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# THE

## House of Assembly Debates

### (OFFICIAL REPORT)

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FIRST SESSION 1991 – 96

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#### HOUSE OF ASSEMBLY

*Tuesday, December 10, 1991*

Pursuant to the adjournment, the House of Assembly met at 12.15 p.m.

#### PRESENT

His Honour L. A. WEEKES, G.C.M., J.P., (Speaker)

His Honour T. C. ESTWICK, B.Sc., LL.B. (Deputy Speaker)

Rt. Hon. L. E. SANDIFORD, B.A., M.A., (Econ.), J.P., (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Mr. H. deB. FORDE, Q.C., M.A., LL.B., (Leader of the Opposition)

Hon. B. M. TAITT, B.A. (Hons.), M.P.A., LL.B. (Hons.), (Minister of Health)

Hon. P. M. GREAVES, Q.C., B.A., (Deputy Prime Minister, Minister of Public Works, Communications and Transportation and Leader of the House)

Hon. M. A. KING, Q.C., LL.B., (Attorney General and Minister of Foreign Affairs)

Hon. W. O. FRANKLIN, A.I.C., M.I.A.S., J.P., (Minister of Labour, Consumer Affairs and the Environment)

Hon. N. K. SIMMONS, (Minister of Justice and Public Safety)

Hon. H. A. BLACKMAN, B.Sc. (Econ.), (Minister of State, Ministry of Finance and Economic Affairs)

Mr. O. S. ARTHUR, M.Sc. (Econ.)

Mr. D. A. C. SIMMONS, Q.C., LL.M.

Hon. C. V. WALKER, (Minister of Education)

Mr. L. L. BRATHWAITE, J.P., (Chairman of Committees)

Hon. E. E. GREAVES, G.C.M., B.A., Ed.M., (Minister of Housing and Lands)

Hon. W. W. HALL, G.C.M., H.B.M., (Minister of Tourism and Sports)

Mr. C. LeR. TROTMAN, M.A.

Mr. R. L. MORRIS, B.A., Cert. Ed.

Hon. D. J. H. THOMPSON, LL.B. (Hons.), (Minister of Community Development and Culture)

Hon. H. B. St. JOHN, Q.C., LL.B.

Mr. L. R. TULL, Q.C., M.A.

Miss B. A. MILLER

Mr. DeL. O. BRADSHAW

Dr. R. L. CHELTENHAM, Q.C., M.A., M.Sc. (Econ.)

Mr. J. O. TUDOR

Mr. D. W. BOWEN

Mr. G. W. PAYNE

Mr. R. C. EASTMOND, B.A., LL.B.

*Prayers were led by Rev. Father Ivan Harewood.*

Mr. SPEAKER: The House is in session.

#### MINUTES

Mr. SPEAKER: The Minutes of Friday, November 29, 1991 and Tuesday, December 03, 1991.

Hon. M. A. KING: Mr. Speaker, the Minutes of November 29, 1991 have been circulated. I move that those Minutes if they are an accurate record be confirmed.

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

Mr. SPEAKER: If there are no observations, then let those Minutes stand confirmed.

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# ANNOUNCEMENTS BY HIS HONOUR THE SPEAKER

Mr. SPEAKER: I am to announce that I am in receipt of the Accounts and Statements prepared by the Accountant General for the month of September 1991.

## SUSPENSION OF STANDING ORDERS

Hon. M. A. KING: I move that the following Standing Orders be suspended for the rest of the day's sitting: Standing Orders 6, 16, 18, 20, 42(5), 43; and 44.

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

Mr. SPEAKER: The question...

Mr. H. deB. FORDE: Sir, I hope that the House will give the usual undertaking that we will manage to do some of the numerous measures that are down on Private Members' Business. Although we are coming to the end of the year, Sir, there are about eight Resolutions under the heading of Private Members' Business, some of which I am sure the Government would want disposed of and we certainly would want to get to one or two of the Resolutions that are there. There are two Honourable Members on that side and there are certainly two Honourable Members on our side who have several items of Private Members' Business. I do not know what is the Government's schedule today, but perhaps the Acting Leader of the House at the appropriate time could discuss whether or not it will be possible for us to deal with some of those matters today, Sir.

Hon. M. A. KING: Mr. Speaker, I give the Honourable Member the assurance that I will consult with the Honourable Member during the course of the day's sitting in connection with Private Members' Business.

*The question that those Standing Orders be suspended for the remainder of the day's sitting was put and resolved in the affirmative without division.*

## GOVERNMENT BUSINESS

Mr. SPEAKER: Government Business is the instant order of the day. Order No. 2.

Hon. M. A. KING: Mr. Speaker, Order No. 2 has been called. There are however a number of amendments which during the second reading I indicated that the Government would consider. I think it would be useful if the Honourable Members have a look at the amendments before we move into Committee in respect of that Bill. With the leave of the House, I ask that Order No. 1 be taken instead of Order No. 2 so that Honourable Members will have a chance to have sight of the amendments.

Mr. SPEAKER: If then there are no objections to the Order that I called and now substitute Order No. 1, leave is therefore granted.

## ORDER NO. 1 – THE INTERNATIONAL MONETARY FUND (AMENDMENT) BILL, 1991

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I rise to move the second reading of this Bill to amend the International Monetary Fund Act. The Bill is actually cited as the International Monetary Fund Amendment Bill, 1991. But before proceeding further, Sir, let me say that this Bill is not about the programme which Barbados now has before the IMF. It is, therefore, not about any specific programme of Barbados. Rather it is about the International Monetary Fund itself.

Furthermore, the matter before us is not an entirely new matter. It is an amendment to existing legislation. More specifically, it is to amend the Articles of Agreement of the International Monetary Fund as contained in the Schedule to the International Monetary Fund Act, Cap. 18A of the Laws of Barbados. Having therefore dealt by anticipation, let me put it that way, with any misconception or preconception which may be in the minds of anyone, let me now proceed to set out the background to the specific measure and the specific piece of legislation that is before us.

In 1970, the Parliament of Barbados passed the International Monetary Fund Act. The commencement date was December 21, 1970, almost 20 years ago, Sir. 12.25 p.m.

This Act enabled Barbados to become a member of the International Monetary Fund. In 1979, there was an amendment to the Act, I believe. I speak subject to correction that that was in relation to special drawing rights.

Perhaps it is little known – these by-ways of the political and social history of Barbados are not generally known – and I think, as a father to this Honourable House, the Leader of the Opposition and I, both have long memories of developments in this Chamber, not only relating to changes in the Standing Orders, but in a lot of ways about the growth and the development of Parliament and the economy of Barbados and the relations among Members. When the Leader of the Opposition is not shouting at me, and when he is in a more constructive mood, we are able to come to terms on some of the matters that will affect and throw light on developments in Barbados.

It is little known that I, myself, played a central role in the decision of Barbados to join the International Monetary Fund in 1970. It went something like this: as Minister of Education, I attended a Meeting of the

UNESCO General Conference in Paris and I entered there into discussions with the UNESCO staff in the hope and with the object of developing a capital and curriculum renewal programme to supplement the efforts which the Government was making on its own in order to democratise education, both through provision of additional places at the primary and the secondary level and also in terms of the curriculum and content of education. UNESCO, itself, indicated that for that kind of programme the injection of funds required was beyond their own their resources and the scope. They indicated that assistance might be sought from the World Bank with which UNESCO would cooperate.

I, therefore, left Paris and went to Washington where I held discussions with officials in the World Bank and, I believe, in the International Monetary Fund. I remember those times, Sir, fairly clearly. The Prime Minister and the Minister of Finance at that time was the late Errol Walton Barrow and the Director of Finance and Planning was a former Harrisonian class-mate of mine in the most outstanding sixth form of that College at the time. That was the Modern Sixth, which produced myself, the Attorney-General, and the Leader of the Opposition was also there. Later there was a youngster to follow. The Member for St. Lucy was to follow a little later, and the Director of Finance and Planning.

*Asides.*

Rt. Hon. L. E. SANDIFORD: We are all proud of our school. The Director of Finance and Planning at the time was Mr. Steve Emtage who certainly displayed subsequently the highest standard of professional service in his public life and even now, as a private sector top executive, he continues to display that impeccable public service.

There are many misconceptions about the purpose, the role and the functions of the International Monetary Fund. The institution appears to be many things to many people. Indeed, it appears in the words of Shakespeare in this particular regard, to some to be a Gorgon, and in other times or on other occasions it appears to be a Mars.

One will get out of this institution what one puts into the institution, taking into account the overall purposes of the institution. Those purposes are set out in the Articles of Agreement which form the Schedule to the International Monetary Fund Act.

The purposes of the Fund are six in number:

1. To provide international monetary cooperation through consultation and collaboration on international monetary problems.

2. To facilitate the expansion and balanced growth of international trade.
3. It seeks to promote exchange stability through orderly exchange arrangements among members.
4. It seeks to assist in establishing a multilateral system of payments for current transactions among members and in eliminating foreign exchange restrictions which hamper the growth of world trade.
5. It seeks to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with the opportunity to correct maladjustments in their balance of payments.
6. It seeks to shorten the duration and lessen the degree of disequilibrium in the international balance of payments of members.

Those purposes guide all of the policies and decisions of the Fund. In particular, the Fund oversees the international monetary system by among other things, exercising firm surveillance over the exchange rates policies of members, and in this connection each member is required to provide the Fund with necessary information and must counsel on exchange rate policies.

One of the fundamental purposes of the Fund is to provide temporary balance of payments assistance to member countries. That assistance is normally met out of the quota subscriptions which each member is required to pay as a condition of membership.

The other obligations and responsibilities of the Fund are also met out of the Fund's resources, but the demand on the Fund's resources do not remain static. They fluctuate with fluctuations in the world economy and generally increase with the increase in world trade and the resulting payments.

12.35 p.m.

They also increase with the incidence of external shocks which create imbalances among member countries. The deeper and wider those shocks the more severe is the shift in the size and distribution of the imbalances among the member countries. It therefore becomes necessary, Sir, for the Fund from time to time to request member countries to increase the quota resources of the Fund. Indeed section 2(a) of Article 3 of the Articles of Agreement provides for the Board of Governors to conduct a general review of the quota of members at intervals of not more than five years. The Board of Governors may, if appropriate, propose an adjustment to the quotas.

Between 1944 and 1985 there has been an increase in the total Fund quotas – and I will use the currency that the IMF itself uses – from SDR 7.5 billion (Special Drawing Rights) to about SDR 90 billion. There have been some eight general reviews of the IMF quotas so far. The one which we are now considering in this Honourable Chamber would be the ninth. That would see an increase in the total Fund quotas from about SDR 90 billion to approximately SDR 135.2 billion. That would be approximately in U.S. dollars 180 billion. That represents an increase of about 50% in the Fund's quotas or subscriptions.

