
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1999 – 2004

HOUSE OF ASSEMBLY

Tuesday, April 9, 2002

Pursuant to the adjournment, the House of Assembly met at 11.20 a.m. on Tuesday, April 9, 2002.

PRESENT

His Honour I. A. ROETT, G.C.M., B.A., Dip.Ed., (Speaker)

His Honour J. M. EDGHILL, J.P., (Deputy Speaker)

Hon. Sir HENRY FORDE, K.A., Q.C., M.A., LL.M. (Cantab.)

Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.), (Prime Minister, Minister of Finance and Economic Affairs) (Minister of the Civil Service)

Hon. Miss M. A. MOTTLEY, Q.C., LL.B. (Attorney General and Minister of Home Affairs) (Leader of the House)

Mr. D. J. H. THOMPSON, LL.B. (Hons.) (Leader of the Opposition)

Hon. Sir HAROLD St. JOHN, K.A., Q.C., LL.B.

Mr. L. R. TULL, Q.C., M.A. (Oxon.)

Hon. Miss B. A. MILLER (Deputy Prime Minister, Minister of Foreign Affairs and Foreign Trade)

Mr. G. W. PAYNE, LL.B.

Hon. R. C. EASTMOND, B.A. (Hons.), Dip. Ed., LL.B. (Hons.), L.E.C., J.P. (Minister of Labour and Social Security)

Hon. R. N. GREENIDGE, B.A., LL.B. (Minister of Education, Youth Affairs and Sports)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Housing and Lands)

Hon. R. D. MARSHALL (Minister of Public Works and Transport)

Hon. R. St. C. TOPPIN, LL.B. (Minister of Commerce, Consumer Affairs and Business Development)

Mr. D. St. E. KELLMAN

Miss H. E. THOMPSON, LL.B. (Minister of Physical Development and Environment)

Mr. M. Z. WILLIAMS

Mr. T. A. PRESCOD, B.A.

Rev. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Parliamentary Secretary to the Attorney General and Minister of Home Affairs)

Mr. D. T. GILL, B.Sc.

Hon. N. A. LYNCH, B.Sc., M.B.A. (Minister of Tourism and International Transport)

Hon. A. P. WOOD, B.Sc., M.Sc. M.Phil., J.P. (Minister of Agriculture and Rural Development)

Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Economic Development, Industry and International Business)

Hon. Miss C. Y. FORDE, J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports)

Prayers were taken by Reverend Canon Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Monday, March 11, 2002.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Monday, March 11, 2002, which Minutes have been circulated, be taken as read.

Hon. R. C. EASTMOND: I beg to second that, Sir.

Mr. SPEAKER: If there are no corrections or observations, then let these Minutes stand confirmed.

MESSAGES FROM HIS EXCELLENCY THE
GOVERNOR-GENERAL

Mr. SPEAKER: I am in receipt of a letter dated April 5, 2002, from the Governor-General.

“Dear Mr. Speaker,

I shall be away from the Island during the period April 7, 2002 to April 20, 2002 on a visit to the United Kingdom to attend the funeral of Her Majesty Queen Elizabeth, the Queen Mother and the Queen’s Jubilee celebrations.

In accordance with the provisions of Section 29(1)(c) the President of the Senate, His Honour Sir Fred Gollop, K.A., will perform the functions of the office of Governor-General during my absence.

As the Honourable the House of Assembly will not be meeting prior to my departure, it will not be possible for the usual formal message to be sent to your Chamber.

Will you therefore please bring my absence formally to the attention of the Honourable the House of Assembly when next it meets.

I have the honour to be,

Yours faithfully,

CLIFFORD HUSBANDS
Governor-General”

PAPERS

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I am commanded to lay the following:

1. Duties, Taxes and Other Payments (Exemption) (Coronation International Golf Club Limited) Order, 2000.
2. Customs Tariff (Amendment) Order, 2002.
3. Value Added Tax (Refund) (Tumari Ltd.) Order, 2002.
4. Value Added Tax (Refund) (FAC Collymore Scholarship Fund) Order, 2002.
5. Duties, Taxes and Other Payments (Exemption) (Barbados Agricultural Management Company Limited) Order, 2002.
6. Value Added Tax (Refund) (IDS Systems Limited) Order, 2002.

