



OPENING REMARKS

“Dynamic New World – Braving the Turmoil”

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Good Morning.

Thank you for the invitation. I want to start by congratulating The Bahamas Economic Outlook as you kick off the fifth year of this important event, and congratulate Royal Fidelity for its commitment to empowering the business community through this forum. The Bahamas Economic Outlook is a unique event that translates economic trends into actionable intelligence to assist business leaders in identifying opportunities for growth as they plan for the future. I've been asked to speak about the theme this year "Dynamic New World – Braving the Turmoil", which I think is fitting, given the times in which we live.

INTRODUCTION

Many people are feeling a sense of uncertainty around developments in the international and domestic marketplace. The tensions between the United States and China as it relates to international trade are continuing to boil up, and domestically, many people are still adjusting to the reality of our planned ascension to the WTO. There are shifting alliances in the geopolitical landscape taking shape, most notably as it relates to the United Kingdom and the European Union. Countries around the world, including The Bahamas are watching Brexit negotiations closely, anticipating the impact any final decisions will have on the global economy. And of course, the financial services sector is undergoing major change as the international regulatory environment continues to evolve.

However, the times are not only marked by uncertainty. They are also marked by disruption and innovation that are simultaneously creating turmoil and opportunity.

The following popular brands tell a story of the times.

- I'm sure everyone is familiar with Airbnb, the full-service travel brand valued at \$38 billion.
- Square – a public company – which is a mobile payment service worth \$29 billion. Stripe, a similar online payment platform, worth \$9 billion.
- The crowdfunding platform Kickstarter, which has raised \$33.8 billion on its website from 15 million people to back a variety of independent projects.
- Then there's WhatsApp, the messaging platform we Bahamians can't seem to live without, and love to use for all sorts of mischief. It sold to Facebook for \$19 billion in 2014, a few years after Instagram sold for \$1 billion. Today, with over 300 million users, Instagram is worth over \$35 billion.

- Lyft, the ride sharing car service, claimed a valuation of \$15 billion in 2014 when it announced 1.4 million drivers in the US and Toronto use its service. Still, that is nothing compared to Uber's valuation of \$62 billion.

These companies straddle a broad range of industries, from transportation, entertainment, telecommunications, fintech and travel. And yet, they have something very important in common with iPads, Google Chrome, Fitbits, Tinder, 4G and even GPS on smartphones. And it's not their ability to harness technology to great disruptive effect.

Ten years ago, all of these companies and products were either nonexistent or virtual nobodies, and yet today, they are amongst the leading global brands and integral to our daily lives. Which international traveler amongst us can live without Google Maps? Which telecommunications company could be globally competitive without a 4G network, the new basic standard?

When I was in college, and perhaps for many of you, there was no such thing as a Social Media Manager or a Chief Listening Officer, or even an App Developer. Now, global mobile apps are forecasted to generate \$189 billion in revenue in 2020. Apple has paid developers more than \$100 billion since the App Store's inception.

These companies provide a perfect example of the world we live in today. It is a dynamic new world not just because of the changes taking place all around us, but also because of the rapid pace of change. And according to the World Economic Forum's latest annual Human Capital Index, the advances in robotics, artificial intelligence, biotechnology, driverless transport and other fields will only hasten the pace of change.

What does this mean for a country like The Bahamas?

In the face of dynamic change, we have a choice: Sink or swim? In this respect, we are in the same boat as everyone else. We can choose to run away and isolate ourselves or embrace change, with all of the turmoil it brings and the opportunity it creates?

In The Bahamas we don't run away. We adapt. We innovate. We grow. We expand. When The Bahamas needed an economic base in a region known for its agricultural and manufacturing prowess, we pioneered the tourism industry in the region. Today, we are employing different strategies to increase and diversify foreign direct investment. The Commercial Enterprises Act, 2018 has already had great success attracting international companies to open up offices and headquarters in Grand Bahama, where we are creating the Tech Hub for The Bahamas.

We are undertaking several other initiatives to boldly lead The Bahamas into a dynamic future, including:

1. We are preparing Bahamians to take advantage of new opportunities in the tourism market. The regulation and expansion of Airbnb and related services is an area with great potential for boosting inclusive growth.
2. We are preparing Bahamians to be businesses owners with unprecedented investments in entrepreneurship: \$25 million over five years. The era of finishing school and looking for a good government job is over. We want our workforce to be high trained to secure private sector jobs, and to create their own jobs.
3. We are modernizing government by leveraging the power of technology; strengthening the national statistical system and instituting comprehensive public sector financial management reform.
4. We are building a new culture of governance that is grounded in fiscal responsibility principles of transparency, accountability, inclusive growth. We enacted the Fiscal Responsibility Act, 2019, last year, and have introduced quarterly budget performance reporting and fiscal strategy reporting.

CLIMATE CHANGE

From time to time, though, we face changes in our external environment that pose an existential threat. And it's not as easy to brave the turmoil. The reality of global climate change is a case in point. Even in this area, however, we are not sitting back.

