

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1986-91

HOUSE OF ASSEMBLY

Friday, March 27, 1987

Pursuant to the adjournment, the House of Assembly met at 12.15 o'clock.

PRESENT

His Honour L. A. Weekes, (Speaker)
His Honour J. J. Payne, (Deputy Speaker)
Hon. L. E. Sandiford, B.A., M.A., (Econ.), J.P.,
(Deputy Prime Minister, Minister of Education and Culture and Leader of the House)
Hon. H. deB. Forde, Q.C., M.A., LL.B., (Leader of the Opposition)
Hon. B. M. Taitt, B.A. (Hons.), M.A., LL.B. (Hons.),
(Minister of Tourism and Industry)
Hon. P. M. Greaves, Q.C., B.A., (Minister of Transport, Works and Telecommunications)
Hon. E. E. Greaves, B.A., Ed.M., (Minister of Trade and Commerce)
Hon. Dr. R. C. Haynes, M.B., Ch.B., F.R.C.P. (Edin.), (Minister of Finance)
Hon. M. A. King, Q.C., LL.B., (Attorney General and Minister of Legal Affairs)
Hon. W. O. Franklin, A.I.C., M.I.A.S., J.P., (Minister of Agriculture, Food and Fisheries)
Hon. N. K. Simmons, (Minister of Health)
Hon. H. A. Blackman, B.Sc., (Econ.), (Minister of Housing and Lands)
Mr. D. A. C. Simmons, Q.C., LL.M.
Mr. O. S. Arthur, M.Sc., (Econ.)
Mrs. M. Barker-Welch, (Parliamentary Secretary, Ministry of Employment, Labour Relations and Community Development)
Mr. C. V. Walker, (Parliamentary Secretary, Ministry of Education and Culture)
Mr. L. L. Brathwaite, J.P.
Mr. E. Bourne
Dr. E. A. Simmons

Hon. W. W. Hall, (Minister of Employment, Labour Relations and Community Development) Mr. C. A. Neblett, B.A. Mr. C. L. Trotman, M.A. Mr. R. L. Morris, B.A., Cert. Ed. Mr. P. J. M. Miller

Prayers were led by Rev. Father Ivan Harewood.

Mr. SPEAKER: The House is in session. MINUTES

Mr. SPEAKER: The Minutes for the meeting of Monday, March 16, 1987.

Hon. L. E. SANDIFORD: Mr. Speaker, the Minutes of the meeting of the House of Assembly on Monday March 16, 1987 have been circulated, but I doubt, Sir, that all Members have been able to read and study these Minutes, and I am prepared to move that these Minutes be postponed, if this is required, or we can proceed with the confirmation of the Minutes. I will take the guidance of the House on these matters. I have looked through them and I see that a stylistic amendment will have to be made to the Minutes.

I think that, in all circumstances, I had better move that further consideration of these Minutes be postponed.

Hon. P. M. GREAVES: I beg to second that.

The question that further consideration of those Minutes be postponed was put and resolved in the affirmative without division.

PAPERS LAID

Hon. Dr. R. C. HAYNES: Mr. Speaker, I am commanded to lay the following:

Statement showing Net Customs and Excise Receipts for 10 months ended 31st January, 1987.

GOVERNMENT NOTICES

Hon. L. E. SANDIFORD: Mr. Speaker, I beg to give notice of the following:

A Resolution to approve of the borrowing of the sum of £30000000 sterling or its U.S. dollars equivalent from Barclays Bank PLC to be used to assist in the continuation of the Government's Capital Development Programme in progress prior to May 28, 1986, other Capital Programmes to commence in the 1987/88 fiscal year, and to assist in meeting foreign debt repayments due in fiscal year 1987/88.

A Bill to amend the Barbados National Bank Act.

FIRST READINGS OF BILLS

On motion of Hon. L. E. SANDIFORD, seconded by Hon. P. M. GREAVES the following Bill was read a first time:

A Bill to amend the Barbados National Bank Act.

ORDERS OF THE DAY

Mr. SPEAKER: Government Business is now the order of the day.

SUSPENSION OF STANDING ORDERS

Hon. L. E. SANDIFORD: Mr. Speaker, I beg to move that Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the remainder of today's sitting.

Hon. P. M. GREAVES: I beg to second that.

The question that those several Standing Orders be suspended was put and resolved in the affirmative without division.

Hon. L. E. SANDIFORD: Sir, I wish to indicate at this stage also that I am seeking the approval and concurrence of the House to deal with the Resolution for the borrowing of £30 million sterling or its U.S. equivalent in all stages at this meeting of the House.

Mr. SPEAKER: I see that there are no objections.

GOVERNMENT BUSINESS

Order No. 1 — To move that the House resolved itself into Committee of Supply to consider the granting of a sum for the service of the island.

On motion of Hon. L. E. SANDIFORD, seconded by Hon. P. M. GREAVES, Mr. SPEAKER left the Chair and the House went into Committee of Supply, Mr. C. A. NEBLETT in the Chair.

COMMITTEE OF SUPPLY

Mr. CHAIRMAN: This Honourable House is now in Committee of Supply. 12.25 p.m.

SUPPLEMENTARY ESTIMATES 1986-87

No. 27 - \$12 908

Hon. Dr. R. C. HAYNES (St. Michael South Central): Mr. Chairman, this Resolution for \$12908 is relatively straightforward. It refers to additional monies required for the Data Processing Department consequential on 13 new posts, namely, 1 machine supervisor and 12 data entry operators, which were established during the financial year 1986-87. The funds provided in the Estimates of 1986-87 to pay the employer's portion of the National Insurance Contribution has proved to be inadequate to meet expenditure to the end of the financial year. This supplementary provision, therefore, is being sought by way of this Resolution.

To avoid any contention, I would like to point out that the posts were established by Civil Establishment (General) (Amendment) Order No. 4 of 1986 and dated May 9, 1986. I think the House would wish to have that information.

I beg to move that this Resolution do now pass.

Hon. P. M. GREAVES: I beg to second that and reserve my right to speak

The question was put and resolved in the affirmative without division.

On the motion of Hon. L. E. SANDIFORD, seconded by Hon. P. M. GREAVES, Mr. CHAIRMAN reported the passing of one Resolution in Committee of Supply, and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. L. E. SANDIFORD, seconded by Hon. P. M. GREAVES, the Resolution was read a first and second time and agreed to.

BORROWING OF £30 MILLION FROM BARCLAYS BANK PLC

Order No. 5 was called - To move the passing of a Resolution to approve the borrowing by Government of the sum of £30 million sterling or its U.S dollar equivalent from Barclays Bank PLC.

Hon. Dr. R. C. HAYNES (St. Michael South Central): Mr. Speaker, in this Honourable Chamber a fairly constructive attitude has been taken in relation to the borrowing requirements by this Government. However, one sees two faces by the Opposition: a constructive attitude in this Chamber, and then elsewhere two cowboys are let loose in order to confuse the public of this country. I therefore propose, Sir, to take pains to set out very clearly the reasons for borrowing by this Government and by the previous Administration, and I refer specifically to foreign borrowing.

Mr. Speaker, at the beginning of each calendar year, the Central Bank of Barbados presents to the Minister of Finance his calculations of the foreign debt service, both in respect of repayment of capital and of interest which the Government has to provide for during that particular year. This was done early in 1986, and the past Administration agreed to raise the equivalent of Bds\$120 million or 10 billion yen on the Japanese market, but decided not to pursue this until after the elections of May 28, 1986. That is on record: "Please postpone until June." 12.35 p.m.

The Central Bank was in the market as early as February of last year. In fact, in my Budget Reply in April, I was able to indicate that Government was in the market for the amount of \$10 million. I think at that time I did say that I was told so by a....

(*Aside*: Mr. D. A. C. SIMMONS: Black Japanese!)

Hon. Dr. R. C. HAYNES: black Japanese. That is to jolt your memory.

Earlier in the year, this was the situation. Therefore, Sir, the new Administration, faced with a foreign debt service of Bds.\$176 million, borrowed the equivalent of Bds.\$135 million on the Japanese and Euro-dollar markets. Of the total amount borrowed, only \$105 million was drawn down during the calendar year; the remaining \$71 million was met out of the pool of the country's foreign exchange inflows.

This year, Sir, the Central Bank of Barbados has calculated that the country's foreign debt service requirements will be \$220 million this year. The purpose of this Resolution would be to raise the equivalent of some Bds. \$90 million, that is, £30 million, principally to meet debt obligations, as we continue the process of refinancing the country's debt, and also to assist in financing the capital programme for fiscal year 1987-88. Indeed, Sir - I have checked this this morning — already this calendar year I have had to pay out \$52 million in debt service.

Aside

Hon. Dr. R. C. HAYNES: Debt service, interest and amortisation payments.

(*Aside*: Mr. O. S. ARTHUR: Foreign.)

Hon. Dr. R. C. HAYNES: Foreign debt service. Fifty-three million dollars in foreign debt service.

Mr. Speaker, as I approach the end of the fiscal year in a matter of days, I am now in a position to state that the Government has \$108 million on deposit, \$103 million with the Central Bank of Barbados and \$5 million with the Barbados National Bank. At no time during this fiscal year was the Government short of funds, and I do not intend to spend one red cent of that \$108 million, except for capital and development purposes. Under normal circumstances, Mr. Speaker, it would not be necessary for the Government to borrow any money abroad this year. However, foreign debt cannot be paid with local currency, and it is self-evident that the purposes of this loan must be primarily for foreign debt financing. Of course, the domestic contribution of the loan will go towards meeting the counterpart funds for capital programmes.

Further, Mr. Speaker, I must stress that the foreign debt payments now being made arise out of borrowings by the previous Administration during the years 1982 — 1985, when large foreign loans were contracted from foreign commercial banks, the International Monetary Fund and other international institutions. These loans, for the most part, carry a moratorium of four years on repayment of capital, and hence the bunching of foreign debt capital each year from 1986 right through to 1990. These are facts, Sir, and the facts must be told. We must not have distortions in important areas of public life.

When we are borrowing money now, what we are doing is refinancing our debt. The debt was contracted sequentially from 1982 to 1985 with four year moratoriums, and therefore, from 1986 to 1990 you will have to be paying the capital portion of those debts plus the interest. I want to make it clear to each and every person the reason why we have to borrow now.

There is one other point I want to make. Today is March 27, four days before the end of the financial year. A lot of wild statements have been made about the Government borrowing money to meet current expenditure. I should like to announce today that, up to yesterday, the Government has not had to contract one cent in new debt to finance Current Expenditure, and I do not anticipate that this situation will change between

now and Tuesday of next week. Not one cent in new debt have we had to contract in order to meet current expenditure! You hear all this talk about this huge deficit, all this talk about the Government borrowing money, but a lot of people are going to be embarrassed when they see the final outturns in Barbados' economy. I say no more at this time.

Aside

Hon. Dr. R. C. HAYNES: I say no more at this time!

Mr. Speaker, I trust that this statement will today allay the anxieties of this country which have been aroused by a continuous flow of misinformation by certain members of the Opposition as it now seeks to deny responsibility for the heavy foreign indebtedness of this country and finds it impossible to disengage from the predictions about the state of the economy and Government finances, all of which have turned out to be incorrect.

Asides

Hon. Dr. R. C. HAYNES: Mr. Speaker, the Resolution is relatively straightforward, but I would wish to give the House some more information as to the terms of the loan, which I consider to be very good. The amount is £30 million or the equivalent in US dollars. I have decided to keep that option open, depending on exchange rate movements and various other problems, and also what particular denominations we would have to meet this year in debt repayment. It is very important at this stage that the Government has to be ever conscious of the impact of changes in exchange rates when it borrows money, and consequential on that, the Government has, in fact, taken steps to protect itself against wide interest rates fluctuations by the use of a system called caps, which is a form of insurance which will protect you against interest rate fluctuations. The cap is the particular level at which you would have purchased your insurance, or the amount that you would have purchased in relation to a given interest rate and a given currency.

Barclays Bank will underwrite £15 million and syndicate the remaining portion. Maturity is seven years, with a grace period of four years. 12.45 p.m.

The interest rate — and here we have been able to get very good margins — is 1½/8 percent of LIBOR. That is the slimmest rate that any country has been able to obtain in the market. The best rates now in the market are 1H but we have been able to get a rate of 1½S.

The fees are as follows: the facility fee, the usual fee is, 5/8 of the full amount of the loan payable on the

date of execution; commitment fee, % per cent per annum payable on the amount undrawn under the agreement; and an agency fee of £350 per annum per participating bank to be paid to Barclays in its capacity as agent for the loan.

These terms and conditions, Sir, represent an improvement on what we were able to obtain in the past. In fact, the margin has dropped by one eighth of one per cent, which is the best rate that can be obtained in the Eurodollar market under prevailing conditions in that capital market, or indeed, as far as I am aware, in any capital market.

I believe, Sir, that I have put the facts before the House. I have set out in some detail the purpose for this loan, and I hope that a lot of these distortions, which, in fact, are put out principally by many Members of the Opposition, will cease. I must say that I have not heard anything like that from the honourable Member for St. Peter (Mr. O. S. Arthur), the chief spokesman for the Opposition, who himself participated in the borrowings between 1982 - 1986, who would know why those borrowings were made and, therefore, he knows they have to be repaid and he knows that there are no circumstances...

(Aside: Mr. O. S. ARTHUR: Are you begging?)

Hon. Dr. R. C. HAYNES: No, no I am not begging....that there are no circumstances under which any Government of Barbados could face foreign debt payments of this nature and not seek to refinance the debt. Any failure to seek to refinance the debt would be gross irresponsibility on the part of any Administration, and this is the position which we are taking.

Mr. Speaker, I beg to move that this Resolution do now pass.

Thank you very much.

Hon. W. O. FRANKLIN: Mr. Speaker, I second this Resolution and reserve my right to speak.

Mr. O. S. ARTHUR (St. Peter): Mr. Speaker, I am very pleased that the Honourable Minister of Finance spoke in very modulated and subdued terms. It reflects, of course, the seriousness to which he is committing the country of having to borrow in excess of \$237 million on the foreign commercial market in the space of less than a year. And having regard of course, Sir, to the Minister's pre-election boast that he would have been able to do without increasing foreign borrowing, one can understand how very sobering it must be for the Minister to realise that, unlike persons more gifted than himself, he cannot

turn water into wine, nor feed large multitudes with a small number of fishes and loaves. The fact, of course, Sir, is, as the records will show, that the Government has within the course of less than a full year, had to commit itself to borrowing in excess of \$230 million abroad.