7. Duties, Taxes and Other Payments (Exemption) (PEPE Investments Limited) Order, 2002.

Hon. Miss. H. E. THOMPSON: Mr. Speaker, I am commanded to lay the following:

Annual Report of the National Petroleum Corporation for the period April 1999 to March 2000.

Hon. N. A. LYNCH: I am commanded to lay the following:

Annual Report of the Barbados Tourism Investment Inc. for the year, 2000.

NOTICES

Hon. Miss M. A. MOTTLEY: Mr. Deputy Speaker, I give notice of the following:

A Resolution to approve the vesting in the National Cultural Foundation of the parcel of land at Probyn Street, Bridgetown, on which the Empire Theatre is located.

OBITUARY SPEECHES

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I rise to observe the passing of the Queen’s mother and to offer on behalf of the Government and people of Barbados our condolences to Her Majesty the Queen, the entire royal family and the people of the United Kingdom who, on this day, paid their last respects to the Queen’s mother. We recognise the tremendous role she would have played in the United Kingdom as the wife of the late King George VI together with the people of the Commonwealth. Mr. Speaker, those older than myself would recall when she was Queen of Barbados as the wife of King George VI.

Her life has been a long and full one and the extent to which persons have made it their business to pay respect to her is an indication of the manner in which she touched the lives of many people across the world. We trust that the people of Britain and the royal family will take solace from the fact that many today have chosen to celebrate the life that she lived rather than to regret simply that she has passed. I think that is a mark of a woman who has made a substantial difference on those with whom she interacted.

On behalf of the Government and people of Barbados, I offer deepest condolences and it is of note that the Governor-General of Barbados, His Excellency Sir Clifford Husbands, the representative of Queen Elizabeth, was one of the persons attending the funeral this morning at Westminster Abbey.

Sir, with those words, I ask that the appropriate Resolution be prepared reflecting the great sadness of the Parliament of Barbados and the recognition of a life well lived and a celebration of all that is good and worthy.

Mr. D. J. H. THOMPSON: Mr. Speaker, I rise to second the Resolution moved by the Honourable Member for St. Michael North East and to join with her in extending our sympathy to the members of the royal family, the people of the United Kingdom and also to the people in the Commonwealth with whom the association of the royal family is so strong.

Perhaps the most unique thing about the Queen's mother is the fact that she was content throughout her 101 years to stand by others to allow them to shine and essentially be the wind beneath their wings despite the fact that she herself was immensely popular among the people in the United Kingdom, from Scotland down through Wales and Ireland. Sir, this is a great tribute to her. I believe she sought whenever there was controversy within the royal family to mend fences, to heal and ensure that the royal family stood out as the institution that she felt it should be in the context of the Commonwealth, United Kingdom and the colonies.

I join with the Honourable Member for St. Michael North East in extending sympathy to the royal family and all of those who feel grief at the passing of the Queen's mother.

Mr. SPEAKER: I would like to associate this Honourable Chair with the sentiments expressed. This House with acclaim accepts the Resolution of Sympathy and so directs that this Resolution be sent to the palace to the appropriate persons.

As a mark of respect to the passing of the late Queen's mother, I now invite all members to stand and observe one minute's silence.

One minute's silence was observed by the House.
11.25 a.m.

ORAL REPLIES TO QUESTIONS

Hon. Miss M. A. MOTTLEY: In reply to Parliamentary Question, No. 26, asked by the Honourable Member for St. John, Mr. D. J. H. THOMPSON on October 5, 2000 is ready.

Hon. G. A. CLARKE: Mr. Speaker, the reply to Parliamentary Question, No. 49, asked by the Honourable Mr. D. J. H. THOMPSON on November 13, 2001 is ready.