Mr. Speaker, two main principles have influenced the distribution of quotas under the ninth review. One is that there should be meaningful increase in the quotas of all members. Secondly, the distribution should be on the basis of methods which are uniformly applied to all members. Under this ninth review and increase in subscriptions, the United States will remain the largest shareholder with a subscription of 19.62% of the total quotas. Germany and Japan are next with 6.1% followed by the United Kingdom and France with 5.48%. The 20 smallest member countries, Sir, have quotas of less than SDR 10 million. These include Western Samoa, Vanuatu, Congo, St. Kitts/Nevis having some SDR 6.5 million, St. Vincent and the Grenadines with some SDR 6 million and the Republic of Kiribati with SDR 4 million. Barbados' quota is being increased to SDR 48.9 million or approximately Bds. 18.5 million. Seventy-five per cent of this is payable in Barbados dollars and 25% in SDR or in a specified currency.

From time to time Barbados has made use of the resources of the International Monetary Fund. In 1979 Barbados went to the IMF and used the resources of the Compensatory and Contingency Financing Facility. In 1982 Barbados went to the IMF and used the resources of both the Standby Arrangement and the Compensatory and Contingency Financing Facility. This year Barbados has again approached the IMF with a request for the use of resources under the Standby Arrangement as well as the Compensatory and Contingency Financing Facility. There is therefore every good reason why Barbados should continue its membership of the IMF and should continue to shoulder its responsibilities as a responsible member in the international economic community.

In considering the Ninth General Review of quotas, the Interim Committee of the Board of Governors decided that as a condition for the increase in quotas member countries should approve an amendment to the Articles of Agreement authorising the suspension of the voting and related rights of members who fail to fulfil their obligations under the Articles of Agreement. The measure is intended to put pressure on defaulting members to honour their obligations so as to protect the integrity of the Fund and avoid any possible compromise of its ability to discharge its responsibilities to members.

In order for the amendments to become effective three-fifth of the members of the Fund having 85% of the total voting power must approve the amendment. In the case of Barbados specifically, what is necessary for us to do is to amend the Schedule to the International Monetary Fund Act, Cap. 18A. The amendments are set out in the Bill that is before us.

Sir, there are amendments to section 3 of Article XII of the Articles of Agreement. Basically, there is to be an insertion, according to Clause 2 of the Bill that is before us, of words which refer to the suspension of the voting rights of a member being terminated under Article XXVI section 2(b) and where in case that member is not entitled to appoint an executive director, there can be agreement between the member and all other members to have an executive director, that is that all other members who have elected an executive director that the vote shall be cast by such executive director under certain conditions.

Then, Sir, there is an amendment to section 2 of Article XXVI of the Articles of Agreement. There are words to be deleted and words to be substituted. The basic drift of this particular amendment is to ensure that if any member fails to fulfil any of its obligations under the Agreement, the Fund may declare the member ineligible to use the general resources of the Fund.  
12.45 p.m.

If after a reasonable period of time has elapsed following a declaration of ineligibility, if the Member persists in failing to fulfill the obligations under the agreement, the Fund may by a 70% majority of the total voting power suspend the voting rights of the member. There are other considerations attaching to that particular amendment.

Further, Sir, after a reasonable period of time expires following a decision to suspend the member, under the provisions which I have just indicated, the member may be required to withdraw from membership in the Fund by a decision of the Board of Governors having 85% of the total voting power. There is an attempt to increase the pressure on members to fulfil their obligations.

In addition, Sir, under the further amendment to this particular area, it is indicated that there can be regulations adopted to ensure that before action is taken against any member sufficient information should be given in reasonable time to the member to be aware of the complaint against him or against the member and to have an opportunity for stating the case.

Sir, the Schedule to the principal Act is also amended, that is, Schedule D in the principal Act, and it relates to the circumstances in which an Executive Director may cast the number of votes which he is entitled to cast, that is, the

number of votes relating to the member who may have been suspended.

Then Schedule L of this Bill that is before us goes on to deal with the suspension of voting rights and it indicates the restrictions upon the activities of the member, for example, the member is not able to participate in the adoption of a proposed amendment of the agreement. Generally the provisions of this Bill seek to set out the conditions and the circumstances in which those provisions or the intentions of the Board of Governors may be implemented.

I think, Sir, this is the background to this particular measure. As I have said it is one that we should give full support to.

With those words, Sir, I beg to move that this Bill be now read a second time.

Hon. M. A. KING: Mr. Speaker, Sir, I beg to second the motion and reserve my right to speak.

Hon. H. B. St. JOHN: Mr. Speaker, Sir, obviously given the situation that Barbados finds itself in at the present moment, we on this side are not going to do anything to prevent the Honourable Member who introduced this Bill from being able to get the resources which he obviously needs from the IMF to keep this country going. We are not going to oppose the principle of this Bill at all.

As a matter of fact looking at the Bill, the Bill seeks to deal with the problem that arises in all international institutions in relation to members who do not fulfill their obligations, which they agree to, upon signing to become members. It is a well-known problem. You get it not only in the International Monetary Fund, I believe you get it with the United Nations itself. There is a large number of arrears there. You get it certainly in UNESCO. You get it certainly in the LOMÉ Convention. You get it in almost every international institution that many are willing to join but they are not always able to fulfill their obligations.

I believe that the question as to what is to be done when people are in arrears not only with their subscriptions but also when you have the situation where the organisation is an international organization that lends money is one that frequently comes to pass, frequently arises.

I know that certainly within the Caribbean area in some of our multi-country agreements that we have come up against this problem. The provisions of this Bill set out very clearly the sanctions that are going to apply and the machinery that is going to be put in place to ensure that the rights that members who are in suspension had under the terms, when they were in good standing, are not to be exercised. So that since that is the main purpose of the Bill

I do not believe that a law abiding political party like the Barbados Labour Party which always was conscious whenever it was in Government of the need to fulfill its international obligations – I certainly recall when decisions had to be taken on cuts and matters of that kind in relation to public expenditure that every Minister of the Cabinet, under the Barbados Labour Party Government, always reminded the Minister of Finance of the great reputation that Barbados had in international circles for being a country that fulfilled its obligations and particularly its financial obligations.

The information about the state of Barbados is so uncertain at the present moment that I am not sure whether that is the existing position. If that reputation that we have has been tarnished recently, I would hope that every effort would be made to ensure that that does not occur for a very long period of time. Because I think it is in a small country's interest always to try to have such a reputation.

The only other point that I would like to make, Sir, is to deal with this question that the Right Honourable Prime Minister who introduced the Bill... He seems to have felt that it was necessary for him to enter a sort of a plea *ad misericordiam* in this Bill that we should not try to debate the substance of the delicate matters; that he is at the present moment engaged in discussions with this very body. So that what I am trying to get across quite clearly is that the IMF as an institution, as such is a useful institution. I am sure Honourable Members will recall that we had to put in perspective this idea that the fact that one has to go to the IMF is not something that one should be ashamed of, because the mere fact that it was all agreed originally, that you should join the institution as a useful international institution, meant that at some time in the future, while you were members, so long as you remained as members that you would make use of its facilities.  
12.55 p.m.

What is wrong, as has been pointed out repeatedly by a number of articles in learned journals, what is wrong and what you must not do, you must not do what some governments do, that is, you go when you are not in a position to negotiate the best deal. I hope the Right Honourable Prime Minister and Minister of Finance pays heed to those words. I commend to him an article written not so long ago by a Mr. Mullins, and I am not using his name in any derogatory sense, he is an official of the Caribbean Development Bank. He wrote a very reasoned article about the IMF in which he pointed out it is not the IMF to blame, it is the people who run the country in such a way that when they go to the IMF they go in circumstances that they cannot point to external factors, in the case of small countries, as being responsible for their state. They also do not go with a programme, an intelligent programme to get themselves out.

I am very embarrassed, Sir, that I hear the name of Barbados now being used, in relation to the IMF, not in the accustomed sense that we used to hear it before, Sir, as a model as to how to do it. Only recently in a neighbouring country, as part of the election campaign, I am hearing the name of Barbados and an individual in particular being singled out, not as an object of admiration but as an object not to follow the bad example that has been set, Sir. Can you imagine that is what we have come to, Sir. That kind of situation, Sir, is a situation that I hope that we will avoid in the future, Sir, and I do hope, Sir, that the principles embodied in the Bill may find their way in some other international instruments to which we are members.

I would really like to see sanctions introduced, for instance, in the treaty governing our relationships with other members when they sign agreements and they don't fulfil their obligations. So that bearing in mind the limited amendments that we have here and bearing in mind the fact that we are not here discussing the principles of the particular circumstances that the Right Honourable Member finds himself in, in his capacity of Minister of Finance – having to sign a document and then resign it – I am not going to, Sir...

I know the Honourable Member has difficulty. He is a little bit agitated. He is not sure as to his position. I sympathise with him.

Mr. SPEAKER: That does not give the Member any licence to breach the Rules of the House anyhow.

Hon. H. B. St. JOHN: That is right, Sir. The reason for his agitation is well known, Sir.

We are going to support the second reading of this Bill for the reasons that we have given, Sir.

Mr. L. R. TULL: Mr. Speaker, Sir, it is quite often said that the position that the Government takes in its external relations, whether they are political or financial, must be conditioned by the position it takes on domestic issues.

The Right Honourable Member in introducing this measure spoke in very fulsome terms about the need to have pressure applied to people in the international community, that is, those who are members of the International Monetary Fund, to honour their obligations. As the philosophers say, Sir, "by parity of reasoning" the Right Honourable Member should also be fulsome in his pronouncements about the need to apply pressure to people in domestic political life to keep the integrity of the system going.

Fine words have been said about the International Monetary Fund and the way the members behave. There should be sanctions, there should be penalties if they do not

live by the rules. I am submitting, Mr. Speaker, Sir, that equally, when the Government breaches the rules in relation to the same matters the IMF deal with – breaking limits at the Central Bank in breach of the law – that there should be sanctions applied to deal with that situation. You can't have one morality system in international economic affairs and a different morality standard in dealing with domestic affairs.

I am therefore hoping, Mr. Speaker, Sir, because as the Honourable Member for Christ Church South said, we are not hostile or voting against the measure, we understand the need for the measure and it accords with a consistent morality that has always been expressed by this side whether in Government or out of Government. I hope that the Prime Minister will remember his words and I hope that those words will translate themselves into action in relation to the situation in Barbados.

The Prime Minister also goes on and gives us a long description of the objectives of the International Monetary Fund and he does it in such a way as to lecture us as if the Honourable Members of this Chamber do not know what are the objectives. The objectives are there for everybody to see. I applaud the Honourable Member for his part in 1970 in getting Barbados to become a member of the International Monetary Fund. I am also glad to know that his contemporaries in the Modern Sixth at Harrison College are also to be hanged along with him, because all the way back in 1970 were the beginnings, according to the Right Honourable Member, of, I would almost say, conspiracy, Sir, but I don't want to use it in pejorative sense, an arrangement among them, Sir. Over twenty years ago that the same principles, Sir, the Attorney General, Sir, later the Member for St. Lucy coming in that tradition that what they conceived twenty years ago, this long gestation period, twenty years now, have brought the kind of bitter fruit that the people of Barbados are experiencing.

We listened to the objectives, Sir, and who has any quarrel with the objectives? In none of the debates that we have had in relation to the International Monetary Fund, either in 1991 or in 1982 has any question been raised about the laudable nature of the objectives. What the Right Honourable Member did not go on to say is that laudable though the objectives are the means of attaining are usually vicious, callous and an unreasonable burden on the citizens of the member country. So there is nothing wrong with the objectives, but the way those objectives are met are always accompanied by a lot of pain such as we are experiencing in Barbados.