Mr. Speaker, the Minister of Finance's analysis of the reason for this loan is a purely political analysis. It is good politics to say from their point of view that all of the loans being raised today, and I imagine, Sir, all the loans to be raised in the immediate future, have to do with the servicing of past loans raised by the Barbados Labour Party. But the Minister of Finance must know, Sir, that all the foreign exchange receipts of Barbados, whether earned from exports of goods or the exports of services, or foreign exchange coming into the country by way of direct foreign investment, go into a general kitty and the foreign currency does not go in marked "payment of debt", or "for buying fireworks", or "to purchase cars" or "to purchase food." It goes into a general kitty, and because they are not marked "payment of debt", to "buy fireworks" or "to finance travel to Venezuela", we are in no position to say, therefore, that whereas foreign exchange to pay for fireworks or finance travel to Venezuela might be abundant, foreign exchange to pay debt is scarce. This is what the Minister wants us to accept, that out of the general kitty amounting to the over one billion dollars a year, \$1.2 billion a year, we have in foreign exchange, whether from the earnings of goods, services, or direct autonomous capital — and I am not happy with how he has defined payment of debt in this particular case — we do not have the foreign exchange to pay our debts, even though we have foreign exchange to do other things.

As many international institutions have already told the Government, when we look at our debt repayment in a sensible fashion, Barbados's debt repayment even now is still entirely manageable. Mr. Speaker, this country is in a more satisfactory position where the payment of debt is concerned than is virtually every Member of this House of Assembly where meeting his own individual debt liabilities are concerned.

Asides

Mr. O. S. ARTHUR: Apart from you and Henry.

It would be standard, Mr. Speaker, that the first thing you do is to pay your debts, and that for most of us, for those who have mortgages to carry, who might have borrowed monies to make investments, our mortgages alone could run to 33 per cent of our take-home pay, and if you were to add on to that the debt service that we have to pay to service the loans that we have incurred in these investments, it is standard practice for persons managing their affairs well that their debt service ratio, Sir, could amount to sometimes as

much as 40 per cent of their income. I think their debts are their first thing they pay.

International institutions tell us that our situation is manageable, Sir, because it bears no relationship to the type of outside debt service situations that present themselves to other countries, and it compares extremely favourable to what the ordinary person knows is a reasonable debt payment situation. I wish that I was in a position where the servicing of my mortgage amounting to only 12 per cent of my total income.

*

But it is a political argument, Mr. Speaker, because the Minister wants to make the case that his need for foreign exchange arises only from the fact that he has to pay debts, and if it is put in that fashion he absolves himself and the present Administration from his need to borrow and puts the blame squarely on the Barbados Labour Party. The Minister knows that it is a political argument. 12.55 p.m.

I have some grave difficulties, Mr. Speaker, in relation to the Minister's statement of numbers in the manner in which he has stated them this morning. For example, he speaks in terms of our foreign debt service, as I understand it, in the last financial year amounting to \$176 million. I want to ask the Minister if he could break up that for us to tell us if any portion of it is due to the repayment of the short term lines of credit incurred by the Central Bank in that period between July and September when we were facing a tremendous foreign exchange shortage because the Minister allowed the net domestic assets of the Central Bank to increase by touching the Suspense Account that we had there with \$15 million.

I would want the Minister also to state, Mr. Speaker, whether his claim that we have to pay \$220 million next year is a statement of our full borrowing requirements as distinct from a statement of the foreign debt borrowing requirements. I say that very deliberately, Sir. The Minister would remember that in his speech in July of last year he made the point that at the start of the year the Central Bank estimated Barbados' borrowing requirements to be in the vicinity of \$114 million. It is true that at the start of each year the Central Bank does estimate Barbados' foreign borrowing requirements, but the estimate of our foreign borrowing requirements is an estimate not only of how much we need to borrow to help Government meet its deficits, but equally it includes an element of the amount that we must borrow to support the balance of payments in a general sense. The Minister should not, therefore, trot out a number of \$220 million for next year and treat it as if it was a debt service requirement, when he would know that it is, in fact, not the debt service requirement for next year, Sir, but the total foreign borrowing requirement for next

year, inclusive of the amount that we have to borrow to support the balance of payments for general purposes, having nothing whatsoever to do with debt.

Aside.

Mr. O. S. ARTHUR: He says it is very small. No matter how small it is, he misleads the House.

The Minister must state that we are borrowing now not only because of the need to service debt, but we are borrowing now for three reasons. We are borrowing because of the need to carry on capital projects, and that in carrying on these capital projects, the Government is not now generating any surplus at all to meet counterpart funds; that the domestic market is tightening, as he knows, and we can talk about it in due course; and that he is forced abroad in order to meet the full amount of the monies needed to finance the capital programme. Indeed, Sir, in addition to the \$100 million we are borrowing today, the Minister is already committed to borrow \$76 million from multilateral institutions as part of the financing of projects, but you are having to borrow now abroad because there is no surplus in the public account and the domestic market is tightening.' The Minister knows the problems that he is having even now in raising the \$18 million in regard to the sugar debentures. The market is tightening locally, Sir, and he is being forced abroad in order to raise funds in full to carry on the capital programme.

Secondly, we are forced into a position of borrowing because, as the Minister knows, the general external position of Barbados is weakening. I have mentioned in previous debates in this House that between January and October of 1986, exports fell by \$108 million as compared to the same period, January to October 1985, and we are forced into a position of having to borrow not just because of having to pay debt or capital programming, but we are forced in a situation where our export earnings are decreasing, to borrow to get the resources to continue to support the standard of living that we in Barbados have become accustomed to. The Minister should be fair in admitting that an element of this amount to be borrowed is due to the fact that, given the decline in the export earnings of the country, this country now has to rely increasingly on external foreign financing from commercial banks.

I must also make the point, Mr. Speaker, that the Government is forced to borrow, as someone in the other Chamber has said, because they have given up too much too soon, and that part of the gap that was created in the revenues now has to be met by borrowed funds. When he trots out these numbers, I also want the Minister to clear the air as to how much of this foreign debt service is attributable to Government's repayment of its debt, as distinct from the repayment of the debt by the

society at large. The figure of \$176 million was trotted out, but what is the amount that is paid by Government on loans incurred by Government to pay debt incurred by Government, as set out comprehensively in the Estimates? In addition to that, when the Minister speaks of \$176 million, he is including the repayment of debt by the private sector incurred for private purposes and he should state what the amount is. He has also included debt guaranteed by Government, which although they create a burden on the foreign exchange, do not in fact create a burden on the public purse. The Minister should state these things for the purpose of public clarification, because the Barbados Labour Party has not, in effect, Mr. Speaker, left this country in a position where last year \$176 million had to be found from the public purse and converted into foreign exchange to pay for debts incurred by the Barbados Labour Party Administration.

I started by saying that this whole thing is a political sham by the Minister to avoid the embarrassment of appearing to borrow large sums of money. I am embarrassed for the Minister's sake that this money has to be borrowed from Barclay's, because last week this House was regaled by the Prime Minister with notions about how Barclays Bank are the Worst people in the world, the most wicked imperialists in the world, and we were told how the Prime Minister in 1973 took eight big, brown paper bags filled with single cents and took them to Barclays Bank to pay off an overdraft that he had with Barclays Bank. One got the feeling that the last place in the world that the Government would want to borrow from is Barclays, and I am left to wonder how many brown paper bags the Minister of Finance will have to carry to London to pick up the foreign exchange if Barclays were to adopt the same attitude that the Prime Minister has adopted, and I would advise him to start saving single cents,' because the repayment of \$100 million by way of single cents is a lot of single cents and you would need thousands and thousands and thousands of brown paper bags to repay this loan to Barclays. The symbolic point I am making, and I know the Minister of Finance understands it, is that it is wickedness

Mr. SPEAKER: I cannot allow that to be said of the Minister. 1.05 p.m.

Mr. O. S. ARTHUR: I will never call this Minister of Finance wicked, Sir. It is bad for him that a senior member of Government could one week so sharply condemn an institution in the most caustic of terms as the biggest imperialist in the world and then the next week have to come to this House and ask this House to approve the largest loan ever in the history of this country from that institution.

Asides.

Mr. SPEAKER: Order, please.

Mr. O. S. ARTHUR: I know that the Minister of Finance is suitably embarrassed, and that he would be following events very closely, and he would have already been told that a number of institutions which were prepared to subscribe to this loan are having second thoughts about it, not only because of the statements of the Prime Minister, but because of certain developments where the Ministry of Finance and Planning's personnel matters are concerned which are having a negative effect in the financial markets. Indeed, Sir, the decision of this Government not to renew the contract of the Governor of the Central Bank has not rested well with the international financing institutions. The Minister is not reacting like his other colleagues, because he knows what the fact is, that whereas in the past, Mr. Speaker, loans to be raised by Barbados have been oversubscribed, the Government of Barbados is experiencing a little difficulty on the full subscription on this particular matter.

I want to conclude, Mr. Speaker, by saying that we on this side, as usual, believe that to protect jobs, to create jobs, it will be necessary from time to time for any Government of Barbados to borrow, particularly for capital development projects. We have said that and we believe it. The Government has set out a capital development programme for this year which is to be backed by the borrowing of \$76 million from foreign multilateral institutions. There is another \$100 million of financing to be raised in support of the capital development programme, and in so far as part of this loan is going to be used to protect those jobs, we have no difficulty in accepting that part of it. But we have great difficulty with the Minister trying to count every loan that he raises in the sheerest of political terms, because if there are no shortages of foreign exchange, Mr. Speaker, to undertake the general purchases of goods and services from abroad in Barbados, there ought to be no shortage of foreign exchange to pay debt, because the payment of debt is the first thing that a responsible Government will do, and I am saying that our debt service ratio is sufficiently low, and the IADB has told you so, for us not to seem to hang every loan on the rationalisation that you are only borrowing to service debt. I think it is wrong in principle.

The Minister knows that the fundamental reason for the borrowing of this loan is that you need it because the balance of payments is weakening. You need it because you are not generating the surpluses on Current Account to help you finance the capital programme. You need it because the domestic market for Government paper is shortening. You need it as well, as I said earlier, to help carry the capital programme and help create jobs in Barbados. You need it to maintain the standard of living of the people in Barbados in the face of a continuing decline of export earnings. It would be better for the

Minister to level with the House and the country rather than to seek, as he does, Sir, to try to make political capital by attributing everything borrowed now to developments of the past.

I am much obliged to you, Sir.

Dr. E. A. SIMMONS (St. Michael South East): Mr. Speaker, I would like to make some comments following up what the honourable Member for St. Peter (Mr. O. S. Arthur) has said. If I am to sum him up, what I think he said is that he agreed *in toto* with the borrowing, but what he disagrees with is the political flavour that was given.

Asides

Dr. E. A. SIMMONS: That is what you said, and that what we should do is to say what you said to the public but not bring politics into it. That is what you said before you just sat down.

The fact of the matter is that this whole thing about borrowing does have a political aspect, which I will come back to later. But before I get to that, I want to clear up a couple of points, and one is the point he made about Barclays Bank.

Let us be realistic. There were comments made in the Honourable Chamber about Barclays Bank which were personal comments. I think that the comments which were made about Barclays Bank were not made about Barclays Bank in this House alone, these are comments that have been made about Barclays Bank throughout the world. But there is one thing we have to understand, and that is that Barclays Bank operates in Barbados, they are doing business with Barbados, and as such, they are expected to perform the duties of any other bank. They are here, and they have been here for years, so do not let us get into that very tangential discussion.

There was a question put by the Honourable Minister of Finance to the honourable Member for St. Peter and it was this. Is it not a fact that there were arrangements made before May 28 to borrow that money, and that it was postponed until after June? I have not heard the honourable Member deny that, and he has spoken quite a bit.

Mr. O. S. ARTHUR: The honourable Member is seeking to mislead the House, Sir. To say that there was commitment on the part of the Barbados Labour Party Government to borrow this money is to mislead the House, Sir, because it is absolutely not true.

Dr. E. A. SIMMONS: That is what I am saying, that they were making arrangements to raise this loan, but then the loan was postponed.

Asides

Dr. E. A. SIMMONS: But you have not denied it anyhow.

Mr. Speaker, I want to get into this whole concept of the National Debt. It is a fact that in 1976 the National Debt was \$240 million. Between 1976 and 1986, the National Debt went from \$240 million to \$1.5 billion, so they borrowed over one billion dollars in ten years.

The honourable Member for St. Peter is saying that we gave away too much and that is why we had to borrow money. But they borrowed one billion dollars, and they did not give away any money, and they cannot explain what they borrowed the one billion dollars to do. At least, we can say that people in Barbados have money in their pockets. Because of the Budget, the people out there are happy, but the Opposition finds it difficult to explain how the National Debt could multiply five times and they have nothing to show for it. 1.15 pm.

But one should not be confused by these statements, because if you were to follow the statements made by the honourable Member for St. Peter, you will see how from time to time he makes some very conflicting statements. In the Budget Debate of 1986, the honourable Member for St. Peter accused the Democratic Labour Party of being afraid to borrow money, and said that that is why the economy was not growing. I will read from the debates of 1986 at page 3851, and this is what the honourable Member for St. Peter said:

"The first reason is that Government is, by far, the biggest spender in our economy. When it puts more money into the economy than it takes out, a number of consequences can ensue. If its deficit is too small, as has been the case in the past, then the injection by the Government into the economy to create spending power will be too limited, and the likelihood will be that unemployment will ensue. That was the case in the early Seventies when the Democratic Labour Party, given their fear of debt, refused to borrow money to implement projects in order to put the people of this country to work."

He was criticising the Democratic Labour Party for not borrowing money. Now when we borrow money to prop up the projects that they started, he is criticising us again. We should not be confused, because the honourable Member for St. Peter criticised his own Minister of Finance for the management of the economy up

to 1981, and went on to say that the bad management of the economy forced them to go to the IMF after the 1981 elections.

*

Mr. O. S. ARTHUR: Mr. Speaker, the honourable Member again must not deliberately mislead this Chamber. I have gone on record professionally as referring to a situation which occurred only in 1981 and not prior to 1981, and that is a matter of public record. The honourable Member is trying to mislead the House by saying that I criticised the Government policy straight through to 1981. I have published and said in the House three times that part of the balance of payment problem in 1981 was caused by actions of the Government, and I stand by that, professionally and politically. But to create the impression that I have been critical of the BLP's policies from 1976 to 1981 is misleading the House, and the Member must know it. It is not true.

Dr. E. A. SIMMONS: Mr. Speaker, I want again to quote from the House of Assembly debates of 1986, «* on page 3852, and this is the honourable Member for St. Peter speaking. This is what he said in the first column, the second paragraph.