SUSPENSION OF STANDING ORDERS

Hon. Miss M. A. MOTTLEY: Mr. Speaker, Sir, I beg to move the suspension of the following Standing Orders for

the remainder of today's Sitting: Nos. 6, 16, 18, 20, 42(5), 43 and 44.

Hon. Miss B. A. MILLER: I beg to second that, Sir.

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

ORDER NO. 10 – TO MOVE THE SECOND READING OF THE INTERNATIONAL FINANCIAL SERVICES BILL, 2002

Hon. R. R. FARLEY: Mr. Speaker, I rise to move the second reading of the International Financial Services Bill, 2002. I propose to speak during this presentation about the context of this legislation within the framework of the Government's plan to transform the economy of Barbados. I will also indicate what changes this Bill will introduce in the area identified as international financial services. Sir, while these changes are necessary, I will also take the opportunity to appraise Parliament on the programme which the Government has for the accelerated growth of the international business sector in this post OECD era in which we now operate.

Mr. Speaker, I am sure all of us will agree that it is necessary to give fullest support to the Government's stated policy and its firm comment to the repositing and the restructuring of Barbados' economy. We have indicated that we would want to do this by the year 2005 in order for us to take opportunity which will be created and what may be described as the new economy.

Sir, this requires not only changes in our legislation but changes in our financial arrangements as well as changes in our financial architecture. If we are to achieve this, it goes beyond what the Government has been able to derive. It would also require changes in our approaches as individual citizens if we are to fully participate in this new economy and to meet the challenges it presents and more importantly to take advantage of the opportunities.

Sir, this is not the first step in this direction. This Honourable Chamber has already had the benefit of fullest participation and has given its accent to several aspects of legislative reforms which have all been geared to the repositioning and restructuring of the economy. We have already approved the e-commerce legislation, legislation dealing with securities on the Security Exchange Commission, legislation creating a regime for small businesses to enable new entrepreneurial talent to be able to enter the market and to flourish.

We have approved the Fair Trading Commission legislation, the Insurance Regulation Bill, a Bill with respect to administration of telecommunication, the Insolvency Regulation Bill as well as a new Financial Institutions Act.

What we are doing today must be located within that framework of these reforms which will usher in the new economy.

This particular piece of legislation, the International Financial Services Bill, 2002, mirrors the reforms which were undertaken in the domestic sector when in 1996 this administration introduced the Financial Services Act. Sir, that Act, as well as this one, reflected the changes in the commercial aspects of financial services but it also reflected a need in this one, changes which have occurred in the regulatory trade which affected the operation of financial services.

When our Banking Act, which will be repealed by this International Financial Services Act, was passed in 1979, the world was a different place than what it is today. In a very rudimentary level, that difference has been captured in an Offshore Banking Act with an International Financial Institutions Act.

You might ask what is in a name? The title given to the Act reflects the differences. In 1979, financial services were provided in a well defined and separate units, banking, insurances, securities and so on. Over the years, financial institutions have emerged which offer full services to their clients. As it stands now, in the description of financial services there are only two or three groupings - banking, insurance and securities.

Sir, if we look at authoritative sources such as the General Agreement on Trade and Services (GATS) of financial services, you will notice that there is a wide range of services included under that. Everything is included from the acceptance of deposits and regular traditional banking business, lending of all types, whether consumer or mortgage credit, and other commercial forms of financing, financial leasing and international settlements including the use of credit and debit cards.

Sir, the financial institutions are now into trading either for their own accounts or for their customers. People are now able to go to banks and other financial institutions to purchase retirement savings plans, to play in the game of derivatives, and to play on the Foreign Exchange market. Sir, a wide range of financial services is now available.

The essential point is, banking, as narrowly defined in 1979, no longer squares with the reality of the way that financial services are provided. Therefore, it is necessary for us in our legislative arrangements, which I said within the Financial Institutions Act, 1996, for the domestic economy to widen the definition of financial services beyond banking to reflect the reality of the situation.

