



OFFICE OF THE PRIME MINISTER  
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Republic of Trinidad and Tobago

**Address by the Dr the Honourable Keith Rowley**

Prime Minister of the Republic of Trinidad and Tobago

at the

**TTMA's President's Dinner and Awards**

7 June 2016

Hyatt Regency Hotel

**Manufacturing – The Proven Option for Diversification**

Ladies and Gentlemen.

I would like to first thank the Trinidad and Tobago Manufacturers Association for extending an invitation to me to speak at this very auspicious event.

This event not only highlights the achievements of individuals and firms within our manufacturing sector, it is also underscores the need for vision, innovation and fortitude to create new ideas, products and new systems in order to create a new future for the sector.

We are all aware of the situation we face.

Low energy prices are the new reality; transformation of our economy, therefore, is compulsory if we are to minimize our risk to price and demand fluctuations on the world's commodities markets, earn much needed foreign exchange to maintain our standard of living and create a competitive and resilient economy.

The Trinidad and Tobago Manufacturers' Association has been one of the more vocal and dynamic private sector institutions and I applaud you for your performance and as a good example to other institutions in Trinidad and Tobago.

### **Why manufacturing matters?**

The Manufacturing Sector, the world over, has helped to drive economic growth and raise living standards for centuries and continues to do so in both developed and developing economies.

As such, building a strong manufacturing sector is still a necessary step in national development. Even those countries which have 'leapfrogged' into the global services trade with information technology and Business process outsourcing industries, have all placed special emphasis on creating strong, competitive domestic manufacturers.

Globally, manufacturing continues to make outsized contributions to research and development, accounting for almost 90% of private Research and Development investment in the major industrialized nations.

In many economies, the sector contributes twice as much to productivity growth as its employment share, and accounts for the largest share of an economy's foreign trade. In order to realise these economic benefits, countries must create and exploit comparative advantages to convince the most globally competitive and productive companies to participate in their economies.

### **Manufacturing in Trinidad and Tobago**

The manufacturing sector in Trinidad and Tobago is the third largest contributor to GDP and the second largest non-petroleum contributor (behind Services).

With a healthy manufacturing base which includes food and beverage; textiles; clothing and footwear; wood and related products; paper, printing and packaging; and also chemicals and chemical products, the domestic manufacturing sector's contribution to GDP has expanded from 6.8% in 2005 to 8.3% in 2015.

Since 2000, output has grown from \$TT2.1 billion to TT\$ 6 billion in 2015.

However, during that same period, the percentage contribution to GDP by manufacturing declined from 10% to 8.2%. Interestingly, the number of persons employed in the sector has remained relatively constant over the years.

A very important point to note is that Trinidad and Tobago's manufacturing sector overall is a net foreign exchange earner, and therefore a critical pillar in stabilizing our domestic economy.

Throughout the decades, our manufacturers have had to grapple with two major problems – productivity in the workforce and labour shortages. The Global Competitiveness Index 2015-2016 cites poor work ethic in the labour force as the number one challenge to doing business.

This is a serious problem that cannot simply be ignored and reasoned as a reflection of our culture, and this Government through improved education and training at all levels is committed to changing this.

However, since the Government is not a manufacturer it has to be noted that this issue of poor work attitude and resulting low productivity is also a Management issue and while the Government systems may be a nursery for this scourge, private sector contributions are not insignificant in this matter.

There are several success stories of countries that have created the institutions, structures, incentives and the necessary planning to create a strong manufacturing base with a view to creating jobs and diversifying their economies.

By the mid-1990's, the output from Singapore's electronics industry accounted for more than half of the country's manufacturing output. Other industries which have been steadily emerging include chemicals, biomedical sciences and pharmaceuticals.

These industries all require a high level of technological advancement and innovation capacity, and the government has placed great emphasis on investments in these areas.

Though lacking in non-renewable resources, Singapore has harnessed its human capital base, and together with an emphasis on innovation and technological advancement, the country has created a competitive advantage which serves as a huge attraction for foreign investors.

South Africa has developed an established, diversified manufacturing base that employs around 1.7 million people, with manufacturing output accounting for 15% of GDP.

For every dollar invested in manufacturing there is \$1.13 of value addition to the South African economy. In July 2015, manufacturing production increased by 5.6% year-on-year, driven mostly by a 39.6% year-on-year production rise in the automotive industry and a 17.4% year-on-year rise in the metals and machinery industry.

In addition to this, South Africa's manufacturing industry now includes Agri-processing; Chemicals; ICT and electronics; Textiles, clothing and footwear.

Beginning in the 1980s and accelerating thereafter, Indonesia became a big exporter of labor-intensive manufactured products such as textiles and footwear, as well as of primary resource-based items like palm oil and wood products. Later on, it entered furniture and automobiles – which are indicative of their competitiveness.

I give these examples simply to illustrate how countries have managed to successfully diversify their manufacturing base in order to remain competitive and maintain global market presence.

We now need to examine the domestic manufacturing sector. While it has been somewhat successful over the years in product and brand innovation; how many of our firms are producing and exporting the same items today as they were ten and twenty years ago?

The second relevant question with respect to manufacturing and the issue of diversification is; are our firms exporting to the same markets today as they were ten and twenty years ago?

How have we done with respect to entering new, even difficult markets?

Based on data provided by ExporTT, there are approximately 200 local exporting firms who consistently export to countries within CARICOM and North America.