The Honourable Member says, quite rightly again, that one of the objectives is to seek to lessen the degree of disequilibrium of balance of payments but did not go on to say that the price for that objective is usually massive social disequilibrium. When we hear one we want to hear the other and here in Barbados to achieve that objective in

1991, that is, to lessen the disequilibrium on the balance of payments, tremendous social pain and upheaval are being inflicted on the people of Barbados. The Prime Minister must be careful that when he says on the one hand he should say on the other hand because one requires the leadership of the Government to give the people the whole story, not the kind of sugar coated display that we have seen from the Prime Minister in his introduction today.  
1.05 p.m.

There is no danger. It does not need any debate on the IMF, of its programmes or measures. Let us push it through without debate. But it cannot work like that. One other thing, there are several other things to be considered. I had better use the half hour, Sir.

The Honourable Member in mentioning the objectives of the Fund talks about the lessening of disequilibrium and stabilisation of the economy and so on. I heard the Honourable Member for St. Philip South two or three weeks ago saying with all the knowledge of a man who is acquainted with all the labyrinthine processes in the Ministry of Finance, "what we are dealing with now is a stabilisation programme with the IMF; we are not dealing with the structural adjustment which comes later." Get up and deny it. The structural adjustment comes later. In other words, the two spokesmen for the Government on matters of finance have not yet perceived of a position where structural and stabilisation can co-exist and that troubles me like it does a lot of people in Barbados.

It is common knowledge that programmes of the Fund are usually accompanied by structural adjustment programmes which are worked out by members who are making the application and with the staff of the Fund itself, the World Bank, and other institutions that fund structural adjustment programmes. There has never been said, despite the *sotto voce* remarks by the Honourable Member for St. Philip South to the people of Barbados...Do not mind this Honourable Chamber, Sir, they tell us things afterwards which they have told everybody else – but nothing has been said about the kind of programme that has been worked out between the Government, the Ministry of Finance, and the staffers of the World Bank and Inter-American Bank to deal with a structural adjustment programme. The Honourable Member for St. Philip South, Sir, who continues to heckle me and I get no protection...

Mr. SPEAKER: I do not think that is a fair statement. For one thing, I do not allow a person to heckle. That is the first thing. If the Honourable Member is interrupting you unduly and it catches my ear, I will speak to him. But I presume these kinds of little cross-talks take place, but certainly I will not allow any heckling. You must not pay attention to every little thing.

Mr. L. R. TULL: I am saying, Sir, that usually when there is a programme with the IMF that there is a

programme of structural adjustment. I believe they call it a policy programme framework, Sir. But it is a paper prepared by the Government and the members of the countries that finance structural adjustments. The people of Barbados have not yet heard about what programme has been worked out. All we hear is that in each of the areas of economic activity that things are on the decline. When the Government has not had an opportunity to lean on the Gulf crisis for a fall-off in tourism, they can then lean on the collapse of an airline. It is very easy for the Government to find an excuse for every serious problem in Barbados. So that is the next thing that you are going to hear.

You are going to hear, Sir, no doubt that the fact that Barbados is going to produce about 50,000 tonnes in 1992, which is the lowest sugar production in any year in the whole history of Barbados, you will hear that the rain fell at the wrong time and that kind of easy and facile explanation for a lack of a constructive policy in relation to the production of sugar in this country. The Government has hundreds of acres of agricultural land lying idle all across Barbados and want to blame somebody else for the low sugar production in this country. You hear all of these things, but what you do not hear at any time is what is the policy framework that the Government has worked out to address many of the problems that we are talking about, Sir.

We know that the foreign reserves in this country as of September have dropped to the lowest level since the Central Bank was set up almost 20 years ago and that those reserves, Sir, are now at a level that even the Members from the other side can classify as catastrophic. It means that we have foreign reserves for the importation of goods into Barbados that is far below the danger level set by every reputable international index. That is the position we are in today. But nothing does the Government say about what type of programme it is planning to put in place to correct all of these problems that have arisen, Sir.

There is one final point, Sir, that I am going to make at this stage. Well, I am going to talk some more. Sir, we have not been hearing anything from Government. I do not want to tell them what to do. They know what the situation is but they lack the vision, creativity, and intellect to come up with the programmes that they should come up with, Sir. I am glad that the Honourable Member for St. Philip South will keep me going. They need to come up with support programmes that will promote economic growth in Barbados, Sir. They need to come up with programmes that promise substantial progress towards the achievement of balance of payments viability. Now those two I mentioned, Sir.

Now what has the Government said up to today to give any comfort to anybody in Barbados that they have conceived and intend to put the conception of those policies

in motion in this country to deal with either the promotion of economic growth or achieving any balance of payments programme viability? What have they done to deal either with the promotion of economic growth or with achieving any balance of payments programme. What have they done? In respect to the question of economic growth, Sir, the Government, by its own admission, says that in all of the programmes that were implemented from the Budget of April of this year, in the Budget of September of this year and more recently the third set of measures introduced in October of this year, a dampener will be put on economic growth of this country. They don't dispute that. Nevertheless, they well know that they are not going to get the funds for the promotion of the structural adjustment programme unless they can demonstrate to those who will provide the funds that they have clearly worked out reasonable programmes for the productive areas of the economy that will result in economic growth individually or put together.

1.15 p.m.

In other words, Mr. Speaker, Sir, all the Government is doing is marking time. What the soldiers call "stand at ease". We have serious problems of such a kind that the Government doesn't seek to deny anymore, but we cannot hear of anything that is being done to adjust those problems. There is a general malaise hanging over the place. Members of the Government seem to have gone on leave. The only one we hear saying anything recently is the Minister of Justice and Public Safety who pronounces on a wide range of areas of public and private endeavour but stays very strictly out of the area of commenting on the matters that concern people most in this country.

The Government has gone on leave and put up a sign for all to see – "Closed for Lunch" or "Closed for Holiday". This is causing a great deal of concern in this country. I am not speaking to alarm anybody, but there are stirrings in the community. People are beginning to pull their hair out and ask what is going on. People have glazed looks over their eyes, which say that the community generally is disoriented. This country is crying out for leadership in this area. The Modern Studies boys let down the country.

No wonder, as I heard on my left, that the Combermere Mafia are planning to move and do certain things. They need not be embarrassed because I am not going to disclose to the Floor...

Mr. SPEAKER: I want to remind you that I am a Combermerian as well.

*Asides.*

Mr. L. R. TULL: Mr. Speaker, Sir, I am not talking about Combermere alumni. I am talking about Combermere

Mafia. I am sure, Sir, that you do not fit into any such categories.

I want to make one final point, Sir. I don't want this debate to deteriorate into levity. What I am saying, Sir, is a *cri de coeur*. I am out there dealing with people every day like other Honourable Members and there is nobody who is accessible to the people in Barbados in this period who can in good conscience get up on the Floor of this House and deny that there is a certain growing disquiet in the country, not so much over the state of the economy or any measures and the way in which they have been imposed, but over a lack of appreciation of what is next that nobody is telling. As a result, there is a combination of doubt, fear and suspicion; and that is a deadly social concoction. They say, Sir, a word to the wise is enough. I say no more, Sir.

Hon. H. A. BLACKMAN: Mr. Speaker, Sir, I really had no intention of getting involved in this debate today but the Honourable Member for St. George South has drawn me into the debate and I need to respond.

Mr. Speaker, as the Prime Minister pointed out, this is a simple matter, but obviously, with the state of affairs existing in the country today when everything has to be looked at in a political manner, I have no doubt that out of any measure coming to the House of Assembly, Members from the other side will try to make political mileage. This is a simple matter. It has nothing to do with the programme the Government is entering into with the IMF. As pointed out by the Right Honourable Prime Minister in his introductory remarks, the matter that the House is being asked to consider is a simple matter where the International Monetary Fund Act Cap. 18A has to be amended in here in order that Barbados could accept the third amendment of the Articles of Agreement of the International Monetary Fund. It is as simple as that.

In order to accept certain articles, we have to amend certain provisions of the Act in here and that is what is being done. What has happened, Mr. Speaker, is that the International Monetary Fund, the Interim Committee of the Board of Governors decided that they should increase the quotas of members of the Fund and that the articles should be amended to authorise the Fund to suspend the voting rights of any member country which is in arrears.

The opportunity had to be taken because in normal circumstances this would have passed without any debate, but the situation now is not normal, especially as far as the Opposition is concerned. The Honourable Member for St. George South said that I said, which I never did, on the call-in programme that the matter under discussion at the moment with the IMF was a stabilisation programme and that nothing could be done. He used the words "structural adjustment"...

1.25 p.m..

Mr. Speaker, at no time on the call-in programme did I mention the words "structural adjustment". What I was saying... Let me explain.

*Aside.*

Mr. SPEAKER: Order, please. Continue.

Hon. H. A. BLACKMAN: I have to explain it because the Honourable Member...

Mr. SPEAKER: The Honourable Member has risen.

Hon. L. R. TULL: On a point of order, Sir. The Honourable Member in his exuberance is misleading the House. I said nothing at all about any call-in programme during the course of my speech, Sir.

Hon. H. A. BLACKMAN: Mr. Speaker, that was the only time that I spoke on any matter. Let me explain my position. The Honourable Member for St. George South said that I said that at the moment all we are doing is a stabilisation programme and therefore no structural adjustment can come into the matter. I repeat, at no time did I mention anything about structural adjustment.

What I did say and what I was addressing was the point that certain people in the community were saying that in the programme that we are going into, nothing is being said about the productive sectors. What I said was that the initial part of the programme was to do with stabilising and that after you have signed the agreement with the IMF then the World Bank and the IADB would come in with funds in order to get the productive sectors moving. I never said anything about structural adjustment. The reason why I could not have said anything about structural adjustment is that precisely what we are doing now forms part of the structural adjustment. That is what we are doing, so I could not have mentioned it.

*Aside.*

Hon. H. A. BLACKMAN: You are not going to draw me into anything.

Mr. SPEAKER: Just one moment. I am sure I have allowed other Members to speak without interference. Now we are at the point where the Honourable Member cannot be heard. I am not going to allow Members to do that. Will the Honourable Member continue.

Hon. H. A. BLACKMAN: Mr. Speaker, I know and everyone on this side knows that the stabilisation part of the programme forms part of the entire structural adjustment. That is part of it. So to say that you cannot do two or three things at a time, I never said it. All I am saying is that the main thing at the moment is to stabilise and then you move off after you stabilise.

Mr. Speaker, I just wanted to say in a few words that it is a very simple Bill. Obviously, with the situation as it is they are trying to draw me out but I am too intelligent for them to draw me into anything. I just wanted to set the record straight as far as this Bill is concerned, a simple Bill, simple amendment and let us move forward.

Thank you, Mr. Speaker.

Mr. SPEAKER: I also want to thank you for not broadening the debate because I recognise that Members may want to do so. I am not allowing any broadening of the debate beyond the parameters of the Bill.