There are some important changes in the regulatory environment in the way financial services are regulated

which have caused us to make these changes today. Sir, over the years, international financial flows have far outstripped trade flows whereas many years ago money only moved in support of trade and one could expect that there would be some proportionality between the level of trade between countries and financial flows.

The reality is that the money market has now become like any other commodity market and people trade in money for profit. Therefore, financial flows today do not necessarily bear relationship to the trade flows and that has caused a number of issues. It has rendered the Bretton Woods Institutions, which were created in an environment in the post 1945 period which is different from that which we have now, ineffective and archaic. Our Prime Minister and Minister of Finance, the Right Honourable Member for St. Peter, has been at the forefront of an international call, and an international movement has emerged calling for the creation of a new financial agriculture which are the realities of our present time.

Sir, the IMF was created to facilitate an agenda for financial stability around the world but, notwithstanding the existence of the IMF, we still have the Mexican crisis, the Asian crisis and the situation in Argentina and because of the volume of dollars involved, the resources of the IMF are not in a position to deal with them. Many institutions, like the World Bank and the IMF, were created to deal with official flows like Government to Government, and Central Bank to Central Bank, but many of the issues that arise today are created by private capital flows.

11.35 a.m.

In this world today where the absence of exchange control is very much the norm, where capital moves around the world in search of the highest rates of return, where aided by technology such as wire transfers and other forms of technological transfer, internet banking and the like, instantaneous transfer of private capital, as you know, is possible.

The rate of circulation of money in the world is phenomenal and what that has done is to create situations in which capital flows, which might have accrued to the benefit of a given country for a sustained period of time and, therefore, create wealth for that country, are in a position to leave that country in a single thrust. That, Sir, has been a basic prescription for most of the financial crises which have occurred of late.

Money which flowed into an economy over a period of time was able to rush out almost instantaneously and thereby create a problem, a problem which financial institutions of the day are not in a position to address. Therefore, the call which the Honourable Minister of Finance made in support of the United Nations Economic Development Planning for the establishment of a new world financial authority is one

for which we in this Parliament should be able to show support.

What is required is not a financial institution of sufficient financial robustness to respond, but also to recognise that whereas the World Trade Organisation is an international rules-based body to deal with cross-border issues as they relate to trade, there is no corresponding institutional capacity treaty or conventional relationships governing the flows of finance. It is indicated, Sir, that capital flows far outstrip trade flows.

Real efficiency today, Sir, relates to the absence of that world financial authority. One of the principle areas of focus will have to be the matter of the supervision and regulation of financial institutions according to a common standard. By common standard, Sir, I mean commonly agreed standards. There has been an absence of such in that organisations such as the OECD, which do not represent a democratic profile of the countries in the world and all the financial players, represent 29 industrialised countries which the members of the United Nations are heading towards 200 by now, if they have not gone past that figure with the new Russian States of the former Soviet Union.

The reality is that it is in that vacuum where there is not a single point of reference, convention on international tax flows and the like, that these institutions, the OECD, the Financial Action Task Force and others have taken unto themselves what they consider to be the right to give directions as far as regulations and supervision are concerned. That, Sir, is one of the backdrops against which change in attitude to regulations has been forced, the absence of financial authority, the fact that individual countries or groups of countries have themselves decided to try their hand at it.

Another feature which has importance in this context is the fact that over the years since we have created the Offshore Banking Act of 1979, there has been an exponential increase in the number of international financial centres. Traditionally, it was New York, London, Switzerland and two others which provided offshore financial centre facilities for the world. The numbers started to increase and they have increased to the point where there are international financial centres or offshore financial centres in Europe, the United States of America, Africa and the Caribbean and the Pacific, all over the world. Therefore, a number of these initiatives really, to my mind, have two very different objectives.