"I will be brutally frank, Sir; I must be brutally frank. In 1981 we made fiscal errors again.

Aside.

Mr. SPEAKER: Order please!

Dr. E. A. SIMMONS: Mr. Speaker, I believe that it is history that the Barbados Labour Party ran the country from 1976 to 1981, and he is talking about their management in 1981. He said:

"We made fiscal errors again. The deficit was established at \$181 million, amounting to over 10 per cent of GDP, in the context of a situation where there was tight liquidity in the banking system, where interest rates were high and where the economy had reached virtually full capacity, and any more expansion would have caused it to overheat."

Asides.

Mr. SPEAKER: I cannot hear the honourable Member for the interruptions of honourable Members.

Dr. E. A. SIMMONS: I will continue to quote, Sir.

"Again, Sir, a deficit of that order of magnitude, within the context of the financial relationships at the time, caused us to go to the International Monetary

Fund."

That is what the honourable Member for St. Peter said, that the errors made in 1981 made them go again to the IMF. This is a document of the House of Assembly. So you see, Mr. Speaker, if the honourable Member for St. Peter comes in here and criticises our Minister of Finance, we should not be too concerned about it, because he criticised his own Minister of Finance. He said in the Budget Debate of 1981 that his Minister of Finance forced them to go to the IMF. I can assure you, Sir, that our Budget is not going to force us to go to the IMF. We give the people of Barbados that assurance.

The honourable Member for St. Peter, who is the spokesman for Finance, has admitted in 1986 that in 1981 their Budget, which did not put back money in the pockets of the people, forced them to go to the IMF, and everyone knows how scary it is for a developing country to go to the IMF. The history of places like the South American countries, Jamaica and Guyana is testimony of how fearful countries are of going to the IMF. So when the honourable Member for St. Peter accuses his own Minister of Finance of implementing budgetary measures that forced us to go to the IMF, you can understand the scathing comments about their own financial affairs. We need not be too concerned about the statements made today against our Minister of Finance.

Mr. Speaker, I want, just for a minute, to deal with another issue which I was quite sure was going to come up in here today, and that is the issue of the Governor of the Central Bank and that the non-renewal of the contract of the Governor of the Central Bank is causing some problems. I heard the news bulletin this morning in which I heard the voice of the Governor of the Central Bank saying that if his contract was renewed, in other words, if he was offered a new contract, he would not have accepted it, because he believes that 15 years is enough. I heard his voice on VOB this morning making that statement. I do not understand how the spokesman for Finance on the Opposition side can come to this Chamber and put a case for a man who has said that he has served enough and he wants to go home. The man said if he were offered a contract, he would have gone home, he would not have accepted it. So they are putting a case for somebody who decided that he does not want to stay on any longer.

Mr. Speaker, there are some other comments that I must make.

Asides.

Mr. SPEAKER: I cannot hear the honourable Member for St. Michael South East. Until I get silence, I will not again hear the honourable Member. If there is no order in this Chamber, I will be forced to take action to bring order. The honourable Member for

St. Michael South East is the speaker at this point and I want to hear him. Let the honourable Member continue.

Dr. E. A. SIMMONS: I want to make a few comments following up on the statement made about the Governor of the Central Bank. I think there are some things that we have to put in their true perspective. Professional people are expected to perform like professional people. I remember that some time ago I was listening to the radio, and I think this is common knowledge, and on a call-in programme I heard a statement made about somebody being a creature of the Prime Minister.

If you check the Webster's Dictionary, it will tell you that a creature is a power given to an individual by a particular individual. People who occupy certain positions in a country have got to understand that they have a responsibility to that country and they must at all times act as professionals. There are only a few Central Bank governors in the world, and this is my personal opinion — people like Central Bank governors should desist from making purely political statements, and I think that over the last four years, people in this country have perceived that some of the statements made by the Central Bank Governor were purely political. When that happens, people see authority figures like the Governor of the Central Bank as being involved in the political running of a country. Individuals who hold posts like these must understand, should understand, that there is a level above which they should operate. If, indeed, you feel that there are economic mistakes or strong points to be put forward, then you have the option of embodying that in your quarterly or monthly report. 1.25 p.m.

When people at a certain level become involve in the political atmosphere of a country, they will expect political decisions to be made with reference to their own security of tenure. Fortunately for us on this' side, the Governor of the Central Bank has made it absolutely clear that he no longer wants the job.

Asides

Dr. E. A. SIMMONS: He has made it absolutely clear that he no longer wants the job. So I just want the people on the other side, who I am quite sure will be trying to use this to wave a red flag, to understand we on this side will not be taken by that argument. And he said that he agreed with the Minister of Finance and the Prime Minister that that 15 years in the job was enough. So I think that the Opposition really has no cause to fight, because he himself, the Central Bank Governor, has said that he has had enough.

With those remarks, I want to support this Resolution.

I thank you.

Hon. H. deB. FORDE (Christ Church West): Mr. Speaker, ever so often there is a change of Government in Barbados, and it is very interesting to listen to those who come into the corridors of power and to compare their respective positions in Opposition with their positions in Government, because one is then able to gauge their consistency.

I want to begin with the fact that the honourable Member for St. Michael South Central (Hon. Dr. R. C. Haynes) said quite clearly prior to the change of Government, as the honourable Member for St. Peter (Mr. O. S. Arthur) pointed out, that his Government will not be borrowing. Up and down the breadth of this country they went contending that we were borrowing too much money....

Asides

Hon. H. deB. FORDE: look at the April Budget for a start.... just as they contended that immediately there was a change of Government, unemployment would go away and not increase!

Laughter

Hon. H. deB. FORDE: The fact remains that since this Government has come into power, in a short time it has borrowed more than any other Government has done previously in the same period of time. That is a fact that the Government has to face, and what the Minister must come in here and do, is to be candid with the House, instead of giving the people the impression that the borrowing is directed solely to pay for projects that were executed under the Barbados Labour Party Government. The very Addendum to this Resolution makes, quite clear the Government's purposes for borrowing money. So whatever the Minister may get up and read from a preposed statement for the Press to get a special political advantage, is not borne out by the very Resolution which he has brought here, Sir.

The Minister has to acknowledge that he is, in his words, trying to build up a reserve for future payments. That is one of the reasons why he is going for money. Secondly, he has to reduce the pressure on the foreign exchange reserves and the liquidity of the Central Bank.

He says this is because of repayments. The Minister knows that it is because of the shortfall in export earnings which Barbados expected and is not getting. The Minister also knows that it is necessary to borrow because we do not normally generate sufficient foreign exchange, and that net investment flows from the private sector are not coming in at the rate in which we would love them to come in. The Minister knows that he has to finance an

ongoing capital programme, whether any part of that programme has been started by them or they are continuing a programme started by us, by borrowing the foreign exchange component of that programme.

If the Minister did not borrow, is he prepared to close down the World Bank Programme? Is he prepared to close down the programmes he spoke in here for agriculture? Is he prepared to close down programmes for housing? For instance, he has to match the Venezuelan part of the project on housing, which we spoke of only last week. So if the Minister had come in here in a much more sober way, he probably would not have had the political retorts which he has had from this side of the House. The point is that the Government comes in, every time it has to borrow to give the country the impression that only because the Barbados Labour Party borrowed for projects, that it is now having to meet the commitments on those projects. That just is not true! No amount of parrot repetition from people who do not understand public finance will make it true!

Aside

Hon. H. deB. FORDE: The honourable Member for the City (Mr. P. J. M. Miller), who is *sotto voce* making so much noise, should try and read a basic book on public finance and the national debt. Then he would come in here and give a proper analysis of the reasons, instead of shouting from his seat in the manner in which he is shouting.

Asides

Hon. H. deB. FORDE: The honourable Member knows that successive Governments have borrowed for capital projects. There are certain capital projects that we cannot borrow for, people will not lend for them, and sometimes we have to wait, of course, until we have generated enough surplus to deal with those projects. The Minister will discover that the building of new law courts is one such project. But it is obvious that when we are going for certain infrastructural and long term development projects, we will need to borrow. For instance, the Government is going to continue the south coast and west coast sewerage projects. The Minister knows that Barbados cannot finance those projects out of its own resources. Also, to give another example, the Minister knows now, because he found evidence on the file, that we were looking at the cost of diversification of agriculture and the rehabilitation of the sugar industry. If his colleagues do not know it, he certainly knows that if that runs into any significant figure, and the present preliminary forecast is that we are looking at a figure of about \$300 million, Barbados cannot generate enough of that money without borrowing.

The Minister also knows that any sensible person will borrow within reasonable limits, because if we are investing now in long term development of Barbados, we cannot expect that today's generation will pay the total cost at one fell swoop. Put a different way, Sir, so that it would be easy for a few people who do not seem to understand what we are talking about, if one is building the airport, and part of the debt problem comes from the expansion of the Grantley Adams International Airport there, during its normal life that airport will benefit not only those of us today who are using it today, but children yet unborn, and therefore, it is reasonable to expect that part of the cost of constructing the airport will be met by future generation. The same goes for the Queen Elizabeth Hospital, although it is not in the same category of investment, and the same goes, if the honourable Member for the City, who is again *sotto voce* being heard, will keep quiet, for the construction of the highway that he is talking about. 1.35 p.m.

It even goes to help those businessmen who will not pay the rents on the IDC buildings, many of whom are colleagues of the honourable Member for the City. The honourable Member is provoking me to talk about a Mr. DaSilva, Sir, but I will not mention his name in this debate. He wants me to talk about his friend.

The honourable Member for St. Michael South East (Dr. E. A. Simmons) comes in here asking, what we did when we borrowed? Look around Barbados! He cannot see it, Sir? Let him go to Oistins and he will see it in the development of the Fishing Harbour. Let him go and see the Spring Garden Highway. Let him see the polyclinics that have been established. He cannot see? Let him see Barbados Feed Mill. He still cannot see, Sir? Let him see borrowing, if he wants to know, in the cement plant.

Asides

Mr. SPEAKER: I will not tolerate interruptions by any Member.

Hon. H. deB. FORDE: Let him see it, Sir, in all the projects that are there for others to see, including the expansion of the school system. That is where the funds which have been borrowed have gone!

Sir, the Barbados Labour Party does not have to apologise for the fact that it borrowed, and borrowed wisely, for the infrastructural and other development in Barbados. It is there for all to see, if they are not too partisan blind. It is there for them to see quite clearly. That is part of the debate that I wanted specifically to reply to.

I want to make an additional point. Usually when this Minister has had to deal with an increase in the

amount under the Special Loans Act, or any particular loan under the Special Loans Act, the Minister has made a song and dance about the ability of the country to service the foreign debt. Not a word have I heard from him today! The Minister, like myself, has read very carefully some of the erudite articles that have come out from the Central Bank and in Central Bank's publications, including one by Miss Zephrein, who has done a proper analysis of the National Debt of Barbados and has set out quite carefully the criteria which should govern any Government when it is committing us to borrowing on the external market.

The Minister knows that Barbados, and the honourable Member for St. Peter is quite correct, has still, not even with the borrowing now that this Government is indulging in, not exceeded what is considered a safety net for borrowing in the manner in which we are doing. The percentage of our expenditure on servicing our debt to our foreign exchange earnings is less than 15 per cent. I think the honourable Member for St. Peter says it is something like 12 per cent. The danger against which we must guard is that we fall so far behind in export earnings and the other earnings that we are getting our foreign exchange from, whether it is by direct or indirect services, that we will not be in a position in the future to service the debt that we inevitably will have to get into if we are to progress in Barbados. But I make bold to say that any sensible analysis of Barbados's foreign debt position when the Barbados Labour Party went out of power will show that we were well covered in terms of our foreign exchange earnings for debt servicing, and it will show as well, because I know the Minister likes to hear this particular point, that, in relation to GDP, our borrowing was well below what was expected and what is considered the safety net. The Minister now has the benefit of the advice not only of the Central Bank, but of the officials in the Ministry of Finance, and he would have also had access to the various reports from foreign agencies.

The Minister gives the impression that he has created a very favourable external borrowing climate. Again, he now has access to the Ministry of Finance file and he will see that Barbados had a very good rating well prior to this Government coming into power.

Aside

Hon. H. deB. FORDE: The Minister says not in 1984. Let him read the negotiations that have gone on. The Minister knows that the rating given to Barbados in the major finance houses was as good, and in fact, better in some respects at times than that given to Trinidad and Tobago, which had at that time a very good and favourable foreign exchange position. So to give the impression that they came and found¹ a Government that was beleaguered and had no standing overseas is nonsense.

It is on this particular point that I want to make reference to the officials who normally negotiate loans. It is true that each successive Minister of Finance -comes in here and beats his chest a bit and says how they have managed to do this and managed to do that. Very few of them, if any at all, are prepared to give their officials applause for the achievements and goodwill which they have built up on behalf of Barbados in the financial markets, but there is no doubt that the main negotiators for foreign loans for Barbados, led by the Governor of the Central Bank, have created an extremely favourable position overseas with their knowledge, and people have got to trust them in the overseas market. The Minister knows that.

He has now travelled in the company of the Central Bank's Governor. He has also gone with the several officials who went up to London earlier this year scouting around for this loan, and he would have heard about the high esteem in which the Governor of the Central Bank is held. Make no mistake about it, he has marketed Barbados well, and therefore, for the House to do less than acknowledge the man's commitment, dedication, and his service, would be very thankless. I know he may have been paid for it, but the point remains that you cannot dismiss him offhand.

I do not know any head of a Central Bank, whether it is the Federal Reserve Bank, or the Bank of England, who from time to time has not had to make statements which we politicians or those in the private sector or in the trade union sector have disagreed with and have probably attacked. But that does not make the man any less a professional, in my view. And it does not mean that you have to hold that against him forever and forever. That is the point I want to make.

I want to say again that Dr. Blackman has rendered an outstanding service to this country. I may not accept everything that he has said in the way he has said it, but when it comes to his performance as a public servant, he has performed well, and in 15 years he has built up the Central Bank to the position where it is well respected. The honourable Member has to acknowledge that. I do not know what are the present arrangements. I believe his term of office expires in about another two days or so, if that much, by March 31. 1.45 p.m.

I hope that the Government has now got beyond its childish stance of boycotting the opening of the Central Bank, etc. that it can now recognise that the Central Bank is a national institution. I notice they have begun to use it well. They have now begun to recognise that it has a use and that the political point which they made at the time really does not have very much validity.

Sir, I am going to make a prediction. This Government will have to continue borrowing for quite a long time, because they misunderstood. They have to pay too high a price of winning the Government. They did not do a proper analysis and therefore now find themselves in a position that, despite what they thought, there is no magic solution to the problems.