Mr. H. deB. FORDE: Mr. Speaker, Sir, the Government is not going to lull this House into a false sense of ease as though this is merely a perfunctory task we are performing today in amending the Articles to the International Monetary Fund. The sole purpose is to control defaulters who do not honour their obligations on time. That might be the immediate objective of these amendments. But, certainly, when a Bill of this nature comes before the House, one of the major considerations for the House is whether or not the institution with which we are dealing has been performing its task in relation to ourselves and its objectives properly. Even more important, Sir, is what usage we have made of that institution and whether we have used the institution to our best advantages. Therefore, rather than the debate being confined simply in the legalistic and now in terms which the Honourable Member for St. Philip South and the Honourable Member for St. Michael South seek to confine it, I think this House is entitled to ask the question, on the occasions that Barbados has made use of this institution, has it done so within the terms that those taxpayers out there who pay the bill for the IMF would have expected us to do?

I regret to say, Sir, that certainly on this last occasion that we have resorted to the Fund we have broken one of the very fundamental rules that has been laid down for those persons who use the Fund's resources, that is, not to use it at a time when it is not as useful to you as it would have been. I agree very much with the laudable objectives of the Fund, to maintain exchange rates at a state of equilibrium, to prevent this disequilibrium in our economy and to ease balance of payments difficulties when they occur. Those are the objectives.

The Honourable Member for St. Philip South wants me to stick to the Bill. I wish the Government had borne those objectives in mind in the last few years when it was dealing with the economy of Barbados because we have obviously forgotten that the Fund existed to have assisted us at the time when our need was staring everybody else in the face other than the Honourable Member for St. Michael South; and had we used the Fund's resources timely, even if we were not correcting the problems ourselves, our

reserves would not be at the lowest level that they have been since the inception of the Central Bank.

It is a sad commentary on the Government's management of the economy and the Government's appreciation of the objectives of the IMF that the Government actually allowed the country to virtually run out of foreign reserves and foreign exchange before it made use of the Fund's resources. It is difficult for Barbadians to purchase foreign exchange from the commercial banking system today. The reserves net of the CMCF balances are now negative and the position has continued to deteriorate.

The point is that nobody is now prepared to lend Barbados money without IMF coverage. Therefore, the Government has now more need than ever to use IMF resources. The Government must understand that the country understands that. There is no point of saying stick to the legalistic point of this debate. What is the point of us coming in here to discuss measures to amend the IMF Articles, as the Honourable Member for St. George South says, to see that people conform within the terms if we ourselves do not have the discipline that is necessary. Therefore one has to make the point over and over again that there is no point being a member of the International Monetary Fund if we are going to breach the very provisions that the Fund warned us we should not breach. 1.35 p.m.

The Honourable Member does not see the connection. I see it though, Sir. If our foreign reserves are as they are, obviously certain serious measures would have to be taken. Unfortunately we have pushed ourselves to the position where those measures are more than painful for us, Sir.

The structural adjustment programme means that we are having to direct our resources into uses which are capable of creating growth of productivity for us and also shifting us into a position where we can earn foreign exchange and earn it at a particularly fast rate. But there are certain painful consequences. Any arrangement with the Fund, if the arrangement is not skilfully and properly negotiated, and I should add, "timely negotiated", will have very painful consequences for the recipient country. It is a good thing to belong to the Fund, Sir, but you should know when to use it and how to use it and you must always be in a very good position that when you use it, you can make the maximum use of its resources.

Barbados has failed in 1991 to observe those warnings and one of the consequences and experiences of people is that bankruptcies will occur and have already started to occur. Redundancies have occurred massively, Sir. We are having a great difficulty in untangling, at the rate at which the Right Honourable Member has set the country, the economic mess in which we have fallen.

The IMF advises that when we find ourselves in those situations the first task is to control the crisis. I agree that we have to set ourselves that objective. Therefore one of the objectives is we must be able to restore the capacity of the country to import and it is a tremendous quandary for us because we have exhausted our foreign exchange reserves; our borrowing capacity is now almost totally destroyed and we have yet to restore our capacity to import.

Therefore, Sir, this stabilization phase must be dealt with within our experiences in the IMF and I am going to want to issue some of my concerns for IMF programmes and the stabilization phase that we are going through. There is the second phase but they are not necessarily phases that cannot be taken together. That is the structural transformation phase where we are structurally transforming the economy so as to restore a viable balance of payments position or external payments position, and secondly, so that we can restore the capacity of Barbados to meet the basic needs of the community and to raise the productivity of our people, the objective being to raise the incomes of the labour force and of the country as a whole.

In dealing with the IMF we have to have certain basic principles for structural adjustment. I think it is timely that we emphasize it on this Bill. We must always make it clear that the adjustment does not belong to the IMF or some third country, the adjustment belongs to Barbados which is the recipient country. It is Barbados that is being affected by the adjustment. We have to say that and spell out for ourselves what it means. Because sometimes we talk as if the IMF has measures and you just rush to the IMF and you get the measures and you do not realize what consequences it is spelling out for your country. I emphasize the point to state that the programmes must therefore be politically, socially and economically sustainable and acceptable. Any programme we devise must be designed in such a way that it is adapted to our own peculiar circumstances and to the state of our country and the economy. There is no point belonging to an institution on a theoretical basis. I am in the practical stage. That is why I regret that the 1991 programme with the IMF has forgotten those necessary warnings and objectives.

I have four major concerns with how we deal with the IMF at this time. I am very concerned that some of the measures that we have put in place will affect the long-term development of Barbados. This is not only a concern that is limited to Barbados. I have seen it in other places. There is no point talking about liberalizing and freeing up the trade and all aspects of our economy, if at the end of the day we are destroying some of the pillars, if not all of the pillars, on which the very economy is based and founded.

IMF structural adjustment programmes, if not carefully honed, have had that effect elsewhere and we

must learn from the examples elsewhere. Let me give you an example, Sir. It is all right saying free up manufacturing because you must be competitive.

Mr. SPEAKER: But I am hoping the Honourable Member is not expanding beyond that statement.

Mr. H. deB. FORDE: No, Sir. But I must give the example to illustrate the statement. It is all right to say free up manufacturing to achieve and to be within the principles of the IMF article which is one of its principles. But if in the process of freeing up manufacturing in a small territory such as Barbados, you destroy the whole manufacturing base then what you are doing really is getting rid of your own industries in order to become importers rather than exporters. We have seen that happen here in Barbados with the measures that we put to the IMF in our Letter of Intent.

My second concern, Mr. Speaker, Sir, with IMF programmes and with the objective of the IMF relates to the social dimension of an adjustment process that member countries are asked to go through. A lot has been written on this aspect of the IMF; sufficient that those of us who read and understand would have had enough warning of what we should have avoided. There is enough written, not in a theoretical way, from the practical experiences of countries, some right here within the Caribbean – Jamaica and Guyana. In the last couple of years a lot has been set out about their own experiences. The social dimensions of the adjustment have been harshest on the poorest in our society, on the people at the lower end of the socio-economic ladder, on the displaced, the disabled, the dispossessed and those who lose their jobs.  
1.45 p.m.

Therefore, if the IMF is to perform its function, and governments such as ours are to use the IMF sensibly, our packages should always reflect our concern for those at the lowest end of the ladder. I am not satisfied that the taxpayers who have to pay for keeping Barbados a member of this institution have been properly served by the measures that we have put before the IMF recently to answer that second concern of mine, Sir, the social dimension.

Each one of us should have a story of how the measures are impacting on the poor in our particular communities at the moment. I am not going to use this debate to recite the cases that have come to my knowledge, but suffice it to say that even now, even before the IMF has accepted our Letter of Intent, the measures in place are hurting the poor people of the country, really hurting them, Sir, and fracturing the society in many ways.

We must not forget that they, too, paid for us to be members of this institution and they, too, have to pay the cost of this amendment that is now before the House and they, too, will expect us to take this opportunity to say

what are their concerns and how they are hurting in such a case, Sir.

Now, Sir, I want to say that Third World economists and economists in the First and Second Worlds who have a social conscience....

*Aside.*

Mr. H. deB. FORDE: The Third World is the developing world. They are in the position, Sir, that they have had now an experience of the IMF impacting, not merely on the developed countries of the First World but on the middle income countries of the Second World and the developing countries of the real Third World, Sir. The Honourable Member wants to know where they are, Sir. They have therefore been able to draw their concerns as I am drawing the concerns here of the poor in Barbados to the attention of the executive and other directors of the International Monetary Fund.

It is possible to devise programmes and put up the sort of structural adjustment programmes and structural transformation programmes that will take into account the needs of the poorest of the society and the needs of those, who in the phase of adjustment are displaced and thrown out of work and have no hope in the immediate future or until the transformation phase takes place of getting back into the work force. We must therefore never cease to emphasise their case.

Mr. Speaker, Sir, I would hate to think that a Bill of this nature prevents me from articulating on behalf of the poor, the dispossessed, the disabled, the displaced, their case. I would never like to think that I must come in here and discuss the mere legalistic parts of this Bill and forget that they exist. I would not have performed my task in the way that I, according to my conscience, Sir, having sprung from among the very poor, know and want to perform that task. I should recognise I have a duty to perform the task. I can't perform it merely by talking in a theoretical way about these measures. I must talk in the real world of the experiences that we have had in Jamaica and Guyana and here in the very Barbados that I see opening before my eyes every day on measures such as these. I can't talk otherwise than in this way, Sir. We must say that none of us today can be satisfied that the social dimensions of structural adjustment has been fair in relation to the people who are the poorest in our society.

It is all right when you take 8 per cent from somebody earning five or six or ten thousand dollars a month, all right only in this sense; but *vis-a-vis* somebody earning \$250 or \$160 a week, it is all wrong. That could never be right as far as I am concerned, not in the adjustment process. I want to make my position very clear on these matters, Sir. When dealing with measures like these we must be conscious of the context in which we are

operating, the circumstances of the country and therefore we just don't go into this in a theoretical way, Sir.

I want to talk, Sir, on one of the concerns with how to achieve IMF objectives. One must always be concerned in structural adjustment programmes with the realistic pace of implementation. Left to the IMF theoretician, Sir, countries such as ours would have to adjust our fiscal deficits within one month if they could possibly do it, Sir. I wonder why they have never asked the developed countries with whom they have had programmes to adjust their fiscal deficits within the same time frame as they are asking us; and we bend and accept.

The United States has a fiscal deficit that needs adjusting if the World economy is to move faster. In fact I say, Sir, that in our 1991 objective we have not followed a realistic pace of implementation of the structural adjustment measures. To accept that we must achieve laudable goals but to achieve it in such a short time framework is having tremendous social and economic dislocation in our country. If we are not careful it could have much long term political dislocation as well.

I mentioned there is the regional dimension. One of the greatest tragedies of the Caribbean in my life time from the time I had any interest in political life is that we are learning the lessons of political adjustment, regional transformation, the hard way. We have chosen deliberately to learn it that way. It would have been much easier dealing with a Caribbean that was much better integrated than we are when we go to the IMF or anywhere else, Sir. Whether we are dealing with the IMF, the CBI or any of them, the Enterprise of the Americas, we run ostensibly together and we break for ourselves quite early. Therefore we are liable to get the worst type of terms that we possibly could. There is no sense flattening the manufacturing sector of Barbados and consequentially those people in the labour force who depend on manufacturing, if it merely means benefitting, for the time being, another Caribbean country.