The first objective of some of the initiatives is very noble. Initiatives against money laundering, against international crime and things of that nature are noble. Initiatives to raise regulative standards and to have common approaches to the regulation of business and cross-border

activity is very noble, but there happens to be some of these initiatives whose purpose is nowhere near noble. Indeed, if one is to be accurate, one would have to use a word like "sinister" to describe the intent of some of the initiatives because some of the initiatives are clearly geared at reducing or eliminating both the comparative and the competitive advantage which new emerging financial centres have developed over the traditional financial centres in the United States and the rest of Europe. They will not sit idly by, as indeed nobody in business will, and watch their business being taken away by the rest of us.

Sir, to hear the same countries which have through the WTO and other organs, argue for liberalization of all sectors of the economy, argue for allowing competition in all sectors of the economy, argue for the need for countries to be competitive in all aspects of endeavour, argue at the same time as far as the provision of financial services is concerned that competition is not good, for the OECD, therefore, to describe tax competition as harmful runs counter to the liberal philosophy which those countries have previously expressed concerning the need to remove government restrictions and open up all sectors of the economy and countries should either be competitive or drop out of the race and things like that. Initiatives like that can only be considered as sinister, or having sinister motives relating to business and their gain rather than increasing revenue standards and the like.

Sir, the vacuum that I mentioned, the absence of this world financial authority, everyone has had a go at it. OECD, the Financial Action Task Force, the IMF, even the United Nations, has had a go at it through one of its institutions, the UN Office of Crime Prevention. Parliaments of various OECD countries are all on a trot, particularly the Parliament of the United States of America.

Every day, as you check the news coming from Congress, you will find that there are attacks. Bermuda now, Sir, with the ENRON issue and related matters, has become the new point of attack. Even the international media, if you check the Financial Times and international publications, all seem to be having a field day on the international financial services provided by countries other than the traditional countries providing those services.
11.45 p.m.

Therefore, it is not surprising at this point in time that there should be a whole slew of international regulations, standards for guidance and international initiatives which will impact on the international business and financial services sector. Some of them are useful, some less so, and some are wicked.

We have the International Monetary Fund (IMF) coming up with a code of good practice for transparency and monetary and financial policies. We have the International

Monetary Fund (IMF) producing a code of good practice in fiscal transparency. They also produced a special data dissemination standard.

We have the World Bank getting into "the do" with principles and guidelines for effective insolvency and creditor rights systems.

We have the Organisation for Economic Cooperation and Development (OECD) with its principles and corporate governance as well as its harmful tax competition report and others.

We have the International Accounting Standards Board putting out international accounting standards. We have the International Federation of Accountants publishing international standards on auditing.

We have the Committee on Payment Settlements and Systems, the Basle Committee, with their core principles to the Financial Action Task Force (FATF) with 40 recommendations which formed the core of the anti-money laundering efforts.

We have the International Organisation of Securities Commission with their objectives and principles of securities regulations. We have the International Association of Insurance Supervisors with their core principles.

The key, Sir, in relation to the fact that all these regulations, standards and guidelines exist is that whereas many of them are not necessarily enforceable in international law, many of them have been adopted by some of our major trading partners and some of them are useful for the preservation of the integrity of the international financial system. Therefore, the reforming of our international financial services legislation and our domestic financial services legislation have to take account of all these initiatives.

Since September 11th, this situation of clutter on the regulatory highway has become worse and there is a virtual traffic jam now. The United States of America, in its fight against terrorism has, either on its own initiative, or through the use of other international institutions, put out a range of legislation, regulations and guidelines putting very heavy demands on international financial services transactions in pursuant to this fight against terrorism.

More specifically, we have Resolution 1373 coming out of the United Nations Security Council. That Resolution is binding on its members, including Barbados, and at the end of last year we had to submit a work programme for the implementation of the various measures in keeping with that Resolution.