The Prime Minister is away on other national business — I am not making reference to his absence for any other reason — but one day when I said to him, 'you have been blaming the Barbados Labour Party, you will not be able to do that next year,' and *sotto voce* he said "I must be politically foolish. I will be blaming them for the next five and the next five and the next ten years." So when I hear the blame in here, Sir, I have to listen very carefully to what source it is coming from and the reasons why it is coming.

Aside

Hon. H. deB. FORDE: I have never understood the honourable Member for St. Michael South East to be other than a very partisan political enemy, Sir. I believe that if the Labour Party came in and said that his was a book and he considered it politically feasible, he would not accept that it is a book, even although his better judgment told him so. And when I hear some of the analyses coming from other Members, unfortunately, Sir, I realise that some of his views are beginning to rub off, on the honourable Member for Christ Church East Central (Mr. R. L. Morris) although I believe that he still has a little bit of objectivity. He is not willing to make a concession, so I am not surprised the honourable Member for St. Michael South East does not understand a person like the honourable Member for St. Peter, who can support the philosophy of his party and yet at times have the courage of his conviction, professionally and otherwise, to say that a particular act done by his political party cannot gain his support. That is not a thing understood in politics here.

In the speech which the honourable Member made then, he was criticising both the Democratic Labour Party and the Barbados Labour Party, for one year in each case, in the way they approached public expenditure, at election time 1981 and 1976. He was making the point, that no matter the fact that we are political animals seeking to gain power, we should be very cautious, particularly at the time of election, in the way in which we look at public finance. None of us in the Barbados Labour Party thought less of him for making that point. It is a valid point, Sir, and perhaps the honourable Member for St. Michael South East is going to see a new approach in the next 15 to 20 years among us all as the younger people come into politics, that they are courageous

enough to get up in public and disagree with some of their parties' positions on some issues without being thought any less for it either, within the party or indeed by the public at large.

Aside

Hon. H. deB. FORDE: I know he is not the first to do it, Sir. I can remember Sir Erskine Ward and Mr. Crawford disagreeing, and I can remember the Right Honourable Prime Minister disagreeing in the Fifties with his party, the BLP, and forming his own party, and subsequently the then honourable Member for St. Peter, who is now the President of the Senate. So I do not understand what was the song and dance in trying to floor the honourable Member, except that he should listen very carefully to the comment from the honourable Member for St. Michael West (Hon. B. M. Taitt), who said "every time we think you all are making a point, we will bring on Rambo." I hope he was not referring to the honourable Member in that way. I would never think of him that way. He said he is going to bring on Rambo to plague this House, Sir!

I believe that the honourable Member for St. Peter, has in a very principled way, shown this House the concerns which the country can have on a measure of this nature. His speech has been pleading for a certain candid approach to the whole issue of the National Debt and Government borrowing, and to that extent I think that his contribution to this debate has been of an extremely high and objective standard, and it has made points which the Government would be well advised to chew on for a long time to come.

Mr. C. L. TROTMAN (St. Michael Central): Mr. Speaker, it is my view - I do not think it is independent, but it happens to be mine - that borrowing cannot in itself be seen to be wrong. I think, as the honourable Member for St. Peter (Mr. O. S. Arthur) said, that we borrow to build our homes or to pay for our homes that have been built, and if I die before I have repaid for building my house, I do not think that my family should blame me for dying before I have finished paying for the house, nor should they consider that I have done them an injustice. If, on the other hand, Sir, I borrow to get esoteric stereo equipment, including video, or if I borrow too much too soon, or if I borrow without due regard for how much I can reasonably be expected to repay, then I consider that I would be irresponsible and that I would not be having due regard for my family.

The point I am making, Sir, is that if a Government, any Government, borrows, I would consider that in that exercise of borrowing it has, in making a determination regarding the amount to be borrowed, to have due regard not for its domestic family but for the body politic, the family of the nation, and it has to make

certain political decisions as well as financial decisions regarding the amount that it can borrow against what the capacity of the public is for repayment.

I think that comment needs to be made up front, especially against the background of the comment made by the Honourable Member for St. Peter, who suggested that a political statement was being made earlier by the Honourable Minister of Finance.

That leads, of course, to the question: where are we and what are we doing, and what is political science and political statements anyhow? I get the impression that long before persons became to be known by the more sophisticated term of economist, perhaps persons viewed them better as political scientists, and I believe that that was because it was perceived that there was at the base of their discipline a concern for the public welfare and the management of the well-being of the public, and that that had to do with how we perceive the interest of the public, be it in financial or social affairs, and the fact that whether it was social matters or economic matters, at the back of decision making there was a certain political dimension involved. I would, therefore, imagine that anybody getting into this Chamber and making a presentation regarding borrowing or any other matter that deals with the nation as a whole, is going to make a political statement, and I, therefore, do not believe that there needs to be a harrowing on one side or the other regarding the nature of a comment that is made in presentation of a submission, because it will, of necessity, be a political presentation. 1.55 p.m.

The analysis that one will give to a set of borrowings will have political biases which will relate to the dimensions of the views of the individual as they relate to the position which his political party or his political grouping has on it as a political issue. Unfortunately, Sir, the concept of borrowing at the national level has all too often been seen as political football, and in those circumstances, Mr. Speaker, we have a problem.

I think, Sir, I will have to pause in deference to the Honourable Leader of the House and the Acting Prime Minister at this time.

SUSPENSION OF SITTING

Hon. L. E. SANDIFORD: Mr. Speaker, we have reached the customary time for our luncheon break.

I beg to move that this sitting be now suspended until 3 o'clock today.

Hon. E. E. GREAVES: I beg to second that.

The question that the sitting be suspended until 3 o'clock was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 2.00 p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is resumed.

When the suspension was taken, the honourable Member for St. Michael Central was speaking.

Hon. L. E. SANDIFORD: Sir, with your permission and that of the House, I am seeking permission to re-open the item "Notices".

Mr. SPEAKER: there being no objections, proceed.

GOVERNMENT NOTICES

Hon. L. E. SANDIFORD: I beg to give notice of the following:

A Resolution to approve the replacement of the rates of pay applicable to Categories 2 and 3 in the Schedule to Resolution 20 of 1987.

I am seeking permission of the House to deal with this matter at this sitting.

GOVERNMENT BUSINESS (RESUMED)

Mr. SPEAKER: The honourable Member for St. Michael Central.

Mr. C. L. TROTMAN: Thank you, Mr. Speaker.

When we took the break, I was making the point that, regrettably, the matter of borrowing sometimes becomes a football matter, and it is not unusual that the party or parties that form the Opposition are in a position where they get, or are perceived to get, more kicks at the ball. On this occasion, it is quite clear to me that there is no question whatever regarding the support there is for the loan, but the occasion is being taken to deal with some issues which have arisen.

I am particularly concerned with some matters raised by the honourable Member for St. Peter as they gave the opportunity for us to look at a wider, set of parameters. For example, Sir, we have heard the matter being raised by him that the Government has given too much too soon, I think those were his exact words. I imagine that, to a very great extent, that might be a reflection of some comments which appeared in the media in the not too distant past, and what comes to the

immediate attention is the question — who says, or who has said, that the Democratic Labour Party Government has given too much too soon, and to whom has the Democratic Labour Party as a Government given too much, and how soon is too soon? Am I to understand, Sir, that the persons who have said so are persons who may have referred to university education, for the sake of argument, and persons who may be Concerned that university education is now possible for persons like myself, poor persons who could not otherwise get university education? Am I to understand that the persons who said this have themselves waited until after their own children have had university education before...

Asides

Mr. C. L. TROTMAN: University education versus scholarships.....then to make the point that we are spending too much on education? Are these the kinds of people that we are referring to who may have said that we have got too much too soon? Or are we, perhaps, talking about persons who are members of families which families over the years have benefitted at the expense of the masses of persons working in Barbados, especially in the sugar industry and related areas? Are we to understand that we may be referring to such persons who may, in fact, want the society to continue to support their families? Who is saying that the Government has given too much too soon?

I would not believe that the three Members who sit here with us would say so, but then I have to remember that the honourable Member for St. Peter is a person who had said so, so there is a certain contradiction in my mind. I am sorry that he is not in his seat to hear me, but he did say to me that he is coming in a little later and he is hearing what I am saying. I cannot believe that the Barbados Labour Party is disagreeing with the arrangement to remove the Income Tax from persons working for less than approximately \$290 a week, because it was the Barbados Labour Party that was part of that exercise. You may remember, Mr. Speaker, that in their last Budget before they gave way to the Democratic Labour Party to be the Government of the people, it was they who raised the flooring of persons who would go without paying Income Tax from about \$7 500 a month, or about \$145 a week, to \$10000 per annum. It is just that the Democratic Labour Party had perceived a much more comprehensive benefit in terms of the giving of a tax. 3.05 p.m.

I do not want to use the language of the Mighty Gabby, because I do not like language like "back raising," but the point of the matter is that the Barbados Labour Party itself had recognised that there had to be persons who, when they worked, would be able in normal circumstances to work without paying any tax, that is, direct taxation. So the Barbados Labour Party cannot be

saying, at least I hope that the Barbados Labour Party is not saying, that it is opposed to an arrangement where the Democratic Labour Party has moved the flooring for tax from \$10 000 per annum to \$15 000 per annum. And I would hope, Sir, that they are not saying that they are concerned by the change in the arrangement where there is no longer a situation where if a person got \$10 500, he paid 10 per cent tax on the entire amount of money, but is now free and pays tax only on the amount of the surplus beyond \$15000. I do not perceive that they would be saying that that is too much.

What has, unfortunately, happened is that persons who would not have the same interest of the public at heart have made these sweeping statements about too much being given to the masses of the people, and regretably these statements have been taken up by certain members of the Barbados Labour Party and have been used, perhaps not in the same context, but used nevertheless. If tax benefits have been given to the people of Barbados, it is only because on all sides and in all areas in our country it was recognised for years that the tax burdens on working people of this country were acting as a disincentive to persons to create more in terms of their effort at work, and whoever there was, whichever party that person was from, should have perceived that it was necessary for us to give greater tax benefits to the workers. The workers have recognised this.

We are hopeful, I certainly am very hopeful, that the employers and the companies, which will also benefit, having, as they do have, in my estimation, increasing confidence in the Government, will recognise the need there is to use the benefits that they have received not for small minimal interests that they may have as persons, personal interests, but rather in the wider interests of all the persons. I would hope, Sir, that if for no other reason than that they are persons who are able to recognise enlightened self-interest when it applies, they would from that perspective of enlightened self-interest recognise that if they were to use the benefit that they derive in productive areas to create more jobs to help more people, to help the youth of our country, the country as a whole will benefit, and that as individual owners, or managers, directors of companies, they themselves will benefit as well.

I wish as well, Sir, to make reference to the point that borrowing for capital projects to create jobs is agreeable. The honourable Member for St. Peter made that observation, and I do not think that anybody on this side would oppose that. As a matter of fact, Sir, we are agreed with that, and later on I will make reference to that, but we have to be concerned with certain vital issues regarding that matter of borrowing to create jobs. We have, in looking at any amount of money that is borrowed, to ask ourselves, first of all, what is the amount that we are trying to borrow, why are we

borrowing it, what are the benefits to the people from borrowing that money?

There has been very much controversy, for the sake of argument, about the borrowing of approximately \$90 million for the building of what has been referred to as the access road. When that road is completed, it will obviously have certain spin-offs in terms of benefits, and when people attack the borrowing to build that road, they are not saying that when the road is built they will not use it, they are not saying it is not going to have any benefits, they are saying that in terms of the priorities available to the people of a small country like Barbados, the spin-offs in terms of eventual capital accretion, eventual jobs, companies' advantages and the free flow of trading activities, the building of such a road is not a first priority. That will continue to be a matter that is argued, depending on where one is, for quite a long time to come, but one of the things for us to recognise is that it is a fact that it is there now, and it is also a fact, Mr. Speaker, that for the amount of money that is being spent, we, unfortunately, are not having the kinds of numbers of persons employed that a country of the nature of Barbados would have looked for.

The overseas company that is involved in this exercise, as you may be aware, Mr. Speaker, is a company that has brought a tremendous amount of large machinery to do the job, and if you or anybody else, for the sake of argument, were travelling along the University Drive and up along that hill, you would have recognised, Mr. Speaker, that in one morning, from the bottom of University Drive road up almost to University Crescent, the whole sidewalk was put down in cement in a couple of hours. I am not suggesting that we can put back the hands of the clock, Mr. Speaker. I am not suggesting for a minute that that is not what technology is all about. I am merely indicating to you that once upon a time Barbados would have been very pleased, because a project of that sort would have created employment for hundreds of people. So far as I am aware, there are very small numbers of people directly employed by the main contractor. The union agreement that there is is for less than 100 persons, and I do not know, Sir, if in the spin-off employment we have any large numbers of persons who are engaged. Therefore, the question arises: were that money spent in other capital activities, would it not be possible that there could have been other kinds of activity, housing, for example, which might have put many more persons into jobs?

As another example, Mr. Speaker, when the Central Bank has been attacked, I do not think that anybody wanted to suggest, and I am sure that the Honourable Leader of the Opposition does not believe that anyone wanted to suggest, that one day persons might not use the bank, because it is an institution for which the taxpayers of Barbados are responsible in terms of paying for

its erection and in terms of being responsible for it indirectly. I am saying, Mr. Speaker, that because the Democratic Labour Party was opposed to the erection of this building, that is not to say that the Democratic Labour Party, now that the building is there, cannot make use of it. I think that is a regrettable argument, and I was a little surprised to hear it coming from so astute a person as the Honourable Leader of the Opposition. It is really an unfortunate argument to say that one cannot oppose the erection of a building of this sort, but today make use of it, now that it is there. I am sure that there are many other things that we would have been concerned about initially, but when once they are with us, we make use of them.

I think that it ought to be recognised that the Democratic Labour Party went public as saying that the amount of money which was being spent for a building could have been usefully spent doing other things. The person who has the honour to be Minister of Agriculture has been heard publicly on many occasions setting out very beautifully how that money could have been productively used to produce a large number of housing units to satisfy the burgeoning needs and expectations of persons in Barbados for housing. He has been able to show that there would not only have been direct labour for carpenters and masons and others, but there would have been ancillary labour for other persons doing other jobs, and that Barbados would have benefitted tremendously from the injection of that kind of money into housing rather than into one single building. 3.15 p.m.

(*Aside:* Hon. Dr. R. C. HAYNES: Henry said the same thing in Canada.)

Mr. C. L. TROTMAN: I have no doubt that a number of other persons and some members of the Barbados Labour Party may share that view as well.

Laughter.

