing base as well and they can expand on that basis because they have enough people to do it. A one per cent change in GDP makes a huge difference, given the level of poverty in the country; and it has, as does China, the capacity for creating domestic-driven demand. With only 1.3 million people we can't do that, we have to depend on exports or services – something the rest of the population doesn't always understand.

Speaking of India, you attended the recent WTO meeting in Delhi; how satisfied were you with the outcomes of that meeting?

Very satisfied. We've moved from a situation where the contending parties: Brazil, the European Union, the US and China, appear to have reached a consensus on agriculture and are committed to delivering the right food to the rest of the world.

And what message were you sending to the other ministers in attendance?

The fact that we understood the changes that were required; that we represent a region which is in a sense a special and different case; that there needs to be a place for this region in the world; that we are committed to the process of free trade; and, that we are small island states which need to be cut a little slack.

How do you see the prospects for the Doha Development Round being resuscitated?

I think there's a substantial appetite for it. There is recognition that given the successes in terms of free trade that have taken place over the past 25 years it must happen. Adjustments will have to be made as there is no 'one size fits all' solution for developing and developed countries. You just have to find a way to ensure that everybody gets a fair share of the pie.

You mentioned the EPA earlier; what progress has been made on this a year after it was signed?

We are nowhere near starting with the EPA, we haven't bitten that bullet at all, in fact, in the public domain there's been a fair amount of negativity towards it. People really haven't worked it through and still see themselves like David and Goliath, but they don't see themselves as being as successful as David, that's the problem, they see themselves as likely to be crushed

by Goliath. We need to look at the situation and determine how best to use the opportunities that we have. We've grown up with guaranteed markets and protected markets; this will represent another stage in our liberalisation process.

This is where the real effort comes in, we now have to 'slay the giant' of our own low self-esteem, if you will. Look at India: it sees itself as a resurgent country; China sees itself as a resurgent country, both see themselves as being able to fight on the international stage. A good example is ArcelorMittal, which in a very short space of time has transformed itself from a Third World producer of steel into a First World producer.

Similarly, Tata, a major business group in India is launching a micro car for the Indian market in response to internal demand – it is unlikely that anyone will buy it in the US or elsewhere. India sees itself completely differently from other countries and psychologically, we haven't passed that test yet, which is part of our problem. We don't have the necessary confidence; I don't think we understand how good we are, or how strong we are in what we do.

The Ariane aerospace programme in French Guiana, for example, was launched on the back of Trinidad labour. It's the same with the construction of the Panama Canal, but we don't celebrate the Panama Canal as part of our success story, we see it simply as exported labour.

What is the current status of the International Finance Centre (TIIFC) project?

Clearly it will not be up and running as quickly as we originally hoped and we'll have to find ways to marry it with what we are doing elsewhere. A logical choice would be trading in gas futures, although traditionally we're not dealers or commodity traders, so that's an opportunity. Wherever in the world there's an oil and gas structure, you'll find a Trinidadian.

We have people that are trading in oil and gas commodities but we've never thought about bringing it here. I think we have to find more intelligent ways of treating with it in the same way that Ireland developed their financial services sector.

There are other things that need to be put in place: the underlying legislation; the underlying tax conventions, the underlying tax treaties; and everything else that you've got to do to make that work. We're developing a supporting environment regarding ICT but it will take a little while to finalise.

Maybe it's for the best. After all, Lehman Brothers were one of your anchor tenants weren't they?

What can I say? The road to hell is paved with good intentions. F