We have the United States of America creating legislation with a very long title but whose short title is the USA Patriot Act which is related to the prevention of terrorism. This Act speaks to a number of security issues. It speaks to horrors in respect of immigration and a large part of it speaks to the powers of the Department of Treasury in relation to issues of financial privacy, international financial services transactions, the presence of foreign banks and other financial institutions in the United States of America and the presence of the United States of America banks and other financial institutions in other jurisdictions.

That particular legislation brought into a sharp focus, a long debate which always occurred as it relates to financial services. So where do we draw the line, Sir, between financial privacy and the right to confidentiality of personal transactions and the public interest with respect to security? September 11th has clearly tilted the scale in favour of the needs of the State for the provision of security.

In that legislation as well, wider powers are given to their regulatory institutions to delve into domestic and international financial services transactions. Indeed, many persons in the United States of America have asked questions concerning the sweeping powers of search and seizure which no longer have to be supported by a court order. Whereas espionage was the trigger to bypass that process, now any suspicion of terrorism promptly triggers that process, so that is a matter which impacts on us. One of the areas of focus which applies directly to this Bill is the investigation and the subsequent actions in the United States of America as it relates to correspondent banks. Correspondent banks are those banks which act through another bank in another country to get its job done. A bank in Barbados would have a corresponding banking relationship with a bank in Manhattan for the purposes of clearance and settlements, and a bank in Manhattan would have a relationship with a bank in Barbados for similar purposes.

A very important consideration to that is that the same stringencies which are being applied to financial institutions in the United States of America as a result of the USA Patriot Act are by extension transferred to banks in other countries around the world with whom they wish to do business.

There have also been other developments in relation to the whole issue of the exchange of information which has never been an issue for Barbados. Barbados has always maintained the right to confidentiality and privacy of individual information subject to the requirements of any judicial enquiry, and the formalities thereof being respected that Barbados will be willing to exchange information internally or externally.

That willingness since 1984 went into formal exchange of information agreements with the United States of America and other countries have allowed us, when the tide shifted, even under the most stringent conditions, and we have more stringent conditions now, to more than readily be recognised as having satisfied the conditions.
11.55 a.m.

Sir, there is another tide which has turned; it is the tide of public opinion. Indeed, Sir, if one follows the periods out of the United States Senates or its Committees, one would see that arising out of the ENRON matter which, at its core, has nothing to do with whether some of the companies were located in the international financial centres or not, but with basic corporate governance.

What has emerged is that ENRON has some of its assets in companies in various parts of the world and that has even further heightened the level of scrutiny which law makers, representatives of the domestic interest of the constituents in our major source markets, have begun to place on what is happening internationally.

Therefore, there is a situation where a Senator has even attempted to pass legislation, specifically outlawing doing business with Bermuda. Bermuda certainly had no plans of levelling its Income Tax, Capital Gains Tax, Corporation Tax, *et cetera*. Sir, in this current surge of patriotism which is being experienced in the United States, many things which would otherwise have been considered as being of a financial nature, which normally would have been dealt with by one set of persons, is now being wrapped up in the cloak of nationalism in order to put pressure on international financial services centres.

Sir, I am pleased to note that notwithstanding the heightened increased scrutiny for all of the proposals to which I had advanced – the size of international transaction, the fight against money laundering, the fight against terrorism – notwithstanding the most severe examination, due trial and strict examination by OECE financial building form, financial action task force to those services that Barbados still continues to be recognized for what we always have been, to be a clean reputable jurisdiction.

That is important because what it has done is to allow us to be in a situation where we are able to build on that basic strength to expand the range of services which we now offer, as well as to capitalise on this window of opportunity where our source market countries have said, we will only want our companies to do business with other countries in the world which have met certain regulatory standards whose reputations are intact.

Therefore, it is for Barbados not just to sit back and celebrate this achievement, but to actively and most very vigorously pursue the opportunities which have been created by this particular situation. Sir, how does it look to where we

are now and our performance to that particular aspect of business?