Mr. C. L. TROTMAN: The point that we want to make on this side, Mr. Speaker, is that arising out of this loan, issues are being raised which have got to be addressed, and the public has got to be made to recognise them, as arguments of sentimentality or emotionalism. We have got to view those in hard, frank, and sometimes very basic needs, and we, therefore, have got to be able to recognise — and when we recognise, to show — that when one party or one set of persons criticise something, that that does not distance that individual or party from that something forever and forever.

Another thing I would like to touch on very quickly is that it is a matter of the embarrassment that Barclays has been the bank that has been used. We should like to borrow some pounds, and the question of borrowing, as I have said before, will raise questions. The

Government has said that the loan is to be used to assist in the continuation of capital programmes, and furthermore to assist in foreign debt repayments very clearly set out by the Minister and by the Leader of the Opposition. Therefore, the question in our minds has to be not if to borrow the money, but from where to borrow the money.

I should like anybody to tell me the banking institution anywhere that does not consider that it is being done a favour if somebody who has a good credit rating comes to it and seeks to borrow \$30 million? If you do not have a good credit rating and you go anywhere even to borrow a pound of salt, you will not get accommodated. But if you have a good credit rating and you go to borrow \$30 million, several people will throw themselves in your way and will offer you packages to be allowed to be the person who will lend you that money.

(*Aside:* Hon. Dr. R. C. HAYNES: We had three offers.)

j.

Mr. C. L. TROTMAN: I am understanding, Sir, that the Government had three offers. I have no doubt that if the matter were canvassed more, there would have been many more offers, because I agree with those persons who have spoken who have said that Barbados, as a country, has a tremendous international rating that allows Barbados, when it goes on the international market, not only in the field of sport, but even in the field of borrowing, to be able to command respect. I, consequently, am of the view that Barclays Bank, despite whatever personal comments may have been made in this place, is far from being embarrassed on being approached on this loan matter. In fact, they are pleased as punch to be able to get this business that is coming their way.

(Hon. Dr. R. C. HAYNES: Very happy!)

-+

Mr. C. L. TROTMAN: One has to be able to understand that we do not have in dealing with business to lie in the same bed with the person we are doing business with. I do not mean that derogatorily, Mr. Speaker.

Aside.

Mr. C. L. TROTMAN: In the industrial relations scenario, we say as a trade union that we do not have to lie in bed with the employer to get a good contract from him. We can feel that the employer does not have an awful lot of sense, and sometimes he may not have a lot of sense; we can say that he does not have a good track record, and sometimes he does not have a good track record; but that is not to say that we cannot elicit from his company a good contract for and on behalf of the workers. And because the world at large is concerned about that particular bank's attitude to indigenous people, like people from Barbados and South Africa, that

is not to say that we cannot do business and get a loan from them.

We have to recognise that the question of the loan cannot be one we are going to fight. There was no attempt, so far as I can recognise in the document before us, to by-pass the issues, because the document clearly shows that there is a two-fold purpose for the loan. One purpose is to assist in continuing the Government's capital development programme, which was in progress prior to May, 1986. Secondly, it is to assist in meeting the foreign debt repayment. I think that the person who moved the Resolution, the Honourable Minister of Finance, did make those points.

Furthermore, there was another reason that was given in the document that came out to all of us. This was not touched upon by honourable Members so far, and I believe it was an oversight. The reason given at No. 4 in the Addendum to the Resolution says that the loan is being sought to take advantage of favourable market conditions to build up a reserve for future repayments.

(*Aside.* \Hon. H. deB. FORDE: I made the point, I said so.)

Mr. C. L. TROTMAN: I am sorry, Mr. Speaker. It is possible that this was said. The Honourable Leader of the Opposition, to use his language, *sotto voce* did in fact say that he said that. I have no difficulty with that.

My point is, therefore, that there was no attempt being made by the Minister to avoid facing the issues head on. I do not believe that it is correct to say that we have been trying, or anybody has been trying, in this Honourable House to mislead in terms of what is required in this loan. Therefore, I have pleasure and honour, Sir, in supporting the Resolution.

In closing, comments have been made about the Central Bank and the Governor. I do not propose to say anything much here on that matter. I believe that much will be said and written later on, even by my institution, if, in fact, it is confirmed that he is moving on, and he has said so.

Aside.

Mr. C. L. TROTMAN: He is not in the union, but he is a worker, and he has said, Mr. Speaker, that he is a worker — he used the term, "creature".

Aside.

Mr. C. L. TROTMAN: He is a worker, and any worker who has worked for an employer needs, when he is parting company with his employer, to have the

employer review the time that he has spent with him. As I said, it is not my duty to do that, except to make the point that, a year and a half ago, the Governor did make the observation that he had served longer than any other Governor within the Commonwealth and that it was his considered opinion that such length of time was not in the best interest of Governors to serve. That was a year and a half ago, and he was speaking to persons, including myself, who are involved in the Barbados Workers Union.

The fact of the Governor's going is not a matter to be made a political football. I would like to think that he should be treated with the respect that any worker who is leaving his job should be treated with, that kind of respect to allow him to go either to retirement or other jobs without having his job, his status, his stature and his personality become a matter for footballery.

I thank you very much, Sir.

Applause.

Mr. L. L. BRATHWAITE (St. Michael North East): Mr. Speaker, I wish to begin my contribution to this debate, Sir, by stating that it is my view that personal history can only be written in one's lifetime. And so I would need in this brief discourse to refer to a couple of statements made in speeches in this Honourable House which would seem to indicate the difference between the stance that is taken by the honourable members of the Opposition on this occasion and the stance taken at an earlier stage. I refer to the year 1978 and the Budget Debate, when, as recorded on page 804, under the subheading "Public Debt" it was stated by the then Minister of Finance:

"As of 31st March, 1977 the Public Debt was \$271.2 million, of which \$219.1 million was borrowed locally and \$52.1 million from external sources. The provisional figure for the Public Debt as of 31st March, 1978 was \$331.5 million, of which \$267.1 million was borrowed locally and the \$64.4 million from external sources. 2.25 p.m.

"I am not particularly worried by the net increased external debt since it was due to the drawing down of funds for Project Loans and to borrowings to finance external debt service for the fiscal year which amounted to \$3.0 million. The figure for total debt is high, but for the first time in five years it appears to have declined from the amount recorded at the end of the previous calendar year, which was, in this case, \$334.2 million in December 1977."

I wish to relate to that a situation where we have the members of the Opposition in defending a statement that was made by the honourable Member for St. Peter (Mr. O. S. Arthur), having been reminded of it during the speech of the

honourable Member for St. Michael South East (Dr. E. A. Simmons). The member for St. Peter got up on a point of order to explain it, but it went a bit further when the honourable Member for Christ Church West (Hon. H. deB. Forde) tried to explain the honourable Member's position, that he was relating to a period in which the Democratic Labour Party had thrown the country in some sort of financial chaos and that that had carried them into the clutches of the IMF in 1977. And the honourable Member for St. Peter has said that again the Barbados Labour Party Government had in 1981 created the kind of situation which threw us in a very serious dilemma. What bothers me when we hear the speeches made by honourable members of the Opposition, I presume, Sir, from what I have been hearing and from the coverage that I have seen in the local Press, that these statements are made primarily for the Press to carry them for the guidance of the people of this country.

Hon. H. deB. FORDE: On a point of order, Sir: The Member can be well satisfied that the Opposition speaks in this House from a position of conviction, Sir, for the benefit of the Members and in accordance with the Rules. We are not interested in what the Press may say, Sir.

(Asides: No, no!)

Mr. L. L. BRATHWAITE: Mr. Speaker, Sir, I am only saying I have the feeling, because if you take very seriously into consideration the facts which relate to the speeches that are made, Sir, one cannot seriously accept the positions taken by the honourable Members of the Opposition. I think that the people of this country deserve to have a proper assessment of the economic situation in this country, however we may feel about our respective positions, and it cannot be denied that debt service payments of \$3 million in 1977 as related to almost \$200 million in 1986 represents a fantastically high increase. Whatever you may say of the achievements of the Barbados Labour Party, the Democratic Labour Party will have to service these debts of today.

A song and dance has been made of what the Barbados Labour Party has produced for this country to have incurred a debt of that magnitude. If I would be given the opportunity, Sir, to compare what this country has seen in terms of development for the meagre comparative figure in 1976, I believe that it would be food for thought. I believe that many people today would forget that in 1961 the East Coast Road, as is known today, was nowhere that traffic could pass, nowhere that people could feel safe even walking, except during the day. The East Coast Road project was completed during the term of office of the Democratic Labour Party. There is a building not very far from us, Sir, known as the Treasury Building, that was built on an almost impossible site, as

the then Opposition used to say, because they said that one day it will be washed away. That was built during the Democratic Labour Party's term of office. There is the National Stadium, the National Insurance Building, and there are a number of schools, secondary and otherwise, that were built and refurbished by the Democratic Labour Party, including the Community College, which was a bone of contention between the then Opposition and the then Democratic Labour Party Government.

I can go on and on in that vein, but I want to highlight those areas that really touched the lives of the very small people in this country. We can think in terms of the institution of the subsidised bus fare. We can think in terms of the Textbook Scheme. We can think in terms of free secondary education. We can think in terms of a School Meals Service.

All I am saying, Sir, is that if you are looking at situations, you need to see the facts as they are. If today the Democratic Labour Party, if even by the argument of the Opposition, has to borrow money, they are supposed to borrow money because the situation has been left that we must repay the debts which have been incurred by whichever Government there is. So we should not make the kind of noises, Sir, which could tend to create some kind of distrust in the minds of people of this country as to which Government is doing this or which Government is doing that.

The case has been clearly made, Sir, that the National Debt of this country, including the foreign debt, is a large one. The need for debt servicing and debt repayment will come on stream at a time when the Barbados Labour Party is not in office. The Democratic Labour Party has this responsibility. The honourable Member for St. Peter said that the first thing one does out of his salary is to look at the debts which he has incurred to pay those debts. The Democratic Labour Party's responsibility in this matter is to pay the debts, irrespective of whoever has incurred those debts. I think that we should try as much as we can, however sensational we might think we are, let us always try, to give the public of this country the facts as they are, and as they, through their delving into history, can find those facts. It does not do our country and it does not do us as legislators any good if, as we look through the pages of history, we can find situations which tend to show us up in worse light. 3.35 p.m.

With those few remarks, Sir, I would like to throw my support for this Resolution, because as the Member for St. Peter said, it is a continuation of jobs. As explained by the Honourable Minister of Finance, he has to carry on some of the projects that were started by the Barbados Labour Party. He has to look in terms of keeping the debt payments record of the Barbados Government in good shape and therefore I can do no other but support this Resolution wholeheartedly.

Mr. R. L. MORRIS (Christ Church East Central): Mr. Speaker, there can be no question that the discussion of debt in a small Third World economy is going to be a matter of tremendous political concern. I think that, more and more, we are recognising that today's debt is tomorrow's millstone. You go into debt with expectations of improving the conditions of life of your citizens, but the examples are now proliferating in the Third World that debts that are contracted, sometimes unreasonably and for the wrong reasons, can become tremendous detriment to a particular country. That is why I think the Democratic Labour Party made debt a matter for debate over the last years. It was not a matter of being political in the sense that they were being partisan against a particular party.

The matter of debt makes us all nervous. The last figures I have seen for debt in the Third World is something like \$700 billion. Our component of that debt might appear small, but we can only relate our portion of the debt to our own particular circumstances. I say that, Sir, because the impression given here is that if the Honourable Minister of Finance had introduced his Resolution purely in an economic context and not in a political context, the Opposition would not have debated or have considered that there was any matter really of antagonism. I would suggest that we know that that is not quite what will happen. The fact is that debt is a matter of concern to both political parties and we will try to make each other nervous about discussing how much debt we are going to accumulate.

It seems to me, Sir, that the history of the accumulation of debt in our country is one that has caused all of us concern. I am not always sure what exactly the concern is about, whether in terms of just numbers, that you move from one volume of debt to another volume of debt, because that need not be a matter of concern. First of all, one knows that when we discuss these numbers, sometimes we do not make it clear whether we are talking in terms of the nominal value of that money or the real value of the money, and those of us who have been associated in any way with capital accretions know the escalating costs of the goods and services that we have to purchase.

For instance, if you look at our Labour College in St. Philip, all of the land for that and the entire buildings cost less than one auditorium that was built ten years later on at Harmony Hall, and the auditorium that is at Harmony Hall is smaller than one of the auditoriums that were included in the original purchase. So one cannot look baldly at figures and say that because there is an escalation in the nominal value of your debt, that is by itself a danger. One also has to appreciate the logic in life and in development, that things tend not to go down but to go up.

I am not going to put myself in a position at any time to say that whenever our party leaves this Honourable Chamber, we will be back to the debt of 1986 or

anything like that. I would never do that, because it would be foolish. My expectation is that our debt levels will increase. That is inevitable logic; no problem about that at all. Ten years from now, 15 years from now, we are going to be talking about billions of dollars in debt, that is a fact, so I am not getting into that debate.

I think, however, that our concern always is about the relative fragility of our economy. That has to be a concern. The fear is that even today, as everything appears to be quite all right, the international economy can go into another recession worse than the one we are experiencing, because sometimes we tend to forget that we are in the throes of an extremely strong recession. I think and I would maintain that it is in many ways worse than the one the world went through in the 1930s, but it comes at a time when the political structures are in place that we do not see its worst effects, its worst impact. But all of us today know that we experience a certain amount of insecurity because we are really grappling with forces over which we have sometimes a feeling that we cannot control them too much.

When we hear, for instance, big countries in Latin America saying that they are not going to pay interest on debts they have contracted, we know the public shame that we would face in Barbados, because of our background and our pride in ourselves, if we were caught in a situation where we have to ask any financial institution to reschedule our debts. We just do not want to get there. Other countries are accepting this as inevitable, as normal, but we have our own particular national pride. We do not want it to happen. If we are doing it and everybody else is doing it, it would be the norm, but still we want always to be able to say we never had to do that.

One of our peculiar problems is that we are a people who are very, very proud about ourselves, and we feel that if we anticipate these problems, we are able then to 'steer clearly around them. That is what I understand the whole debate about debt in this Chamber, on the political platform and across the length and breadth of this country to be about. It is saying to everybody in the world that Barbadians are concerned about their responsibility and about their notions of management of the public economy. That is what we are saying when we talk about debt all the time. We are saying that we know what can happen in this world, but if we take the precautions beforehand, and if we chide each other about this, then the chances of that happening will be minimised.