However, less than ten firms are at this time exporting on a regular basis to countries within Latin America (such as Cuba, Panama, Costa Rica, Dominican Republic, Venezuela, Colombia, El Salvador, Guatemala) where successive governments have placed significant resources in negotiating trade agreements over the last fifteen years.

Recently, through direct face to face contact, at the highest level of Governments, Trinidad and Tobago has negotiated innovative trade arrangements which could provide valuable opportunities for immediate and growing trade access to a substantial market which we have largely ignored even though it lies seven miles from our own shores.

The current circumstances have pushed the market towards us more than we have reached out to explore. The Government of Venezuela has offered to put up a revolving fund of \$50M USD to facilitate the purchase of a specific list of Trinidad and Tobago manufactured products.

It is my fervent hope and expectation that our manufacturers would rise to the occasion and grasp the opportunity to enter a market which is much more than just our closest neighbour.

This opportunity could easily fall prey to “The Government didn’t do this and the Government didn’t do that”.

Well, we have brought the horse to the river. Please reach out with your long elegant neck and try and take more than a sip.

To some it may be the fountain of life that was hitherto only a dream. Let’s try and see if it can work for us.

There are Chinese here, all the way from halfway around the world, looking for business.

There are Australians here from down under, and there are Russians and Japanese on their way doing the same thing.

It is not up to us who Venezuelans choose to run their country, Venezuelans will always be our closest neighbour which should not be denied us because of seven miles of water and the Spanish language.

### **Government initiatives**

In order to widen the range of manufacturing firms the Ministry of Trade and Industry, through **InvesTT**, has recently contracted the **University of the West Indies** to develop a set of project profiles in new manufacturing areas that would encourage firms to invest in this sector.

This project is in its final stages and would help the Government in directing its thinking, initiatives and support in expanding the sector.

Already, this timely research has shown that there are significant opportunities in the following areas:

1. Cocoa and cocoa products
3. Wooden furniture
5. Oil extracts (for non–energy purposes)



6. Cosmeceuticals/Nutraceuticals
8. Mature coconut products
10. Gluten free flour products
11. Green coconut products
12. Recycling (plastics, metal, glass)
14. Decorative bamboo tiles
16. Steelpan instruments
17. Glassmaking/Glass tiles
18. Construction Industry Products
20. Hospital beds/Wheelchairs/Patient support products

Some areas, of course, are more viable than others, and with the completion of the exercise it will be clear what is needed to effectively develop the most viable of products.

In addition to these sector profiles, the Government is spearheading the development of a new **Special Economic Zone Policy** and the introduction of new legislation and procedures.

This is to ensure that an enabling framework in line with international best practice is available to strengthen and encourage the further growth and development of the sector.

In an attempt to also diversify the markets available to exporters, the Ministry of

Trade and Industry is working with stakeholders to develop a **National Export Strategy** with a view to expanding market access outside the **CARICOM Region**.

This is an invaluable exercise which will enable both the Government and the private sector to understand the issues involved in getting our products and services across the wider world. We are also actively pursuing emerging market opportunities in Chile, Cuba and Venezuela.

We are also preparing to assume a leadership role in placing the dormant **CARICOM** issue of **The Single Market and Economy** back on the front burner of regional affairs.

The fact is, many manufacturers have still remained cautious despite the many opportunities that abound and are emerging in this pre-transformation era.

As in the past, perennial concerns around growth, cost and supply chain inefficiencies are still on your agenda.

Manufacturers will need to make bigger bets on research and development, with broader, more inclusive innovation models and perhaps tech-savvy partners in order to capitalize on opportunities. At the same time, manufacturers will need to invest in technology and nurture talent or risk losing the innovation battle.

Manufacturing is not only a way to create objects. Manufacturing is a means through which services can be facilitated, people can be employed, productivity can be improved and national growth enhanced.

For far too long we have focused our resources on the consumption of products, most of them foreign.

Manufacturing matters and will matter for decades to come. Trinidad and Tobago's manufacturing sector is therefore intimately linked to the welfare of our people and our nation.

The nature of manufacturing will change due to advancing technology, changing tastes and preferences and the increased interconnectedness between people and countries.

It is a constantly evolving environment that requires governments and firms to adapt and constantly improve.

I have confidence in the TTMA and its members. I am even more confident about the manufacturing sector and its driving role in the future prosperity of our economy.

Hasely Crawford didn't just get up and win an Olympic gold medal, just so. He harboured an outrageous belief that he was as good as anybody else, or better. He saw possibilities for himself on the world stage when he looked at the pioneering runs of Wendell Motley, Skinner and the durable Ed Roberts.

Ato Boldon's confident mouth was frequently backed up by world class performances and every time George Bovell enters the pool we know that we, the people of these little islands, can be world class.

Recently, I had the opportunity to visit a factory in Valletta, Malta; a pioneering Trinidad and Tobago investment overseas, demonstrating that we can grow well beyond our borders.

Arthur Lok Jack showed us how.

Our Bankers are doing it.

Cuba is opening up and there is much goodwill and opportunity there for us.

Manufacturers... find the trails and let us make the journey. Go brave!

The manufacturers of today, I believe, understand what needs to be done and are willing to work with Government to realize your vision.

Let us see today as an opportunity to grow, to learn and to transform at all levels-- the individual, the firm, the country.

This is not a time for "maybe". It is an imperative if we are to continue to grow and improve the quality of our lives. Grow your brands, supply our needs and lean towards exports and earning foreign exchange for the nation.

Thank you very much for this invitation and thank your warm welcome and for your kind attention.