I want to take a look at what changes we are going to make by way of this legislation and the reasons why that should be so. Sir, in relation to where we are, I must say that in relation to the benefits derived from the Offshore Banking Act, which is the one we are going to change, that Act when passed by this House in 1979 had the stated intention of developing Barbados as a financial centre with a reputation for high regulatory standards, providing employment and employment avenues for Barbados' increasingly skilled professionals, diversifying further the structure of the economy, and enhancing the foreign exchange earning potential of the economy.

Sir, the BLP Administration of that day, notwithstanding the severe criticism which was attached to developing this new offshore legislation – I remember the public's comments, in the Press, and in other places, where there were persons in this Parliament and elsewhere who had indicated that we were opening up the door for gangsters, crooks, money launderers, and all other forms of evil.

I am pleased to say, Sir, that the legislation was so well-crafted, that policies in support of the sector were so well-routed in a very clear understanding, that one could and, at the same time, pursue these high ideals in the maintenance of one's reputation, as well as to have business which would have a meaningful economic impact on the private sector.

Other jurisdictions have emerged. They have gone from quantity and not quality. The economic benefits have not been as great as it has been for Barbados and the reputation lost has been even greater than any financial gains which would have been made. Therefore, I would like to tip my hat to the former BLP Administration for its vision and foresight.

Sir, where has that vision and foresight led us? At the end of last year, there were some 56 licenced banks in the financial sector. They provided employment for approximately 297 persons directly employed. They provided inputs on foreign exchange into our country through taxes, wages, rents, tourism arrivals and ancillary expenditure. Sir, through our vision, we were also able to ensure that we maintain a very strong reputation for the banking sector.

Mr. Speaker, in terms of some of the components of that economy, for your information, I can say that last year, through the Central Bank Offshore Banking Sector, would have paid into wages, salaries and benefits, \$24.6 million. For procured professional services – accounting, legal and others, it was estimated to have been \$23.3 million.

Sir, one of the distinguishing features of the international business sector in Barbados is the fact that the services are provided almost exclusively by Barbadians,

which is very different from what appears in other jurisdictions where, because of their human resource limitations, they have to import judges, lawyers, accountants, *et cetera*. Therefore, the benefits of the purchase of professional services do not necessarily accrue to the benefit of the locals in the way it does for Barbados.

Sir, by the end of last year, assets of the international banking sector were in the region of \$52 billion. Of course, the international business sector, as a whole, would have contributed over \$150 million in foreign exchange to the economy. Therefore, the contributions which have been made by this sector and based on the foresight, vision and hard work of those persons who put it together in 1979, must be applauded.

Sir, that existing framework has also been built on the fact that we have a network of 10 double tax treaties, along with seven bilateral investment treaties. What is also a key aspect of our existing framework, is that it is really and truly a very arduous task to obtain a banking license in Barbados.

Barbados has made a deliberate, calculated judgment that it would only go after the top-end of persons who own banking businesses in Barbados, where they are actually required to conduct business and not just have a sham operation, where strict due diligence is conducted at home and abroad on potential licensees and their principles, and very high potential standards generally have ensured that we have a sector of which we can be proud.
12.05 p.m.

Sir, notwithstanding the contribution and efficacious nature of the arrangements which have been in place after 20 years, there is clearly a need for change and improvement.

We will, in the first instance, increase the range of financial services which can be offered in Barbados. As I indicated previously, the Offshore Banking Act had certain restrictions on it. "Banking" is not defined as wide as "financial services". We will, therefore, be repealing the Offshore Banking Act to make new provisions with respect to the carrying on of international financial services in our country. We will also be widening the range of entities which can be licensed as offshore banks.

Sir, the other important aspect of the legislation, apart from broadening the commercial possibilities, is the strengthening of the prudential standards and tightening the regulations to take account of the realities of the world in which we live.

Sir, I must say that the Central Bank of Barbados, which performs the supervisory role on behalf of the country has done a great job in not waiting for legislative provisions to be made concerning things like "know your customer

rules", for example. Not waiting for legislative changes to be made incorporating the Basle Committee core principles on banking supervision but are working with the sector to have them adopted. It is to the credit of the sector that there are a number of banks here in Barbados with international banking connections which are mandated, through their head offices, to ensure that they too adopt these very important principles.