Therefore, I think that we have to some extent, to bring the whole question of politics into debt. But if you look at the crisis points we have noted in terms of the debt problem"- 1976, 1981 - it is not pure coincidence that we are talking about the end of five year cycles, and we

know what happens at the end of these five year cycles. So if, for instance, at the end of another five year cycle, the end of 1986, this particular Government has to contract certain debts, all I am suggesting is that if by some freak of nature the other side were in power at this time, they would have the same problem basically.

We know the patterns of borrowing. We can check them and see that borrowing and jobs go together, and probably one of the reasons why the last Administration was defeated was that the timing of their borrowings did not work out well enough for them. If they had got the money for the road earlier, they might have been fooling people earlier that they would get jobs. As it turned out, the road did not bring any jobs. They might have been able to fool persons that jobs would have been coming, because they would have started the projects earlier and they would have been able to get other projects going at an earlier time. As it turned out, the timing did not work out too well, for reasons which, of course, we have some idea about. 3.45 p.m.

I think the whole loan was very widely publicised, why it had to be rolled over and so on. So if we look at it in terms of the five year cycle, there could be no doubt that in 1987 any Administration would have to be thinking in terms of paying back some money. There is no question about that at all.

What we are doing is not extraordinary borrowing. When the honourable J^der of the Opposition talks about a record now - and this always amazes me about the use of the term "record" - every time something goes up a little more, it is a record, so records have no permanence whatsoever. They keep moving all the time. You know, the Barbados Labour Party likes to think all the time of setting records. Every thing they did was a record, so they want to label us with records now. When the records are bad, they want to label us with them, so we will have the reputation, according to his statement, of the greatest amount of debt in any 12 month period for a new Administration coming into power.

But it is not really our debt in terms of an Administration debt. The important thing about it is it is the country's debt. Do not let us pin it down now and say that this is the DLP's debt. It is not that we are running away from the fact that we will borrow - and when we borrow, we will let people know that this is our borrowing, and we will show what the borrowing is for — but the idea of suggesting to the people of Barbados that, after having taken a position about debt, we are now moving away from that position would be an incorrect impression that is being given.

We are not an administration that believes in borrowing without any constraints. We have criticised

what we consider to be that type of borrowing. But the inevitability of the process is that there is the push-pull effect, that once you have started borrowing and that borrowing is passed on to another Administration, you have to handle it. You cannot renege on it, you have to carry it on. There will be a point where you can cut it off and say that is theirs and this is ours, and we will reach that point, but do not try to push us into it too quickly.

I think that, basically, the real concern here is not about the loan that is being debated this morning. My concern, at any rate, and I think the concern, generally, of my party, is, what is going to happen to this economy, especially at a period of reconstruction, to some extent?

We cannot really borrow from Barbadian experiences, I think, because what we are trying to do at this point in terms of our fiscal incentives and so on is relatively new, and you are taking a step into the dark to some extent. You have seen the strategy used in Tobago, you have seen the strategy used in Trinidad, and we know that there are certain discomforts, there is a certain amount of unsettlement that, comes about in these periods. I am anticipating, with optimism, as a lot of the good analysts writing on the situation are anticipating, and because I have confidence in the Minister of Finance, that we will be able to come out of the difficult period that we must go through. Nobody is going to question that, because it is not a political thing at all.

Our party took the very courageous stand of reconstructing the economy during a period of depression, at a time when your tradeable goods sector is not performing the way you want to see it perform, at a time when the capital outflows from the developed countries, for some reason or another, are not moving in the way that we in the developing countries would like to see them, and at a time when the leading financial institutions are taking status evaluations about our economies that are detrimental to us. So we are going into new waters that are relatively uncharted, but we are going with a basic integrity and understanding of where we have to go for the benefit of our entire country, and I think that is where our concern must be.

How can we get the person with capital to invest more in this country? How do we get our manufacturers to penetrate new markets? And I must say that this is the first time, I think, this type of confidence has been displayed in the private sector for a very long time in our history. It throws a lot of responsibility on that group.

I am not going to put my party in a particular position by expressing my own private concerns. I was very surprised to hear a leading person in the Other Place voicing certain statements. I did not think he portrayed the kind of responsibility that I would have expected

from that type of sector. But it seems to me that some important areas in the private sector are beginning to respond to the challenge that has been going out to them. At the same time, I am very cautious, Sir, extremely cautious. I understand the power of the private sector in a community like Barbados.

My model for economic development is Sweden. I put a lot of faith in the Swedish approach to the economy. It cannot be my model in the sense that it is a developed country and, therefore, there are different considerations there, but I think there is a lot to be learnt from it, and I think that the most important thing that can be learnt from that economy is the totality of participating economy, the fact that people operate together with a certain amount of neutralism in the approach to pushing their country forward. There is not that separation between private and public sector. It is a socialist economy.

When I use the term "socialist economy", I use it in pejorative terms, because I have fears of using "socialist" in other terms. I am afraid of certain people who call themselves socialists. But I accept the word "socialist" as used in the Swedish economy because it is the kind of socialism that we can borrow from and can learn from in our own context here. That socialist economy is experiencing inflation rates of about three per cent and unemployment rates of about two per cent. The state controls most of the economy and is not having the kinds of dislocations that are happening elsewhere. But it comes from a whole concept of neutralism, everybody working together, removing the cleavages where possible, understanding that the private sector has a role to play and also understanding that the state has a role to play, and everybody accepting their roles with the necessary responsibility and commitment to the society. That is the challenge that we have thrown out to every area of the private sector.

We have been talking about banks today. My intervention about banks in this debate has nothing to do with whether we get a loan from Barclays, or Royal Bank. I am not going to look at Barbados in a historical or social context. We try to look at Barclays as a bank, an economic institution, and if we are getting a loan from there, then that is what we are looking at, an economic institution. They have been here long enough — it was the first bank in Barbados — and they have been involved in the private sector in terms of the sugar industry for a very long time, and they are still wrapped up in that and in other areas.

Our concern has to be what contribution the commercial banks are making to the economy of this country. The most important thing we have to look at is whether they see themselves as having a responsibility to the country or to their shareholders who do not reside in the country. At the same time, we recognise that we are dealing with powers. We are dealing with institutions that

have tremendous amounts of power, and we, therefore, have to be careful how we deal with them.

Earlier in our Administration I read in the newspaper that our Administration was trying to relate the financial statements of these banks in such a way that you knew what the operation of Barbados was against what the operation was elsewhere. I am not even sure at this time what success we have reached in that kind of determination, but it seems to me that there was a principled position to take if we were going to be dealing with these institutions. We had a right to know with what success they operate in our country, because I want it to be clearly understood that we are not begging banks to lend us money, we are not begging banks to deal with us. We put our money in those banks, they make income from us and they have a responsibility. It is not only an economic obligation they have, but in some countries banks have social obligations also. They are considered to be good corporate citizens if they donate money towards a playing field or towards scholarships, and we have to understand that institutions like banks that are so powerful and so wealthy in this community are not doing us any favour whatsoever when they make loans to us.

That is my contribution about banks in this country. It has nothing to do with whether we got a loan from Barclays or the Royal Bank, and I think that one of the reasons why we have been a fighting people for a very long time is that we have not had that self-confidence to deal with certain institutions. The credit union movement is going. Sooner or later, the credit unions are going to be controlling billions and billions of dollars in this country, and the people who will be running them will not be Canadians, or English people. There will be Barbadians running them, and it is only when we get in a position where we can challenge those banks that they will try to act in a different way towards us. 3.55 p.m.

It is very important that we do not shirk away from taking on the responsibility for matters of finance and monetary matters. We have always been made to feel that they were outside the pail for us, they were not matters to which we had any natural affinity or natural capacity. • I feel that when we get in a position of authority when we have to be able to deal with those banks, then we will deal with them with all the mutual respect that is due in a negotiating situation.

Mr. Speaker, the Honourable Leader of the Opposition made a statement to the effect that the Democratic Labour Party has calculated in terms of the unemployment situation. I think he made a statement to the effect that we told the people that as soon as we got in that unemployment would be solved. It is not one of the most illustrious statements he has made, and I know

he is not too happy about making these kinds of statements, because he prides himself on his objectivity.

Asides.

Mr. R. L. MORRIS: I would not say that, that is unparliamentary. It is not a truth.

I do not think that anybody on our side would have told anybody that as soon as we got into power, unemployment would disappear. So he would not be happy making that statement, or the statement that we miscalculated the debts that we would have to face. Miscalculation after the kind of analysis that we put into it and public education! We were hoping that it would be better than it was when we actually found out when we got in here, but that is more a reflection of their being able to mask the reality than real miscalculation on our part.

When he went to that level, I realised that he was not on all fours, because he started arguing, as he says, *ad hominem*, speaking to certain people and so on. It is not the level of debate I normally expect from him. But that is because he was becoming political, because really there is not much to debate on this loan. We are agreed on both sides that it is a legitimate loan. It is one that is going to be very important to the community. We have to do it now. We are borrowing when the market is good, and it will be used productively for the improvement of all of us in the community.

I want to touch the matter, very cursorily, of the Governor of the Central Bank. We do not have anything against the man in the performance of his function. This is not something that has to be particularised and given an impression. I remember that during the Estimates, from very early the Barbados Labour Party started to sound off about how good he was and so on, giving him his swan song, singing it for him. We do not have to do that, because we do not operate with some knee-jerk reaction that, if you do it, we do it, too. The point is that the man's record and his history will stand to support who he was and what he was, not adulatory comments coming from either side. Some of them might be hypocritical, and one recognises that the spokesman on Finance would not make those comments. He, perhaps, has his views why he would not have joined his two colleagues and make comments about how good the Governor of the Central Bank was.

Quite frankly, when people talk about Dr. Blackman's comment about being the creature of a Prime Minister, or something like that, it told me a little about Dr. Blackman and it told me a lot about the then Prime Minister, because there is always a relationship between the employer and the employee. When I hear certain persons call their employer "the boss" one of the concepts that we put tells me a lot about how the mutual

relationship is seen. I believe that Dr. Blackman was really describing how he perceived his relationship with somebody else, and I do not know why he got all the blame for it.

(Aside: Like all roads lead to Barrow.)

Mr. R. L. MORRIS: Exactly, and the person who wrote that was saying that as a compliment. That is what has not been shown clearly. He understood what was happening in a small economy. Now you could not say that for a man called Ronald Reagan. The opposite would have been said - he did not know what was going on. That is different, nobody can say that in a complimentary way about him. But we try to take a comment that was a good comment — all roads led to him, because he was on top of the situation, but this did not mean at the same time that he did not delegate responsibility or anything else - and distort it. It is a comment that has to be taken in a totality of circumstances.

Sir, I have a problem, as I said, with the private sector. We have given them a great opportunity to come forward and work with the Government for the improvement of this community. The private sector, as I said, shows a kind of weariness, or has shown a kind of weariness historically, to accept that kind of challenge. It is for me, quite frankly, the most worrying aspect of what will happen in this country in the years ahead, because, in a way, we are asking people who have not in the past understood these kinds of challenges to take up an extremely grave challenge. I want to be optimistic.

I see a response in terms of the money they are getting and I know this is going to cause problems in certain ways. When Shipping and Trading and the other companies report the outstanding profits they have made, clearly there is going to be a beating of drums saying that now that money has to be taken off by the unions for the workers. I know we have a peculiar responsibility in this one where workers do not perceive they are benefiting, and this is what the Barbados Labour Party has been saying. The Barbados Labour Party has been saying that all the money has gone to the companies, that the redistribution in the fiscal measures has been such that we are making the rich richer already. You are sending out those kinds of signals to the people out there.

If you are going to release that kind of money for investment, for job creation and so on, you cannot at the same time be increasing workers' expectations that they must get back all of that money. I know that in a peculiar way my comrade from St. Michael Central (Mr. C. L. Trotman) and myself will have to be dealing with that situation. I think it is something we have to be very careful about, because if we are going to try the whole process of reconstruction, we have to give these people the opportunity to see what they will do with the excess

earnings that they will get, because wage earners are only one category of people in this community, and we have to be looking out at the wider area. We are conscious of this. We understand the responsibility that is thrown on the private sector as well as the trade unions in the period coming up.

What bothers me is that there is a lot of attention being paid to the fact that some so-called perks are going to be taxed now. That does not, to me, suggest the kind of responsibility that this group should be showing. We have all suffered one way or another, and if they have to, after getting certain give-backs, now experience certain areas where certain controls are being placed — and the perks were always taxed anyhow, so there is only an additional burden of taxation on them — and they perceive that to be the problem and they begin to cry already, I do not see that they will want to take sacrifices in other areas. I hope that they will not feel that the extra money they are getting will be alienated to them in the form of dividends that they will use to improve their own personal circumstances. If they do that, I think that, to a large extent, they will be jeopardising the immediate future of this country, and I think that the results would be catastrophic down the line.

My plea to the private sector, therefore, is that they exercise responsibility in the challenge that has been placed on them. I believe that, they more than any other sector in this country, will be under scrutiny from the citizens of this country in the years ahead, and I think that we have to be able as a Chamber to, together, be able to send this message out there that the country is calling really for a coming together of all of us who can contribute to our development, and that any privileged group will have added responsibility in making this experiment work.

Mr. Speaker, I have no difficulty whatsoever in supporting this Resolution.

Hon. L. E. SANDIFORD (St. Michael South): Mr. Speaker, I just wish to make a brief intervention in this debate in order that a few matters may be clarified. Last week, Sir, I had cause to indicate that I found the tactics of the Opposition very strange, and I believe the Leader of the Opposition found it necessary to get up and defend the actions of the Opposition. The tactics are still strange, Sir, because here we have a Resolution before us, with which they say they are in agreement, but still they are seeking ways and means to create some kind of divide on this particular matter and also make certain adverse reflections on the statements and positions of the Prime Minister of this country. I would like, for the purposes of the record, simply to clarify the position. 4.05 p.m.

Speaking in respect of Barclays Bank, the Prime Minister of this country indicated that it was his view

that Barclays Bank was against the establishment of the Central Bank of Barbados because, as he perceived it, they were at that time the bankers for the Government of Barbados. That is a matter of record, which can be checked to determine whether it was so or not. If it were so, the Prime Minister, by implication, was indicating that a Central Bank was and is essential for the proper management of the public finances of this country, and the economy generally, and that here you had a major private sector financial institution being against the establishment of the bank. I think the Prime Minister was perfectly within his province to make that kind of observation, if that was his experience.

