

All eyes on forex regime



Prime Minister Stuart Young, right, congratulates Vishnu Dhanpaul, the new Minister of Finance, at the swearing-in ceremony of the Cabinet at President's House, St Ann's, Port-of-Spain last week. PHOTO BY ABRAHAM DIAZ

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The eyes of many businesspeople and ordinary citizens will be focussed on Whitehall today as the Government meets with members of the banking sector to pave the way forward in tackling this country's continued forex crisis.

Speaking at his first post-Cabinet news conference last Thursday at Whitehall, Port-of-Spain, Young shared details about this plan.

"Next week Tuesday (tomorrow), at 2.30 pm, I have invited the Central Bank and the Banker's Association of Trinidad and Tobago (BATT), and I'm hoping all the chief executive officers of the banks that operate in Trinidad and Tobago to meet with myself and the Minister of Finance, Senator Vishnu Dhanpaul, right here at Whitehall, because I intend to address immediately, the issue of foreign exchange and allocation of forex."

Young, who continues to hold the portfolio of Energy Minister, admitted that T&T does not now earn the amount of foreign exchange that used to flow into the country's coffers.

"We have less foreign exchange than we used to. That is the fact of life. However, how do we look at the allocation of the foreign exchange that is available to us among our citizens of Trinidad and Tobago?" the PM asked.

The availability of foreign exchange has been a perennial problem for more than ten years, not only for the business community but also ordinary citizens looking to go on holiday abroad, fund the education of their children or pay for overseas healthcare.

Last November, then-finance minister Colm Imbert announced plans to consult with stakeholders on changing the method for allocating foreign exchange.

The discussion was aimed at achieving a path towards equitable distribution.

Imbert had explained that for 25 years, an "honour system" has been in place for the distribution of forex by commercial banks in T&T.

However, with businesses clamouring for more foreign exchange to be made available, Imbert said there could be a possible plan to "regularise" how this system is done.

In explaining the "honour system," Imbert had said, "It is expected that banks would exercise responsibility, equity, justice, and all that sort of thing in the distribution. They can go to the other extreme, which they have not done yet, where they can particularise, for example, that a percentage of this US\$100 million that is put in every month should go to small and medium enterprises, should go to education, should go to medical expenses, should go to travel, should go to imports for manufacturing."

He had also explained that when taxes are paid in US dollars, they go into a special account at the Central Bank, which constitutes the Government's foreign reserves.

The Central Bank, Imbert said, intervenes every two weeks in the foreign exchange market, selling about US\$50 million foreign exchange to commercial banks. This is based on a formula that takes into account the size of the bank, number of branches, and customers, among other factors, ensuring that each bank gets a proportion of that amount.

He added that part of the distribution process, as stipulated by the Central Bank, is the rate at which the banks can sell the foreign exchange, as well as a preference for trade and business.