Now, Sir, look at what has happened with the Jamaica and Guyana economies under structural adjustment, with the fluctuation in their exchange rates giving them a temporary advantage over Barbados in terms of manufacturing and elsewhere. But in the long term it is undermining the capacity of all of us to become competitive *vis-a-vis* the First World – the Prime Minister does not like to hear that – and the Second World, Sir, the Koreans, the Singaporeans.

*Aside.*

Mr. H. deB. FORDE: The Honourable Member says the Second World is the Communist countries. They no longer can be so characterised. Sir, I must make the history too. They cannot make it in the First World. We must

classify the people as well. You cannot place some of the Communist countries in any Second World now, Sir.

Mr. SPEAKER: One minute more.

Mr. H. deB. FORDE: Some of them like Romania are worst off than us, Sir. I want to say, Sir, that although obviously the Barbados Labour Party supports the continuing membership of Barbados in the IMF, I think we have now had twenty years of experience and that we should use the good lessons and discard the bad ones. We must never ever be in a position again when we are going to the IMF, not only naked, but with both our legs virtually amputated.

We must be able in the future to stand up as a strong economy, Sir, and we must also from these lessons look structurally in the future to see whether, together with our colleagues in the Caribbean, we can devise a series of measures, relying on our experiences, that will warn us off against having to use the Fund's resources in the manner in which we are using them today. If we do have to use them in the future, we must use them timely and effectively so as to shore up rather than to destroy our economic, political and social fabric.

I am much indebted to you.

#### SUSPENSION

Hon. M. A. KING: Mr. Speaker, at this time I am going to move the suspension of the House for one hour until 3 o'clock this afternoon.

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

*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.*  
1.55 p.m.

#### RESUMPTION

Mr. SPEAKER: This sitting is resumed.

Mr. R. L. MORRIS: Mr. Speaker, the Honourable Member for Christ Church South made the comment that going to the IMF is not a matter to be ashamed of. I think that that is a very, very sensible statement made by a person of some experience in public affairs. One of my concerns, Sir, is that institutions like the International Monetary Fund bear a certain image particularly in countries like our own. I say, Sir, that it is an image that is partly hedged by lack of information or knowledge about these institutions. If there is one good thing coming out of circumstances such as these that we are in now as well as

the circumstances that we were in in the 1980's, it is that it gives the opportunity for public education about these international institutions.

Sir, the Honourable Member for St. George South made the point that most of us are students or graduates of modern studies. In fact, looking through the entire Chamber, I would risk that most of us came out of that background. Others and more recent graduates might have doubled up with a degree in Modern Studies or another degree and perhaps Law. Those of us who came into economics might have done so not through formal training but through exposure and having to be engaged in discussions of this nature. But what is becoming increasingly clear, Sir, is that in small developing countries like our own there needs to be massive public education about economics. It is something that we cannot postpone. I am talking about two levels, Sir. I am talking about the level of preparing our children at whatever level for the understanding of economics and at the second level I am talking about the need for popular education. It is clear to me, Sir, that the International Monetary Fund has to be discussed inside out in countries like ours so that there is no problem in going to the IMF at anytime. Once difficulties arise in the economy that might force a country to go to the IMF, it should not become a political issue whether you go before or after an election. But we know very well, Sir, that the history in countries like our own is that because of the ignorance of what the IMF represents is that no political party would dare, generally speaking, to go to the IMF before an election.

In fact, Sir, studies have been done to show that in almost every instance recourse to the IMF comes after an election. This has been written about. One cannot point to any example where before an election a Government goes to the IMF. So when we talk about the question of time, we need not think that the Barbadian situation is unique. In fact, I would dare say that it is the general situation that the most opportune time to go to the International Monetary Fund is immediately after an election. That has been shown by those persons who have studied the programme of the International Monetary Fund. I cannot find an instance of a country that went to the International Monetary Fund just before an election. But I am saying that as you get to understand what the International Monetary Fund is, as the Honourable Member said, you would understand that you did not join the Fund because you did not want to use it. You joined the Fund because you understood that you have to have recourse to it at some time.

The fact is that the International Monetary Fund really is only an institution that provides large programmes which are written that you yourself can institute from time to time. That is one of the things which we have to learn basically, that the International Monetary Fund does not come up with anything that is so different that we ourselves cannot institute. It is when we learn to discipline

— and this is nothing only to do with Government and leaders; this has to ramify throughout the entire society — when we can impose self-discipline, then the need to go to the Fund will be concurrently reduced. But it is a very difficult task and that is why we find ourselves having to go there from time to time. I am not one of those persons who believe that this is the last time that we will be going to the IMF. I do not believe so. Let me be very clear about this.

A young man who is living in Jamaica now...

*Aside.*

Mr. R. L. MORRIS: This Administration is going to be around for a very, very long time. Do not have any doubts in your mind about that. A young man in Jamaica now who is 21 years old has known a life that has only been the Fund. The Fund has been in Jamaica for 14 straight years. The reality of life in Jamaica is the Fund. It cannot any longer be a political thing. But we understand the newness in Barbados to a sense. We went in 1977 and nobody kept any noise about that — in 1977-78 when you went and drew down \$15.1 million under the Compensatory Financing Facility. It is true that it was not a standby agreement but you went to the Fund. It was not your problem because you could say that the compensatory financing happened in 1976 under a different Administration. But in a way that was kept underground in Barbados because people were so afraid to talk about the IMF. In 1981, you had to hide it again. But it was not hidden in 1991 and it can never be hidden again either. It cannot be hidden again because we have had the experience. People are more aware now. They understand because you know the old saying about once bitten twice shy.

I read a paper that the Honourable Member for St. Peter wrote in 1983. At that time he would have been an adviser. I believe that he advised the Honourable Member for Christ Church South. He ended up that paper by saying, "In 1978, the country had to go to the IMF because of expansionary policies. In 1982, we had to do the same thing and this is 1983 now. I hope we do not have to do it now after 1986." Now you know what happened in 1985. In 1985, Mr. Adams who might have engaged in expansionary fiscal policies or a politician like him might have done it but he was not there.

The Honourable Member for Christ Church South who is a cautious man and who would have been advised, I am sure, that if you are going for expansionary fiscal policies that these are the options. So he did not. He was given advice and he lost the election. I think he would probably say now that he took that advice and the country did not go. But he knows as well as we do on this side that the problem in Barbados is not just the problem of expansionary fiscal problems at a particular time but it is

trying to really make up. That is all Governments in Barbados and the Minister of Finance are trying to do basically. They are trying to make up for the non-performance of the productive sectors. The point is that in Barbados our productive sectors have not been working for a very long time and all our Governments, both the Democratic Labour Party and the Barbados Labour Party because they are socialist in orientation, try to make up for that by spending Government money to create jobs and so on.

Mr. SPEAKER: I caution the Honourable Member for Christ Church West for stretching too far.

Mr. R. L. MORRIS: I will come back in, Sir. I am just making the point that the International Monetary Fund programme is not a programme that is unlike programmes that can be structured by particular Governments or institutions. In fact, Sir, all Governments that have to use the IMF programmes have used it under exactly the same circumstances. But what we need is more information about the International Monetary Fund. We need public education. We want people to understand what that institution is and not just the aims and objects of the institution but the actual programmes of the institution. While the IMF goes in mainly for what are known as the stabilisation programmes, the difficulty is that if you stabilise but then you do not transform that you are going to stabilise again and again. That is why I say that there is need for an institution like the International Monetary Fund. It has its role. If you don't stabilise, it is clearly a question of restructuring being out of the question. Once you have stabilised, the point is that we will be having growth again. However, it is never really balanced growth. It is growth because tourism does well or sugar does well. When sugar or tourism does not perform, then we have to go the standby arrangement – the compensatory financing. Really, we are not moving forward.  
3.10 p.m.

My hope, Sir, is that Barbados – and I speak in terms of the wider Barbados, all of us – understand that there needs to be a commitment to change in this country. That's vitally important. Change will not come by criticising the IMF. The IMF has several features that might not be palatable to everybody, because the IMF is only a face of certain values and attitudes. It has a particular philosophy about how things should be done – a very strong private sector, free trade orientation and so on. There is no difficulty with understanding that. Therefore, because they attempt to carry some of these policies to an extreme, we can experience difficulties in the way how they apply their policies.

I would like to think that two positive things can come out of this programme. We recognise that there will be hurt. There is an indication in many countries where the IMF programmes were established that there was a move

towards small business development, that persons who were released from the workforce found themselves setting up small businesses and there was some expansion of entrepreneurship. I think Barbados badly needs that.

Barbados needs an expansion of the private sector. The private sector that we have had so far has carried us far part of the way. If the IMF is the door to open more entry into that private sector development, which is the only development that is going to get us the foreign exchange so that we can increase our standard of living, then, perhaps, there will be something good coming out of that. There has been a blockage to our people from moving forward towards the productivity and the development that is necessary, and an IMF package can help to open the door. Perhaps we have to look outside of the negatives: there are positives that we need to build strongly on.

Sir, I just want to make a very short intervention because I believe that we have to go down the road where every time that we hear IMF we do not get afraid as though it is some sort of institution that is not made for people and governments. It is an institution like the United Nations, but each one has its own specialised need in our society.

I agree with the Honourable Member for Christ Church South that there should be nothing that anybody has to be ashamed of by going to the IMF. I hope that in all our levels of debate that we would keep that kind of thinking not only inside here but outside also. Thank you very much.

Mr. D. A. C. SIMMONS: Mr. Speaker, Sir, there is no way that a bill to deal with information of aspects of the IMF can pass debate without discussing its relevance to Barbados at this time. I want to deal with how the programme that we have entered into... I don't know if we have entered into a programme with the IMF. Let me start at a different end of the wicket.

We find ourselves in 1991 having to prepare the public of Barbados for the possibility of a programme with the IMF. As I understand it, we are not yet in an agreement with the IMF because what was put up on 25th October by way of the Letter of Intent has subsequently been modified, and, to that extent, there may be some speculation as to whether we are in fact as of today in any arrangement whereby we can get funds to help with the balance of payments problems and the foreign exchange problems that the country has.

Everybody in Barbados is now satisfied as to how we have come to this situation which requires what the Government is calling a structural adjustment programme through which we will have to borrow when the agreement is entered into from the International Monetary Fund. It is unfortunate, Sir, that at this juncture of our history that the

vast majority of Barbadians should apportion the blame for our present situation largely on one man. But, that is the reality of life in Barbados today. One person is being blamed for the pass to which we have come and no amount of rhetorical questions on television broadcasts will erase that perception from the public's mind. Of course, having been in here for the last six years, I recognise that one man may have been like the captain of a team, the one who has to carry the can but all the rest were in it too. All who pestered him for \$91 million in supplementaries will have also to answer to the public.

No country wishes to get into an IMF programme of the type that has been mooted in the *Nation* to Barbados, where bitter pain, social dislocations and suffering and economic hardship and deprivation will attend its citizens. We, unfortunately, will have to face 1992 fully cognisant of all of the consequences of the folly that we indulged in as a country, particularly in the last two years, and in defiance of all warnings from various sources, including warnings from the very IMF and the World Bank, including warnings from the Directors of the Central Bank.