The second point he made was that he did not have a good experience with Barclays Bank, and when he found them pursuing certain policies, he went and paid off a very small loan that was outstanding to them. He is not the only person in this country who has had a bad experience with a local bank. There are many persons who claim that they have had bad experiences with banks in this country. But that was his experience, and he is entitled to react in the way he deemed appropriate. I am certain each one of us could find some experience in which we were not altogether pleased, or in which we were dissatisfied, with the way in which a bank treated us. So to castigate the Prime Minister for speaking frankly and boldly on that particular matter, I think is really beside the point, especially at a time when you are discussing the public finances of the country.

The third point which the Prime Minister made was that Barclays Bank was still dealing in this day and age in South Africa, at a time when most advanced and progressive countries are calling for divestment of external resources from the South African economy and a number of institutions, public, semi-public and private, in some of the major western industrialised countries have actually withdrawn their investments in that country, or made arrangements with interests inside of South Africa to take over those interests. So if the Prime Minister makes those kinds of comments, I believe that he is entitled to make those comments within the context of the way he sees the matter.

Furthermore, Mr. Speaker, I know that you are aware, because you have to do it on our behalf, Sir, that at the start of each session you request full privileges on behalf of the Members of this House, including the freedom of speech, and one of the purposes of having a Parliament and a House of Assembly in this country is to ensure that Members are free to speak their minds and give opinions on matters, to the extent, Sir, that we are given privileges over and above the normal methods of speech or writing that may be available to the ordinary citizen. I have heard the Leader of the Opposition challenge Members, "Come outside and say that, if you

are a man." That is just because in here we are endowed with privileges to speak freely.

I think we have a Prime Minister who is not afraid of speaking his mind on issues. But if we identify those specific areas where he was critical of the bank — investment in South Africa, opposition to a central bank and the way the bank dealing with its surplus funds in investing them outside of Barbados rather than inside of the country — these are positions which he sees or saw because, except for the South Africa matter, he was talking of matters that were historical in nature, not part of the current situation. Why should the Opposition wish to be so highly critical of the Prime Minister for speaking boldly and freely on a matter on which he is entitled to as a Member of this House? His experiences with Barclays may not be the experiences of other Members in here. I deal with Barclays Bank and I do not have those kinds of experiences, but there are others who can, and who have expressed such opinions.

I believe that it is an Opposition beating around and scratching around for issues on which to divide the country that would lead them into those strange kinds of polemics and to use those strange kinds of tactics. I believe, Sir, that it is an Opposition which is so mesmerised by the fact that it was more than decimated at the last elections which has led them into this mode of operation. Anyone observing how the Opposition is behaving at this stage would believe that they have the keys to the Holy Grail or that they have a particular style now of purity in politics, and that they have the answers to all of the problems in the country, not realising that a short seven, eight or nine months ago they appealed to the people and the people told them in no uncertain terms that they did not want them to run the affairs of this country, they wanted the Democratic Labour Party to run the affairs of this country.

Applause.

4.15 p.m.

Hon. L. E. SANDIFORD: So what is all this grandstanding now searching for a role, searching for some kind of platform on which they can launch themselves into what they believe will be some return to power later down the road? I think there will be opportunities to lock horns and point out to them that they will be well advised to be a little more humble in their approach to public policies in this country. I give that word of advice to my friend, the Leader of the Opposition.

We have said that this particular Resolution here is considered necessary for the public finances of this country, and the Minister of Finance has set out the four reasons in the Addendum why we are seeking the loan. There can be no quarrel about that. He has said that it is

to help finance the capital works already in progress, and it is a fact that we deal with continuity in Government. You cannot turn off and turn on like a tap. There are certain things which you are so committed to, one Government commits another Government, that you have to continue with them, and finances are required. Some of the finances can come from local sources and others have to be sought from abroad, and there is no doubt that you can only go to the markets, whether it is the Euro-currency or whatever, if you have the kind of credit rating that will enable you to borrow the money.

When I hear again the Opposition making comments as though the credit rating of Barbados was at its highest when they were in power, I say it depends if they are doing the assessment and doing the correction, and giving the grading as well.

Asides

Hon. L. E. SANDIFORD: Yes, you are correcting old papers — that is right — and "papers" is the right word to use in this particular context. Whatever, there can be no doubt that with a small National Debt as obtained during the years — let us go from Independence — 1966 — 1976, no major commitments and managing your affairs tolerably, the credit rating of Barbados was highest at that time.

Now what kind of category you used to put these countries in? Does it go from A to E? I am asking the Leader of the Opposition, because I heard him inviting the Member for the City (Mr. P. J. M. Miller) to read a simple book on public finance. So I am at chapter 1 now. I am asking the Leader of the Opposition to tell us the categories of the grading. Does it go from A to E?

Asides

Hon. L. E. SANDIFORD: Not me. I will then tell you whether you are right or wrong if you make any

Normally, you go and you are put into a category, and they go from A to E; the most credit worthy would have an A and the least credit worthy would have an E. Barbados can only go and get that money if the management of the finances of this country remain at a particular level, and we can only go if we want to borrow the money for specific purposes related to the good government of the country. All kinds of institutions — Governments, Central Governments, Local Governments, and the treasurers of big, private corporations — go to these markets to borrow money, and they borrow money for a variety of purposes, including the rolling over or repayment of debt, and general purpose support

of their finances, and all of these are set out in the Addendum to this particular Resolution as the reasons which we are borrowing the money.

Do not believe that what we are saying here is not known to the Opposition. I think they know it very well, but they are searching for ways and means of trying to prove that the people of this country were wrong in putting the Democratic Labour Party into Government. We on this side cannot sit down and allow those kinds of positions to be put without the answers and the counter-arguments being given, because one thing is certain — we are not going to lose this Government by default, and certainly we are not going to lose it to this present Opposition. They are a little too feeble for that particular task.

Let us face it. This loan is desirable and necessary for the public interest. The public interest demands that the loan should be made and it was raised. It would be different if they had got up and said that we could not get the loan, or the terms of the loan are adverse, that it is too stringent, the interest rate is too high above LIBOR. But you see you cannot say that. A bank which has long experience with this country has made an offer, and they say they will put up a substantial amount of £30 million and syndicate with other banks to provide the remainder of the fund. The terms are acceptable to the Government, and all we are doing to carry out the programmes which are already in place and have some money for general support, which are acceptable reasons for borrowing.

I really, Mr. Speaker, do not wish to detain the House any longer, but, for purposes of the record, I had to put the tactics of the Opposition in some kind of perspective.

Hon. Dr. R. C. HAYNES: Mr. Speaker, we have had a fairly extensive debate on this matter, but I believe that the Opposition was taken by surprise this morning when I announced that during this fiscal year, despite the tax concessions, we did not contract any new borrowings for our Current Expenditure, and that despite the propaganda that they had spread throughout this country over the past eight months, the Government had on deposit, \$108 million, \$103 million in the Central Bank of Barbados, and \$5 million with the Barbados National Bank. That is money in the kitty which I said I am not prepared to spend except for capital development purposes.

This is a Government that has cut back Government revenue. It has cut back Government expenditure. It has not had to borrow to bridge the gap. It has cut back on Capital Expenditure, and the figure may be somewhere about \$30 million that we have cut back on Capital

Expenditure. I ask you, what will we be borrowing money for? The only new expenditure that I know about that we came to this Parliament for was \$1 million or so in December for the National Conservation Commission and about another \$4 million or so under other Heads. So the only new expenditure that this Government would have committed this country to would be about \$5 million in the entire period that we are in office. What would we have borrowed the money for? It could only be for the capital programme which was cut back and debt service payments. 4.25 p.m.

The honourable Member for St. Peter (Mr. O. S. Arthur) — I think I had better deal with him first — gets up and says that I, as Minister of Finance, have borrowed all this money in a few months. He knows perfectly well that the money we had to borrow last year, was to cover the outflows for the whole year, January to December, and the borrowings now relate from January this year to December this year. So when you take a two year span, the outflows for the total debt payment would be \$396 million from January 1, 1986 to December 31, 1987. All we would have brought in to cover that so far, when this loan is drawn down, would be \$237 million — we are hoping, Sir, to finance the gap over the two year period from part of our export earnings — so it is misleading to suggest that the Government has been involved in borrowings other than for the primary purpose of refinancing debt.

There is nothing wrong with refinancing debt, if the debt falls due and you can borrow the money to pay for that and get the new debt at a lower interest rate and on better terms then you are better off in the long run. As I said in the statement I made in Parliament this morning — that is why I made a comprehensive statement to Parliament this morning — you will just have to be refinancing Government's debt between now and 1990, and the debt payments now relate to loans contracted between 1982 — 1985. The loans that we are making now will be paid for in 1991 and 1992, so any money borrowed now for debt service, will relate strictly to loans borrowed four years ago and before. Let us get that straight. There can be no argument that what we are borrowing to repay is Barbados Labour Party commitments in terms of debt in 1982—83.

Sir, they are going to get a shock, and they have misled so many people. They have misled the media in this country about this tremendous gap between Government revenue and Government expenditure, all that \$109 million gap that was supposed to be there, and they are going to get the biggest surprise of their lives, and not too long from now. They will get one even now in the face of the outturn figures, because you must get the Accountant General's statements.

You hear them talking that there is no liquidity in the system, the liquidity is drying up and Government cannot market its paper. I say that is a total untruth. Last month there was a \$76 million debenture issue which was over subscribed by \$44 million, and my immediate problem is to find enough instruments to put on the market for investment purposes for the people of Barbados. You can only be foolish in the face of a deposit rate of three per cent, of low interest rates, of no movement in deposit rates or the interest rates in the country, to talk about liquidity drying up. It is a foolish statement. There is no question of the Government at any time competing with the private sector and crowding out the private sector in relation to market borrowings.

Sometimes we put issues on the market largely to satisfy the demands of the financial institutions, not that we need the money because, as I said, we have \$108 million locked away in the Central Bank and the Barbados National Bank that we have not spent during the last fiscal year, because we did not need to spend it. In fact, we could not spend it in terms of our particular fiscal programme. The big surprise to them is that we cut taxes, that there is going to be a smaller fiscal deficit this year than if we had continued under them and that there is going to be a smaller gap between Current Revenue and Current Expenditure is going to surprise them. That is their problem.

They talk about the demand for borrowing because of a deficit. Totally untrue! They could not possibly be even looking at the monetary statements of the Central Bank, else they would not be making statements like that.

I recommended to Cabinet that we should accept the offer of Barclays Bank. We had three offers in the Euro-dollar market from three major institutions, one of which actually co-ordinated the offer for us last year, Natwest County, and the other being Montague. One of the reasons why Barclays Bank was chosen was because of the fact - all the offers were good offers - that Barclays was very interested in making this offer to Barbados is, because this year is their 150th anniversary and they feel that they would like to be involved in further development of the country in this way. We did give that some weighing in the balance in determining which one we choose.

As far as the question of the Government having difficulty in the markets for the reasons stated by the Leader of the Opposition and the honourable Member for St. Peter, I am unaware of any such difficulties. The fact is that Barclays Bank will be itself under-writing half of the loan. The remainder, as I understand it, will be a club loan, not a market loan as such, so we do not have to go out to the market, it is just that a consortium of

banks will get together and put together the issue. It is not like the standard market borrowing.

He wants to know how the Treasury Bills are going. It is a fact that Government today has less outstanding debt in Treasury Bills than a year ago. We are down now to about \$18 million to \$19 million, less than a year ago.

The Honourable Leader of the Opposition says that unemployment in Barbados is higher than it was a year ago. I say, Sir, that that is not true, and the records will show that.

The honourable Member for Christ Church East Central (Mr. R. L. Morris) made some very interesting points. First of all, on the role of the private sector, *I will say that despite the reduction in Corporation Tax, I am expecting to get a higher yield of Corporation Tax in 1986 than in 1985.

The second point I would like to make is that the leading members of the private sector have discussions on a continuing basis as to how or what mechanisms can be used for them to participate maximally in the export-led growth which the Government is promoting. I am satisfied that more and more resources of the private sector will be poured into the developmental process. I think the decision to assist in the summer promotion of tourism, which is an export earner for the country, is a step in the right direction and an important signal. 4.35 p.m.

What is necessary in Barbados is to create appropriate instruments to strengthen the investment process and to allow the private sector, in its widest sense, to be able to pump equity, into the productive aspects of the economy. That is the challenge which the Government now faces and which I face as Minister of Finance. That is the next step that has to be taken. The confidence is there. The question now is how to translate that confidence into a co-ordinated investment effort in the critical areas of the economy. I consider that to be a high priority.

On the taxation of perks, I wish to make it quite clear that taxes are only imposed by legislation. There was no new legislation increasing the taxes on perks or anything of the kind. This is purely an administrative matter within the discretion of the Commissioner of Inland Revenue. It is done under legislation that was on the Statute Books, as I understand it, since the 1950s. There is a periodic review of the value of perks, and it just happens that this year is one of the years of reviews.

This is not a matter on which I gave a direction to the Commissioner of Inland Revenue. It is not a matter

on which I gave a direction to the Commissioner of Inland Revenue. It is not a matter on which he has to seek my permission, because he has statutory responsibilities which, in my view, should not be interfered with by any Minister of Finance. That is the position that I take on that matter. If he is doing his job, then, let him do his job.

My position is that if at the end of the year we see that there is a need for any further concessions because of bringing perks within the purview of the tax net, that is the line we should take as a party. The Minister of Finance in this country is not going to be giving any directions to any public officer that has statutory responsibilities to behave in a particular way from an administrative point of view. That is in accordance with the Constitution of this country and I am not prepared to breach it. The Attorney General has advised me that the Constitution requires of me that I should behave in this manner, so I will let them walk around and say what they will say.

Let me tell you something. One of the reasons why the Government's programme has worked is because we have brought this kind of integrity and constitutionality, and have drastically reduced corruption and wastage in Government. On top of that, Sir, you will notice that we followed the laws. First of all¹, we came to this Parliament and increased the Special Loans Act. Then, we have come here now and we have brought a Resolution for Parliamentary approval. We will not do it the way they did it. They went to London, signed the Orion Bank loan and then came back here for approval from Parliament, advised by the then Attorney General, the Leader of the Opposition, to conduct themselves in that manner.

Hon. H. deB. FORDE: On a point of order: You see, the Minister is so intent on misleading this House! For the benefit of the Minister, I was not the Attorney General in 1982. I ceased being the Attorney General of Barbados on June 16, 1981, and I have no intention of becoming my own Attorney General in the future.

Hon. Dr. R. C. HAYNES: What I should have said is a former Attorney General and then in his private capacity as an attorney, but I did not want to put it that way. That is where the slight confusion arose.