The increasing severity of natural disasters has the capacity to bankrupt nations, particularly when they are ill prepared. The need for a diversified fiscal strategy is critical for Small Island Nations to strengthen financial resiliency, heighten disaster preparedness and hasten the pace of recovery.

In 2017, Hurricane Maria caused \$1.37 billion in losses across Dominica, one of our friends in the region. This amounted to 226 percent of Dominica's 2016 GDP. Over 60 people were tragically killed, and many more left homeless with housing structures left beyond repair. The agricultural sector, a vital economic engine for the country, was completely wiped out: all banana and tuber plantations were lost, along with much of the island's livestock and farm equipment. Thankfully, Dominica is bouncing back today.

The Bahamas has taken heed and we are facing the challenges presented by this new climate reality. We have built a diversified strategy for disaster preparedness that includes a Caribbean Risk Insurance Facility (CRIF), an Inter-American Development Bank (IDB) Contingent Line of Credit and a Disaster Relief Fund, which will be capitalised initially with the extinguished claims from dormant accounts, provided for in recently enacted legislation.

Just last week, our efforts in this regard were highlighted in an independent and impartial assessment conducted by Moody's Investor Service. After examining our fiscal reforms in totality, they changed the outlook on our credit rating from negative to stable, and affirmed our overall rating at Baa3. The upward revision in the outlook was attributed to a number of factors, including the soon to be established Disaster Relief Fund, which was recognized for promoting greater economic resilience by mitigating the underlying credit vulnerability that natural disasters pose.

This is just one area that shows how The Bahamas is braving the turmoil in this dynamic new world. Another area is with respect to the Financial Services Sector.

FINANCIAL SERVICES SECTOR

In a competitive commercial environment, where geopolitics is constantly at play, it seems as though the playing field will never be level for small territories like The Bahamas. We are participants in a global economic system, where the principle of sovereign equals is not always respected when you don't have the political clout to enforce it. We are seeing a lot of turmoil in the financial services sector today on account of these factors, but we can hardly call it new.

The goalpost has constantly been shifting when it comes to assessing territories like The Bahamas, and there seems to be no end in sight. No matter how cooperative or how compliant we are as a nation, larger countries exercise their liberty to create new rules at will, with an expectation for everyone to immediately fall in line, no matter the resources we need to marshal or the investments we need to make.

The United States has one set of rules. The European Union has another. And then, the OECD and the EU together have another set of rules. The latest move by the Netherlands is clearly an indication that individual countries within the EU now want to have their own individual standards to export to the entire industry too. When does it stop? The model that seems to be proliferating is antithetical to the notion of having a global standard, and there are questions as to whether the standards are being applied fairly and transparently. If we are really working towards the same goals, is this even the best way?

While The Bahamas has many shared interests with the international community, particularly as it relates to combating AML/CFT, the process of unilaterally setting rules and exporting them to other territories under threat of sanction is counter to the spirit of international cooperation in the first instance.

That being said, we have to be real about where we sit, and firm in who we are. This is not the 1600s when yes, The Bahamas was a pirate's republic. This is not the 1970s when the label tax haven was branded on our shores. This is 2019, and it doesn't matter how many blacklists pop up to unfairly stick The Bahamas on, the fact will remain: We are a clean, compliant and cooperative wealth management jurisdiction, providing competitive financial services. We compete on the strength of our services and the quality of our professionals, and we eschew any and all efforts to introduce AML/CFT risk into our system. This government is committed to keeping up with any regulator or legislative reforms that are necessary to maintain our position as a global leader.

We have no intention of giving up any of the ground we occupy as a premier international financial center. We are adapting to the change environment and encouraging the industry to innovate and develop new competitive products to meet the demands of the market. Investors can be assured The Bahamas will continue to be a reliable provider of sophisticated, high quality financial services products that meet their needs.

CONCLUSION

My message, in conclusion, is that we do not have to fear in times of uncertainty. We need only rally together and act with vision, integrity and courage. As not to get lost in the ups and downs, we need to remember as a country, and as businesses, who we are, what we stand for and what we want to achieve. We have to be adaptable and forward thinking to anticipate change and respond quickly to the demands made on us.

As a country we are striving to do just that. We are seizing the moment to make government more accountable and transparent; to ensure that we are financially resilient and fiscally responsible.

We are seizing the moment to reorient our workforce away from a traditional jobs mindset to an ownership mindset, so that entrepreneurship and small business can continue to be drivers of job creation and economic growth, so that there are no limits on the way of work, which can now be done from home or anywhere around the world.

We are putting the planning and policy framework in place to shore up the economy, to modernize the way we do things and to make doing business, overall, easier, faster and better.

I have no doubt that The Bahamas will continue to thrive in this dynamic new world, not just braving the turmoil, but finding opportunity to thrive through it all.

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