The experience of other Caribbean countries and countries in the region, in the sense of Brazil and nearby in Mexico doesn't portend for us in Barbados that things will be easy in the foreseeable future. It will behove all of us to urge restraint on the people of Barbados in the way in which they respond to the pressures that will be exerted on a vast number of them in 1992. Only yesterday, I heard one store is planning to lay off 200 in January. That kind of thing will proliferate in the new year.

Sir, Barbados is a member of the International Monetary Fund and has been a contributor. I believe the point has been made before I came to the House that we are entitled from time to time, in times of difficulty, to go to the Fund and ask to have some of our contributions back to assist with the resolution or mitigation of problems which might then be incurred. In a sense, going to the International Monetary Fund to borrow money is not necessarily disastrous or something of which we should be ashamed.

3.20 p.m.

In this particular case of Barbados in 1991, yes, we ought to be very ashamed of having to go and in the manner in which we are going grovelling. That has happened for all kinds of reasons which I am not going to go into today. But when we go cap in hand as mendicants, then what medicine we get dished out to us we have to be content with. We have to blame ourselves entirely because part and parcel of the type of programme that has been forced on us to negotiate not to agree, is the abdication of the concept of sovereignty and independence as a nation and as a people.

Someone once said, I think it was the late Errol Barrow, that one morning we would wake up and find that we do not have a country, that there are people in charge, people who have earned it. Those words have become prophetic because in order to get money we are having to dance to the tune of these international writ servers or receivers based in Washington. The symbolism of that cannot do anything positive to the psyche of Barbadians in the 25th year of Independence.

Sir, I use to hear Mr. Barrow speak in this House about repatriating the Constitution. We are in that state now where the Constitution needs to be repatriated. Unfortunately, we will be stuck with this situation for many years to come. I wish to tell the Prime Minister, and do not misunderstand me, I am not calling him a liar at all. I am not even suggesting it. I do not believe that we would get out of these problems in 18 months. I think the Prime Minister when he says that is trying to bolster up the psychological attitude of Barbadians for the next 18 months.

I heard the former Director of Finance and Planning one Sunday on 'Point At Issue', and more recently a retired Director of the Central Bank express the view, and I believe that they would have been party and privy to enough information on which to base their judgement, say that it is more like five years we are talking about. That is assuming that everything falls into place and things go according to plan. I would also say that it would also assume that the international recession does not deepen anymore. But 18 months would be a joke.

Honourable Members on the other side in other places have referred to the experience of 1982, Sir. That is a red herring. We have to deal with 1991 and how this business with the IMF has been managed. It looks as though we have been stumbling or bungling every couple of weeks from one imposition, one penalty to the other, and we do not know exactly what we are doing.

In April the Prime Minister refused to reduce the deficit as he was advised. He came in September and he was forced to do it about over a six-month period, with drastic cuts to be implemented with all the associated distress and pain. There was a Consumption Tax Bill in September. Last week or week before there was another one. There was a stabilisation tax in September, last week there was a companies stabilisation tax. There was a change in the national insurance contributions a couple of months ago. Last week or week before there was another change.

The image that we are presenting to the International Monetary Fund, which Articles we are amending today, is of a bunch of people in Government who do not know what they are doing and who are operating in a very clumsy way. Now, when people talk about loss of

confidence that is one of the things they are talking about, that nobody has any confidence that we as Barbadians are dealing with this matter in a logical, positive and forthright way. I am not saying anymore on this question of confidence.

Mr. SPEAKER: Not necessarily confidence but I am starting to get the inclination that you are going into the Letter of Intent.

Mr. D. A. C. SIMMONS: No, Sir. I am not dealing with the Letter of Intent at all.

Mr. SPEAKER: Drift away from that. Keep on the International Monetary Fund. I have no difficulty with the policies.

Mr. D. A. C. SIMMONS: Sir, I am not dealing with the Letter of Intent at all. I must assure you of that. If any of the matters that I identify form part of the Letter of Intent, then, to that extent, I would have touched on the Letter of Intent but I am not meaning to deal with the Letter of Intent.

Mr. SPEAKER: I think you understand clearly what I am saying.

Mr. D. A. C. SIMMONS: Yes, Sir. I give you that assurance.

Sir, at the same time as we are amending the International Monetary Fund Act, we find ourselves, and this is the point I am making, going cap in hand to the IMF to borrow from them. I am suggesting that because of the way that the economy has been managed, particularly since January 22, 1991, it has largely been responsible for our now having the problem of negotiating with the IMF for loan facilities from them with the attendant conditionalities. I want to say, Mr. Speaker, that the whole of this year, since it was known that we were getting into a programme with the IMF, the concentration of the debate has been on the IMF. People have not realised that for about five or six years now the IMF has changed its attitude particularly in relation to devaluation. Let me explain what I mean, Sir.

There are three principal international lending agencies that Barbados has dealt with over the years, the IADB, the World Bank and now the IMF. Everybody is blinkered looking at the IMF. But the IMF has determined for a long time, because they used to get the lashes for imposing devaluation, that they would withdraw from that strategy. The World Bank and the IADB operate in tandem and whereas the IMF will not insist on devaluation, they tell you they will accept whatever exchange rate you like. That is their new policy. It has been invoked for about five or six years. It is the World Bank and the IADB that are

going to insist, mark my words today, on a conditionality of a change in the exchange rate.  
3.30 p.m.

Barbadians must be aware of that. Do not get sidetracked and blinkered down a tunnel looking at the IMF. Look at the other two.

Mr. SPEAKER: But we are not dealing with them.

Mr. D. A. C. SIMMONS: I only mention it, Sir, because I said that there were three agencies linked from whom we have borrowed. In any event it is known that the World Bank is here or will be here shortly to deal with the loans which we need for the reconstruction of the productive sectors. I am only issuing a warning. I am not dealing in any detail with them. I want Barbadians to be aware of the strategy of these international institutions.

Sir, it is a little painful and indeed it is perhaps a reflection of the extent to which Barbadians pay regard to what is said in the House of Assembly and what is published of what is said in the House of Assembly that since September 18, I think it was the day after the mini Budget, the Barbados Labour Party has tried not to be negative in relation to the IMF programme. We have tried to identify a number of areas that we would have dealt with differently from the present Government. I can think of at least four different persons on this side including myself at a public meeting at Dalkeith, the Shadow Minister of Finance, the Leader of the Opposition, we have all tried to get it in the public's mind that we would have done things a little differently. Yet you see people writing in the press that the Labour Party is not offering any alternatives. I believe somebody in the *Financial Times* even went so far as to say that, according to one newspaper report, though I have not seen the original myself.

Sir, I want to go on record even if only for purposes of history to just enumerate eleven points that have come to me of our policy in relation to the IMF. First of all, we would not have acted unconstitutionally in the sense....Do you want me to use a different word, Sir?

Mr. SPEAKER: No.

Mr. D. A. C. SIMMONS: We would not have taken away the 8%, Sir.

Mr. SPEAKER: How relevant is that to this Bill?

Mr. D. A. C. SIMMONS: Yes, Sir, because I am saying that the IMF imposes conditionalities.

Mr. SPEAKER: Yes. I do not see the relevance. You know the Standing Order for that as well too, as long as it is relevant. I do not see the relevance of that to the Bill. I do not see the relevance of the 8% to this particular Bill.

Mr. D. A. C. SIMMONS: Sir, I have always understood a Second Reading to deal with the principle and you get some latitude.

Mr. SPEAKER: But not specifics. That is a specific statement you are making. This is my position. I do not see the relevance.

Mr. D. A. C. SIMMONS: What I am saying, Sir, with respect, we are dealing with an Act, Cap. 18A. We are amending certain parts of it. But with respect I am submitting that I am entitled to deal with the International Monetary Fund, how it operates generally and how it is operating in relation to Barbados.

Mr. SPEAKER: I understand that. But I cannot relate the 8% to how it operates. That is the thing.

Mr. D. A. C. SIMMONS: Sir, I am saying that they are entitled to impose conditions for their money.

Mr. SPEAKER: And leave it like that, if you say that.

Mr. D. A. C. SIMMONS: But, Sir, having made a general point really you would want me to be specific and say what kind of conditions.

Mr. SPEAKER: No. I am not allowing ...If you make a statement, that is it. But to expand the statement into the debate as a substantive part of the debate, I cannot agree with that.

Mr. D. A. C. SIMMONS: All right, Sir. But you would allow me to say, Sir, that we would have negotiated for debt rescheduling with the same people. And you would allow me to say that for example a means of building confidence, getting money would have been to create a kind of national reconstruction bond. That is what I think could have saved us from some of our difficulties. It could at least have ameliorated the harshness of the IMF relationship with Barbados.

I do not think it would be outside the scope of the debate to say that we recognize that we have to get foreign exchange, because, as the Leader of the Opposition was allowed to say the foreign reserves are in a terrible position and we all recognize that we need, as a matter of urgency, to get foreign exchange to Barbados. And therefore if we have to sell assets of the Government to get foreign exchange, I am saying, Sir, that the Labour Party would have preferred to sell those assets first to the Barbadians overseas who made offers so that you would get the foreign reserves that you allowed the Leader of the Opposition to talk about, Sir.

Mr. SPEAKER: It seems as though we are going further and further out to sea.

Mr. D. A. C. SIMMONS: I thought we were going to be constructive. I am saying, Sir, that we have a problem with the foreign reserves. We have to go to the IMF to get financing to prop up the foreign reserves and I am saying to Government, I thought Government would have been willing to listen through you...

*Certain remarks made by the Honourable Member for St. Thomas were ordered, by Mr. SPEAKER, to be expunged from the record.*

Mr. SPEAKER: If the Honourable Member now has not understood clearly what I am trying to get through then I can read the rule for you very clearly.

Mr. D. A. C. SIMMONS: Let us hear it, Sir, on the Second Reading.

Mr. SPEAKER: No Second Reading. More the manner of speaking. Standing Order 28(2):

"A Member must confine his speech to the subject under discussion, and may not introduce matter irrelevant thereto."

Mr. D. A. C. SIMMONS: I am well aware of that, Sir. The matter under discussion is the IMF. I really feel, with respect, that it is an infringement of my freedom of speech which you claimed for me, at the opening of Parliament, that I am not allowed to say how my Party would have dealt with the International Monetary Fund. I really think, Sir, that you are too harsh on me.

Mr. SPEAKER: I have allowed you to make that point more than often. That also contravenes another rule - repetition. It seems to me as if all the rules are now coming to light.

Mr. D. A. C. SIMMONS: There is no time that I have been in here and have broken the rules, Sir.

Mr. SPEAKER: There is also another rule which says you should not repeat what another Member has said to support your own argument.

Mr. D. A. C. SIMMONS: I have not repeated anything, Sir. I said that you allowed the Honourable Leader of the Opposition to speak about the foreign reserves and where we have got and the harshness of the IMF programme and I am claiming in a debate to be able to speak in similar vein. If you do not allow me to speak in that vein, Sir, I think you are being unfair and I have no hesitation in saying that to you.

Mr. SPEAKER: I understand your point. I have allowed you to make the point about reserves. I think the reporters if they want to, they will probably read it back to

you that you have made the point about the reserves already. I am sure you made that point.