The only quarrel they can have with the Government, is that the Government did not increase exports in a matter of months. Is that reasonable? To generate exports is a marketing development process. They have had none in five years. Do you expect us to do it in five months? How can they criticize? He is absolutely correct. If you look at Barbados' export position, it probably peaked around 1981 and there has been a continuous decline, particularly after the collapse of the CARICOM Multilateral Clearing Facility." I here

has been a tremendous fall-off in our exports on a progressive basis over the past five years or so, and a lot of the exports were bogus exports, too because they were paying the manufacturers here to export goods and never collected any money for it. Now they expect us, in a matter of months, to go out there, develop extra-regional markets, invest, build factories and export. I do not think that if we had started to build a factory since we came into office, we would have completed the factory yet, and they are talking that we must create a tremendous increase in exports in a matter of a few months!

I do not want to reveal too much at this stage. All I can say is, and mark my word, that you all are going to find yourselves very embarrassed. Do not forget you told the public that we were going to lose \$109 million. Do not forget you told the public that we would have to devalue. Do not forget you told the public that the economy would have collapsed by the end of December 1986. You will have to answer to the public for all of that. It is as simple and straightforward as that.

Mr. Speaker, I believe that I have answered all the questions that have been raised. It is quite clear that when the facts are set out, the Opposition really has no case. When the numbers are put together, then my introductory statement stands, that the purpose of this loan is to assist in the capital programme and principally, for the refinancing of Government debt.

Thank you very much, Mr. Speaker.
4.45 p.m.

The question that the Resolution do now pass was put and resolved in the affirmative without division.

Hon. L. E. SANDIFORD: Mr. Speaker, earlier in this sitting, I gave notice of a Resolution to approve the replacement of rates of pay applicable to categories 2 and 3 of the Schedule No. 20 of 1987, and I did indicate that the Government would wish that this matter be dealt with today. I now seek permission to deal with it at this stage.

Mr. SPEAKER: The Honourable Leader of the House is seeking leave to proceed with a Resolution of which notice was given earlier.

If there is no objection, the Honourable Minister may proceed.

AMENDMENT TO RESOLUTION No. 20, 1987

Order No. 6 was called - To move the passing of a Resolution to approve the replacement of the rates of pay applicable to Categories 2 and 3 in the Schedule to Resolution 20 of 1987.

Hon. L. E. SANDIFORD (St. Michael South): Mr. Speaker, this Resolution has been circulated. Basically, it indicates that the rates of pay applicable to Categories 2 and 3 in the Schedule to Resolution 20 of 1987, be replaced by the rates set out in the Schedule to this Resolution.

What happened, Sir, was that the rates set out, and which were approved by this Honourable House, were not, in fact, the rates which should have been set out. Those rates were higher, and this particular Resolution seeks to correct that error and to insert the correct rates which are payable with effect from April 1, 1986, and also the rates payable with effect from April 1, 1987.

The errors related to two categories, Sir, Categories 2 and 3, and this Resolution seeks to make the corrections as I have indicated. It is not a matter of substance, it is merely to correct certain omissions which occurred.

I beg to move that this Resolution do now pass.

Hon. B. M. TAITT: I beg to second that.

The question that the Resolution do now pass was put and resolved in the affirmative without division.

BANKS (TAX ON ASSETS) (AMENDMENT) ACT, 1987

Order No. 2 was called - To move the second reading of a Bill to amend the Banks (Tax on Assets) Act, 1983.

Hon. Dr. R. C. HAYNES (St. Michael South Central): Mr. Speaker, in January 1983 a tax of 0.2 per cent was imposed on the assets of commercial banks. The formula that was used to compute the tax on the assets of banks, as set out in the Act of 1983, is the average total assets for calendar year less foreign liabilities in the same year. Foreign liabilities were specifically exempted to encourage commercial banks to bring in funds from abroad for purposes consistent with Government's development programme. However, Sir, with the emergence of the exempt insurance industry in Barbados, commercial banks are now being offered substantial foreign deposits from licensed exempt insurance companies. These deposits, Sir, are held in designated foreign currency accounts, but they have to be laid off in the traditional money markets where the margins are very fine indeed.

In reality, Sir, the very acceptance of these deposits by commercial banks serves to increase the asset base for the tax, since net foreign liabilities are decreased thereby. Commercial banks, then, are now faced with the position where they either have to increase their margin to cover

the 0.2 per cent tax liability or refuse the deposits from these large captive insurance companies.

Naturally, Sir, this tends to create a situation if a bank has to refuse deposits in order to avoid expanding its tax base, Barbados might not be the ideal place for continuing this kind of business. To get around this, Sir, this Bill seeks to redefine the calculation of the asset base to give certain exemptions for specific deposits. These are the general principles behind the Bill.

I therefore beg to move that this Bill be read a second time.

Hon. L. E. SANDIFORD: I beg to second that and reserve my right to speak.

Hon. H. deB. FORDE (Christ Church West): Mr. Speaker, when the Minister of Finance in his Budget Speech of 1982 introduced a tax on the assets of banks operating in Barbados, he did so in very clear and distinct terms in setting out the purpose behind the measure. He felt then that banks operating in Barbados were making a very good return on their investment, and it seemed but proper that the licence fees being charged to them should be increased and that, from their earnings, they should pay a tax to return some money to the economy.

The formula adopted is the formula set out in the Banks (Tax on Assets) Act, 1983. It is a very simple formula, but it took as its base at the time the total average assets of the banks, and it used a formula that took into account such foreign liabilities as they may have.

As I understand it, the purpose of this amendment is to change the base on which the percentage of tax is levied so that it would be now the average domestic assets rather than the total average assets, less the foreign liabilities which they may have, and the sole reason which the Minister gives for the change is to facilitate banks in taking funds from the exempt insurance industry.

It does seem to me that this could have been achieved without in any way undermining the formula, by asking the banks to operate, as some of them are doing, this business in their offshore banking units. The Minister has not explained the reason why that formula or procedure has not been followed here.

The other question I would have expected the Minister to answer the House before one can give *carte blanche* to this Resolution is, what is the percentage of tax or how much tax has been garnered since the introduction of the Bill in 1983, and what increase or decrease in tax will result from a change of the formula? I believe this is necessary information which the House should have

if it is to see whether the Minister is not now reducing taxation on the banks without a proper study being made as to whether or not it is necessary in these circumstances.

I am aware that some of the banks are already operating offshore banking units, taking the benefits of the incentive legislation given for the offshore business. It seems to me that it would have been better to encourage those other banks who have not done so to follow that formula, because then they would have no difficulty whatsoever in taking funds which are basically offshore funds, and without mixing them in their domestic form of operation. I think it is very crucial that we get in our minds quite clearly what is an offshore operation and what is an onshore operation, and I hope that no confusion is going to be introduced into the system by accepting this recommendation from the banks to change the basis on which the tax on banks' assets is being levied. 4.55 p.m.

Hon. Dr. R. C. HAYNES: Mr. Speaker, the honourable Member speaks as though government business is conducted on the basis that a group of banks can make a recommendation to the Minister and then the Minister responds to the interest of this selective group within the community. The facts are, Sir, that, as you are aware, over the past year, there has been significant growth in the captive insurance business in Barbados, not only in terms of the registering of those companies here, but also the establishment of management companies in Barbados.

What one has to balance at all times is the overall revenue gain that the country gets. One is in terms of tourism, because you are talking here about up-market tourism where thousands of people would come into Barbados and would stay at Sam Lord's, the Hilton, Sandy Lane or any of those. What is also of interest is that there are several other factors, occurring not only in the United States but elsewhere in the world, which we always have to balance and see the extent to which they threaten the growth of our captive insurance and other businesses. This particular matter creates a problem, because one aspect of revenue generation and activity is the capacity of our banks to accept from these companies without incurring the penalties, as they would occur as stated in the tax on assets Act, by an expansion of their assets based on this particular matter.

The honourable Member has suggested that all these transactions can be done through offshore banks. I am aware that some of them are done through offshore banks, but it does not suit all captive insurance companies to do their business like that, and we cannot dictate what institutions they should use in Barbados to conduct their legitimate business. So we have to respond to this,

and we feel that this is the appropriate manner to respond to it.

Sir, based on the 1985 returns, the revenue lost would be some \$400000 among all the banks. But remember that there are significant gains on the other side which would accrue to the banks because of the increased flow of funds.

We studied this matter very carefully, and when one looks at all the disadvantages, we were quite satisfied that this was the correct step to take.

The question that the Bill be read a second time was put and resolved in the affirmative without division.

On the motion of Hon. L. E. SANDIFORD, seconded by Hon. W. O. FRANKLIN, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. C. A. NEBLETT in the Chair.

COMMITTEE

Mr. CHAIRMAN: This House is in Committee.

Clause 1 was called and passed. Clause 2 was called.

Hon. Dr. R. C. HAYNES: Mr. Chairman, I beg to move that Clause 2 stand part.

Hon. W. O. FRANKLIN: I beg to second that, Sir.

Hon. H. deB. FORDE: Mr. Chairman, the Minister and the Attorney General should listen, because this affects them, and they may want to hear the point. If they are amending Clause 5 and do not amend Clause 4, it appears to me that they will shortly have to come back to Parliament for a further amendment.

In Clause 4 it says: "The imposition of the tax is that subject to this Act there should be charged and levied and collected on the average total assets of a bank in respect of every calendar year tax at such rate as the Minister may by order prescribe, such order to be subject to negative Resolution."

And in Clause 5, "The average total assets of a bank in every calendar year shall be completed in accordance with the Schedule."

The word "total" is being deleted from Clause 5 and the word "domestic" is being substituted. It seems now that it is intended, therefore, to charge a levy and collect the tax on the average domestic assets of the bank, and if this is so, it would be necessary also to amend the word in Clause 4. 5.05 p.m.

Hon. M. A. KING (Christ Church West Central): Mr. Chairman, I have looked at the point raised by the honourable Member for Christ Church West (Hon. H. deB. Forde). I believe there may be some substance in the point he has made, and I suggest that it might be appropriate to postpone further consideration of this matter at this stage so that the point made can be addressed.

Hon. L. E. SANDIFORD: Mr. Chairman, I beg to move that further consideration of this Bill be postponed.

Hon. M. A. KING: I second that, Sir.

The question that further consideration of the Bill be postponed was put and resolved in the affirmative without division.

On the motion of Hon. L. E. SANDIFORD, seconded by Hon. B. M. TAITT, Mr. CHAIRMAN reported progress to His Honour the Speaker, and Mr. SPEAKER resumed the Chair and reported accordingly.

ADJOURNMENT

Hon. L. E. SANDIFORD (St. Michael South): Mr. Speaker, I beg to move that this House do now adjourn until Tuesday, April 7, 1987 at 4 o'clock in the afternoon.

That day, Sir, is expected to be the day when the Financial Statement and Budgetary Proposals will be presented.

Applause

Hon. H. deB. FORDE (Christ Church West): Mr. Speaker, I expected that the Honourable Leader of the House would be in a position to, through you, make any appropriate request that is normally requested on these occasions. I would wish to know whether, for instance, Sir, the House is going to be invaded by any of the electronic media, and I would wish to know whether the format of the normal debate of the House is going in any way to be altered, in accordance with tradition or otherwise. There are two of the reasons why, in seconding the motion for the adjournment, I rise to speak. I would have expected the Honourable Leader of the House to give some indication on these matters at this time.

Hon. L. E. SANDIFORD: Sir, it is very strange to hear these words — I am using the word "strange" very often — coming from the Leader of the Opposition, because when we were in Opposition, we were never given any such information, nor were we bold to ask such a question on the floor of the House.

What I can assure the honourable Member is that, just as we have been consulting on procedures within this Honourable Chamber, I believe to our mutual satisfaction, in this matter, adequate information relating to the procedures will be discussed in due course. Of course, any request for the use of the electronic media is subject to the approval of the Speaker, so I am afraid I cannot give any information at this stage.

The question that the House do now adjourn until Tuesday, April 7, 1987 at 4 o'clock in the evening, was put and resolved in the affirmative without division, and Mr. SPEAKER adjourned the House accordingly. 5.15 p.m.

CONTENTS	GOVERNMENT BUSINESS
MINUTES	SUPPLEMENTARY ESTIMATES, 1986-87
Deferral of Minutes of the meeting of Monday, March 16, 1987.....	NO. 27 \$12 908 1029
1028	Dr. Haynes, 1029
PAPERS LAID	BORROWING OF £30 MILLION FROM BARCLAYS BANK PLC 1029
Hon. Dr. R. C. HAYNES:.....1028	Dr. Haynes, 1030; Mr. Arthur, 1031; Dr. E. A. Simmons, 1034; Mr. Forde, 1037; Mr. Trotman, 1040; Mr. Brathwaite, 1044; Mr. Morris, 1046; Mr. Sandiford, 1050.
Statement showing Net Customs and Excise Receipts for the 10 months ended 31st January, 1987.	AMENDMENT TO RESOLUTION NO. 20, 1987..... 1054
GOVERNMENT NOTICES	Mr. Sandiford, 1055.
Hon. L. E. SANDIFORD:.....1029, 1041	BANKS (TAX ON ASSETS) (AMENDMENT) ACT, 1987 1055
A Resolution to approve of the borrowing of the sum of £30 000 000 sterling or its U.S. dollars equivalent from Barclays Bank PLC to be used to assist in the continuation of the Government's Capital Development Programme in progress prior to May 28, 1986, other Capital Programmes to commence in the 1987/88 fiscal year, and to assist in meeting foreign debt repayments due in fiscal year 1987/88.	Dr. Haynes, 1055; Mr. Forde, 1055; Mr. King, 1057. (f.c.p.)
A Bill to amend the Barbados National Bank Act.	SUSPENSION 1041
A Resolution to approve the replacement of the rates of pay applicable to categories 2 and 3 in the Schedule to Resolution 20 of 1987.	ADJOURNMENT
FIRST READINGS OF BILLS	Mr. Sandiford, 1057; Mr. Forde, 1057.
Hon. L. E. SANDIFORD:.....1029	SPEAKERS IN THIS ISSUE
A Bill to amend the Barbados National Bank Act.	ARTHUR, O. S. (St. Peter)
ORDERS OF THE DAY	BRATHWAITE, L. L. (St. Michael North East)
SUSPENSION OF STANDING ORDERS.....1029	FORDE, Hon. H. deB. (Christ Church West)
	HAYNES, Hon. Dr. R. C. (St. Michael South Central)
	KING, Hon. M. A. (Christ Church West Central)
	MORRIS, R. L. (Christ Church East Central)
	SANDIFORD, Hon. L. E. (St. Michael South)
	SIMMONS, Dr. E. A. (St. Michael South East)
	TROTMAN, C. L. (St. Michael Central)
	WEEKES, His Hon. L. A. (St. Michael North West)