Mr. D. A. C. SIMMONS: Yes. I have not finished, Sir. I have not finished, you would not let me develop the point.

3.40 p.m.

Mr. SPEAKER: I am saying to you that I am allowing you to make the point but not beyond the scope of the Bill. That is all I was saying.

Mr. D. A. C. SIMMONS: Sir, I am saying that if you permitted the Honourable Leader of the Opposition to speak about the state of the foreign reserves and why they have become depleted, you ought in fairness to allow me to state how they could be built back up.

Mr. SPEAKER: I can allow you the point but I am saying that you must not go beyond that. If you go beyond that I will just have to rule.

Mr. D. A. C. SIMMONS: I am not going beyond that. I am saying, Sir, that one of the ways in which they can be built back up is by selling BET shares to Barbadians overseas. That surely is legitimate, Sir.

Mr. SPEAKER: You could have couched it in different language. You should have been able to do that.

Mr. D. A. C. SIMMONS: If you have assets, Sir, sell them overseas to Barbadians first, so you will get the pounds or US dollars, or whatever. If you do not wish me to identify a particular organisation I am happy with that, Sir.

I am also saying that in view of other things I said earlier we need to look at the whole question of tax reform. I fear, Sir, that the IMF is going to impose some conditions for tax reform as part of their programme. I hope that the Prime Minister would be careful to recall that he has in his office, a report, by the Grenville Phillips Commission and let that be the basis from which Barbados will negotiate tax reform with the IMF. I can't go into it in any greater detail, Sir.

Sir, even now, even when, perhaps, we have not entered into the final agreement with the IMF, the interest rates in this country are crippling, especially the interest rates on the excess on overdraft – running in excess of 40 per cent. If you have an overdraft for \$10 000 and you go to \$12 000, if you can get the money and the cheques are not bounced, you have to pay in excess of 40 per cent.

Now, Sir, I really feel and I wish to say to the House that were this in the hands of the Barbados Labour Party we would have promoted a low interest rate policy rather than allow interest rates to escalate to such an extent that

business is going to be crippled. Many businesses are going to close as a result of this. Similarly if there are prongs to this question of the foreign reserves as to how to build the foreign reserves and how to restore confidence, it was in our Manifesto, Sir, that we would allow Barbadians to hold in Barbados, foreign exchange accounts. Jamaica has just done it and, speaking to a very senior member of the Jamaican Government two week-ends ago, they are quietly optimistic that it is having a positive effect in Jamaica.

I recently made a call for Government to send a study group, with Ministerial content, to Jamaica and Trinidad, first of all to get some idea of the experiences of those countries under an IMF Programme and to see how they have responded. What strategies they have used, because particularly in the case of Trinidad, notwithstanding the fact that oil would play a prominent part, but I am assured that the Trinidad economy is on the road to recovery again, notwithstanding the IMF programme. Sir, the hope for Trinidad is very good, all other things being equal.

I am serious. I think it would be money worthwhile spent, Sir, if we can send a team to these countries to study and come back and help us to become aware of some of the problems and the pitfalls and avoid some of the problems that they have had in the past.

Mr. SPEAKER: Time is up.

Mr. D. A. C. SIMMONS: I am obliged to you, Sir.

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, if I may reply briefly to this particular debate, we have really heard nothing new in this debate. I think what has happened is cold soup warmed over and I believe, Sir, that the person speaking first for the Opposition indicated that there were no objections on that side to the proposed amendments in terms of the legislation that is before us and having said that then they proceeded to talk about all other matters in their own inimitable style.

*Aside.*

Rt. Hon. L. E. SANDIFORD: No, the Member for St. Joseph did not speak nor my representative, the Member for St. James North.

Sir, there are just a few things I would like to clear up. There is something that puzzles me about the position of the Opposition on this matter. Sir, all of them were silent during the early 1980s on this question of the IMF Programme. They were silent, Sir, and now having agreed to a Programme in 1982 and onwards they are now opposed to a Programme in 1990/91. Sir, I do not wish to stray outside of the parameters of this particular debate so I will not pursue that particular matter anymore, except to point out the irony of the situation and this is part of the problem of the politics of Barbados that simply because

one is in Opposition, one believes one must find arguments against something and even where you are agreeing you still have to find some measures for opposing.

Secondly, Sir, I think that I have established to the satisfaction of this Honourable Chamber that the Bill that is before us is in the interest of the country, that we should support the amendments flowing from the need to increase the resources of the Fund and to ensure that the members of the Fund live up to their obligations under the Articles of Agreement.

3.50 p.m.

I really do not wish to prolong this, Sir. There is agreement on both sides of the House and I think that the matter can rest at that particular point.

With those words, Sir, I beg to move that this Bill be now read a second time.

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

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

*On the motion of Hon. M. A. KING, seconded by Hon. W. O. FRANKLIN, Mr. SPEAKER left the Chair and the House went into Committee on the Bill; Mr. L. L. BRATHWAITE in the Chair.*

#### COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

*Clauses 1 to 5 were called and passed.*

*On the motion of Rt. Hon. L. E. SANDIFORD, seconded by Hon. M. A. KING, Mr. CHAIRMAN reported the passing of one Bill in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.*

Rt. Hon. L. E. SANDIFORD: I beg to move that this Bill be now read a third time.

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

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

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I beg to move that this Bill be now passed and be cited as the International Monetary Fund (Amendment) Act, 1991.

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

*The question that this Bill be now passed and be so cited was put and resolved in the affirmative without division.*

Mr. SPEAKER: Order No. 2.

#### ORDER NO. 2 – INTERNATIONAL BUSINESS COMPANIES (AMENDMENT) BILL, 1991 (Resumed)

*On the motion of Hon. M. A. KING, seconded by Hon. W. O. FRANKLIN, Mr. SPEAKER left the Chair and the House went into Committee on the Bill; Mr. L. L. BRATHWAITE in the Chair.*

#### COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

*Clause 1 was called and passed.*

*Clause 2 as amended was called.*

Hon. M. A. KING: Mr. Chairman, in Clause 2 there is a stylistic change which we wish to make to Clause 2 Subsection 2 to read as follows...In other words, Mr. Speaker, what we are doing is taking out the word "will" in the second line and changing the word "ensure" to "ensures". So that it will read: "The Act shall receive fair, large, and liberal construction in interpretation as best ensures the attainment of its purpose."

With that amendment, Mr. Chairman, I move that Clause 2 stand part.

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

*The question that Clause 2 as amended stand part was put and resolved in the affirmative without division.*

*Clause 3 as amended was called.*

Hon. M. A. KING: Mr. Chairman, in moving the amendment of Clause 3 which is the interpretation section, just to tidy up I suggest that in the definition of "international business" to remove all the words which appear after "commerce".

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

*The question that Clause 3 as amended stand part was put and resolved in the affirmative without division.*

*Clause 4 was called and passed.*

*Clause 5 was called.*

Hon. M. A. KING: Mr. Speaker, in moving that Clause 5 stand part, there is an amendment which we propose in relation to Clause 5. Subsection 1 of Clause 5 as it stands, Mr. Chairman, had been included to provide

for companies which had been registered under the Fiscal Incentives Act at the end of the period of the tax holiday would be able to apply for a licence under Section 8 to carry on the business as an international business company. That meant that at the end of the fiscal incentive period and the tax holiday they could automatically convert into an international business company and carry on business as such.

4.00 p.m.

During the course of the second reading the point has been made, I believe, by the Honourable Member for Christ Church South or perhaps Christ Church West that that provision would tend to create a two-tiered set of IBC's because later on in the Act it may be deemed that an international business company is proscribed from making loans on local banks. A company incorporated under the Fiscal Incentives Act during its operation as a fiscal incentives company could possibly have had loans from a local bank because it was not prohibited from doing so. So, at the end of the fiscal incentives period it was possible that a company under the Fiscal Incentives regime would still make and could conceivably have had a loan with a local bank. Once provision was made for that company to convert to an IBC it could convert and still have a loan with a local bank.

In order to avoid that kind of anomaly in a situation where you could have IBC's of two classifications, we thought it best to remove type one so as to remove the possibility of the automatic conversion from fiscal incentives to international business companies, yet to leave it open so that a fiscal incentives company at the end of a tax holiday, if it so wished and was carrying on the business of an international manufacturing company or international trade and commerce, could incorporate an IBC for the purpose of doing so.

We are proposing, Mr. Chairman, to amend clause 5 by deleting subclause 1 so that clause 5 will now read... We will delete 1 so that there will be no clause 2. It will read:

"A company which has held a licence under this Act shall not be eligible to apply to become an approved enterprise under the Fiscal Incentives Act."

What this does, Mr. Chairman, is to make sure that you keep the demarcation between companies which are doing offshore business and companies which are involved in the local and domestic business. It will keep the demarcation between those two companies quite clear.

We will in a very short time do some adjustments to the fiscal incentives legislation and perhaps the Income Tax Act in order to regularise this position in relation to our fiscal incentives companies. Thank you, Mr. Chairman.

Hon. H. A. BLACKMAN: I beg to second that.

*The question that clause 5 as amended stand part was put and resolved in the affirmative without division.*

*Clause 6 was called.*

Hon. M. A. KING: Mr. Chairman, in moving that clause 6 stand part there is an amendment which is proposed at 6(1)(d). This again is with a view to making it clear. It originally read:

"any other business carried on in Barbados other than that carried on by a company referred to in section 7(2)."

It may be more elegant, Mr. Chairman, to phrase that clause as – "subject to this Act, any other business carried on from Barbados". The amendment which I propose is the deletion of the existing (d) and the substitution of these words – "subject to this Act, any other business carried on from Barbados."

I move that clause 6 as amended stand part.

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

Hon. H. B. St. JOHN: I agree with that because it makes it clear that an IBC must not carry on business in Barbados except insofar as is permitted by clause 6(a) or 6(b). There is a problem with clause 6(d). I know that it is in the existing Act, but for a long period of time there have been grave doubts as to the exact meaning of this. It has been drawn to my attention that the wording is not as clear as it could be in that the wording should be – "the business of a selling of services which, if originated in Barbados are..." It is suggested that the word "to" be introduced here – "... are to, or for, or on account of, persons resident outside the CARICOM region". The reason for that is that you want to permit the selling of services from Barbados which originate here in Barbados. That is the whole basis of the data processing industry – that modern information technological industry. You want to make it clear that you can sell to people outside. What it says now is that if the services originate in Barbados that you have to perform them for, and on account of persons outside.

The difficulty with this is that you have two classes of data processors in Barbados, those that are subsidiaries of companies abroad.... You say that if American Airlines creates a subsidiary in Barbados and they are doing data processing for head office there is no difficulty about that because they are for, or on account of; but where you have the same American Airlines, a subsidiary in Barbados which goes out and gets work from other airlines... I am just illustrating to make it clear that once you are an IBC you can sell your services originating in Barbados to people outside, not necessarily on account of, because one

presupposes that there is a relationship between the buyer and the seller.

We want to get it very clear that you can have data processing in Barbados and you can sell it to the world. It doesn't come under your manufacturing section. There has always been a difficulty as to the definition of manufacturing. This arose because you have a number of local firms who are setting up business as data processors in Barbados for sale abroad and that is not going to be for, or on account of persons resident on the outside. There is no relationship between them and the companies abroad. So, you had better get the draughtsman because this has always been a sore point where it is not a subsidiary. These new firms have come into operation.

The emphasis is that you are selling the services originating in Barbados abroad and there is no need for any relationship.

Hon. M. A. KING: Mr. Chairman, I am taking the benefit of consultation with the Chief Parliamentary Counsel and I ask that this clause be postponed for the time being and that we move on to the next clause.  
4.10 p.m.

*The question that further consideration of clause 6 be postponed was put and resolved in the affirmative without division.*

*Clauses 7 and 8 were called and passed.*

*Clause 9 as amended was called.*

Hon. M. A. KING: Mr. Chairman, in moving that clause 9 stand part there are two aspects of this clause. First of all the amendment which I am seeking to move in relation to clause 9 relates to clause 9 (2). This clause presently has three subclauses (a), (b) and (c). During the course of the second reading again Honourable Members on the other side adverted to the possibility of some conflict between sections 9 and 6. On analysis it does appear that argument is sound.

The amendment which I am proposing in relation to clause 9 is that the whole of 9 (2) be deleted and substitute in its place "no company granted a licence under this Act shall engage in any business other than international business." That removes the possibility with any conflict with section 6 and makes the position abundantly clear. The existing 9 (2) I believe attempted to particularise the situations and ran into some difficulty with conflict with section 6.

The other point which was addressed by the Opposition in relation to this clause is that the whole regime for licensing was unnecessary and that we should remove the provision for licensing all together.

Consultations have taken place with the industry, with the advisors in the Ministry of Finance and so on and they are of the view that one of the concerns which have existed, certainly in relation to IBCs in Barbados is the fact that the status of IBCs could only be determined after the company had been in existence for some time and had been operating in Barbados.

The view was expressed that it was necessary to determine the status of an IBC up front, so to speak, at the beginning of its existence as a business enterprise. The licensing provision does make some provision for that. Again, I believe what has been sought to be captured is that in other jurisdictions there is a licensing regime in place. It is not a financial measure but it is a measure to ensure that the status of the International Business Company is declared up front. One will, in the course of the administration of the legislation try to ensure that any hiccups in regulation are kept to a minimum.

Mr. Speaker, the licensing provision is not designed to create a vehicle for regulation nor is it intended to be a money-raising matter. It is purely a question of responding to what investors in the industry seem to require, a licensing provision to establish the identity and the status of the company up front. Having considered the views expressed we feel that the provision for licensing should still remain.

Hon. H. B. St. JOHN: Sir, I understand the point of principle on this but then it seems to me that you are in a position where you have to form a company first and then apply for the licence. Now, suppose when you form the company and you apply for the licence and you do not get it, you would have had the company and I know the Registry. I can tell you that the Company Registry the present state of the rulings are that you have to put in a special kind of documentation before they are going to register it.

What I am suggesting is, if you do not want to change the principle, that the regulations should be made immediately prior to the coming into law and the regulations should provide for pre-clearance. In other words, you can send the documentation to the Minister of Finance and get provisional approval before you incur the expense of actual company formation. That is done now. You can get pre-clearance now. Before what you used to do was you used to write to Exchange Control. You write to the Central Bank and say you propose to form a company with these objects to operate as an international business company and you would be glad if you could get a response that would provide provisional opinion as to whether that business is all right. You got that back and then incurred the expense once there was no variation. Otherwise people will say that they are not going to incur the risk of doing it. That is one of the provisions.

Not only is it dealt with by saying that a company which *prima facie* complies with this should be granted the licence. You do not want to in any way inhibit the discretion of the Minister of Finance but you must have some machinery in existence that people can feel sure that they do not incur the expense of forming a company and then not getting a licence. That is the only way you can get around that.

Hon. M. A. KING: Mr. Chairman, the point the Honourable Member has just made is well taken. It is a point I endorse completely. I know that the problem with registering most of these companies is the bureaucratic difficulties which exist in relation to licensing. I believe in many cases where there is a simple licensing clause that a person is entitled to license upon payment of the prescribed fee that there can be forms in existence which tend to complicate the issue unnecessarily.

Clearly what we need to do is to ensure that there is a minimum of regulation which exists. Perhaps the point made by the Honourable Member for Christ Church South about making regulations as a matter of urgency and setting up a facility for pre-clearance would be appropriate.

*Aside.*

Hon. M. A. KING: Yes. Section 29 allows the making of regulations.  
4.20 p.m.

Thirty-nine allows the making of regulations. I will give the appropriate instructions, Mr. Chairman, for regulations to be done as a matter of urgency which will facilitate this aspect of the problem.

Thank you.

*The question that Clause 9, as amended, stand part was put and resolved in the affirmative without division.*

Mr. CHAIRMAN: Are we ready to revert to clause 6?

*Clause 6, as amended, was called.*

Hon. M. A. KING: Mr. Chairman, after the benefit of consultation with the Chief Parliamentary Counsel there is no objection to the amendment proposed by the Honourable Member for Christ Church South. So that 6 (1)(b) will now read:

"the business of the selling of services which, if originating in Barbados, are to, or for, or on account of, persons resident outside the CARICOM region;"

With that amendment and the other amendment which I indicated earlier, I beg to move that Clause 6, as amended, stand part.

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

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

*Clauses 10 to 12 inclusive were called and passed.*

*Clauses 13 to 24 inclusive were called and passed.*

*Clause 25, as amended, was called.*

Hon. M. A. KING: Mr. Chairman, in moving that Clause 25 stand part there is just a typographical error which needs to be corrected, the last word in 25(3) should be "party" rather than "part". It now reads "to which Barbados is a party."

I beg to move that Clause 25, as amended, stand part.

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

*The question that Clause 25, as amended, stand part was put and resolved in the affirmative without division.*

*Clause 26 was called and passed.*

*Clause 27, as amended, was called.*

Hon. M. A. KING: Mr. Chairman, in moving that Clause 27 stand part, again there is just a typographical error in 27(2) in that the word guarantee has on a "d". That should be "An assurance or a guarantee" with the "d" off.

I beg to move that Clause 27, as amended, stand part.

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

*Clauses 28 to 30 inclusive were called and passed.*

*Clause 31, as amended, was called.*

Hon. M. A. KING: Mr. Chairman, in moving that Clause 31 stand part, again there is an amendment which is proposed and this amendment derives largely out of the comments of Honourable Members during the Second Reading of this Bill. Thirty-one as you would recall, Sir, provides for international business companies which are in existence prior to the commencement of this Act to a facility for them to continue after the Act and requires that they shall within 90 days apply for a licence in accordance with the provisions of this Act. The view was expressed that during the course of the Second Reading that a period of 90 days was too short and there was also the concern

that a number of companies may very well not apply within the prescribed time irrespective of how long that time would be. Attention was drawn to the operation of the Companies Act where I believe it was even after five years some companies had not continued as provision had been made for them in the legislation. One recognizes that 90 days is a little short. What we have considered is that a period of 180 in the first place might be appropriate with a provision for the Minister to extend that period so that there will be no need to return time and time again to the House to amend the Act to provide for a further period of registration.

Again the philosophy behind a requirement for licensing is that some arrangement be put in place to ensure that companies which exist are known to have converted under the new legislation, and again underscoring the point which had been made earlier that the licensing arrangement is not intended to be a bureaucratic proceeding nor is it intended to be a money raising matter. The appropriate facilitating regulations will ensure that any difficulties which could arise out of this would be minimized.

So that the amendment then Mr. Chairman, which I propose in relation to Clause 31 would be the deletion of the existing subclause (1) and inserting these words:

"(1) Where immediately before the commencement of this Act a company was operating under the provisions of the International Business Companies (Exemption from Taxes) Act, that company shall within 180 days after such commencement or such further period as the Minister allows apply for a licence in accordance with the provisions of this Act."

31(3) by deleting subclause 3(a) and putting in its place the words:

"beyond 180 days after the commencement of this Act or such further period as the Minister allows if an application for a licence is not made within that period, or".

I beg to move that Clause 31, as amended, stand part.

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

*Clauses 32 and 33 inclusive were called and passed.*  
4.30 p.m.

Hon. M. A. KING: Mr. Chairman, I would just like to draw to the attention of the House that there is a consequential adjustment to the arrangement of sections. The arrangement of sections at 5 has "Approved enterprises under the Fiscal Incentives Act", that is to be deleted and Section 5 will state "Ineligibility: Fiscal Incentives Act".

*On the motion of Hon. M. A. KING, seconded by Hon. E. E. GREAVES, Mr. CHAIRMAN reported the passing of one Bill with amendments in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.*

*On the separate motions of Hon. M. A. KING seconded by Hon. E. E. GREAVES the Bill was read a third time and passed and cited as the International Business Companies Act, 1991, and agreed to.*

#### ADJOURNMENT

Hon. M. A. KING: Mr. Speaker, that brings Government Business to a close for today.

Earlier in the day, Mr. Speaker, the Honourable Leader of the Opposition sought an assurance that the suspension of the Standing Orders did not prejudice Private Members' rights to do Private Members' Business. I had indicated at that time that sometime during the course of the day I would consult with the Leader of the Opposition in relation to the matter of Private Members' Business. I think I can say we had consultations and I gave the Leader of the Opposition the assurance that during the course of next week's sitting, time will be made available for Private Members' Business. Against that background, Mr. Speaker, I move that the House do now adjourn until Tuesday December 17, 1991 at 12 o'clock noon.

Mr. H. deB. FORDE: I will just speak briefly on the adjournment. The Acting Leader of the House, the Honourable Member for Christ Church West Central, has given that assurance, Sir, and I will be pleased next week if the Government has not got much business, if we could dispose of several of the matters under Private Members' Business. I would like to deal with Resolution No. 7 if it is at all possible next week – all of it, Sir, if possible – if the Honourable Member is prepared to accommodate all of it at that time.

I believe that there is a Resolution in the name of the Honourable Member for St. Michael North East which has some priority but I trust that the Honourable Member will find it possible to accommodate my Resolution, Sir.

I will speak to the Honourable Member for St. Peter about his as well, Sir. I hope we will be able to debate the issue of broadcasting of the debates of this House, Sir.

Hon. P. M. GREAVES: Mr. Speaker, I just wanted to get a clarification from the Honourable Leader of the Opposition. I seem to recall that one of the motions is a No Confidence Motion in the Government, which he indicated would not be done unless there was television coverage. I am just seeking some clarification as to whether that is going to be done without television coverage.

Mr. H. deB. FORDE: I am quite prepared, as the Honourable Member has said, to take his favourable vote in favour of the House covering the No Confidence Motion. I believe he wanted to let me know he is supporting me, Sir. I hope the other Members on the other side will be equally candid in their position, Sir, and we can dispose of the No Confidence Motion.

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Hon. P. M. GREAVES: Mr. Speaker, as you are aware the Government's position has been stated very clearly on this matter.

*The question that the House do now adjourn until Tuesday December 17, 1991 at 12 o'clock noon was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.*  
4.35 p.m.

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MORRIS, Mr. R. L. (Christ Church East Central)  
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