Another important issue we had to address was the removal of the discrimination between Barbadians and non Barbadians with respect to the provision of these financial services. One could best describe this legislation in terms of the structure, prudential standards and the like as a convergence of policy measures between the Financial Services Act for domestic activity and this International Financial Services Bill.

It is one of the principles of the Basle Committee that bank supervisors should ensure that there is no discrimination or difference in treatment which, therefore, removes the possibility of playing one country or sector against the other.

Sir, I will speak a bit more about this new framework which we plan to usher in. One of the major changes which will occur will be the definition of "financial services". We have made sure that the definition of "international financial services" is broad in scope and is not limited to traditional deposit takings as for banks.

It was important that the legislation be structured not to have it so close-ended that the legislation would not be able to recognise and acknowledge new financial services as they emerge. Provision is made for the Central Bank of Barbados to have the flexibility to take account of a range of services so there is no attempt in the legislation to provide an exhaustive range of financial services because that is not the intention.

Another important aspect that the legislation recognises is that in the provision of financial services there is, in fact, a difference between providing financial services for the public, for example, taking deposits and making loans for third parties, and where a company or group is providing treasury management functions for their own account.

The Government has a responsibility where third parties are involved to protect the public interest and companies can take the option of registering or not registering under the International Financial Services Act where it is doing inter company transactions depending on whether it would benefit or hinder the company in pursuit of those activities.

Sir, this is an international standard. There is never the same standard of regulation for persons doing financial

services on their account as those who are doing it for other person's accounts.

Sir, there is also the ongoing question of licensing supervision et cetera. I want to assure Honourable Members and those who read the legislation that there is no reduction but rather a tightening of the requirements for processing licences and that due diligence – know your customer – is the predominate order of the day.

Sir, the core principles for effective banking supervision have been incorporated into the legislation. These were created in 1997 by the Basle Committee on bank supervision. The Central Bank of Barbados has been given the authority through the delegation of responsibility by the Minister of Finance to do a number of things. The Central Bank of Barbados continues to be in a position to ensure that there are preconditions for effective bank supervision, that matters relating to licensing and the structure of the company is properly looked after, that the prudential regulation requirement for good banking is there, that there are methods for ongoing bank supervision and that there are measures relating to what are described as “cross border banking”.

Sir, there are a few key things. The legislation speaks to the matter of capital adequacy. The one thing that Barbados does not want is for there to be an association of a Barbados registered bank with any major international fiasco or catastrophic failure of a Barbadian bank.
12.15 p.m.

Sir, persons must also receive licences as far as statutory reserves are concerned. There are also limitations to the level of exposure which these banks can undertake by way of allocating a percentage of their loan portfolio to certain classes of fines.

I want to assure this Parliament that all of the appropriate prudential standards which are now accepted as international norms, form part of the requirements of this particular legislation. Included in that, information can be shared by the competent authorities, bank supervisors and other authorities, where that is deemed to be necessary but without violating the principles which relate to supervision.

I want to make the fundamental point where persons become worried about the prudential standards and supervision. One of the greatest threats to the stability of any economy, whether domestic or international agreement, is an unregulated financial institution.

A poorly regulated financial institutions represent a great threat and the Government is determined that, both domestic and international banking sectors, there will be very strong and fair supervision. The key objective of this regulatory package is to maintain stability and confidence in

the financial system, whereby reducing the risk of loss to depositors and creditors.

We will also want to insist that this burden does not only fall on the Government, but that the financial institutions practice good governance. Part of the new thrust in bank supervision is not only to check ratios and numbers but to also check procedures within the banks to ensure that corporate governance, that is operating the company properly, do not undermine the banking sector.

Sir, it also means that in order to carry out these important functions, the banks must have the legislative power, which is now provided in this legislation, to do what is called on-site inspection.

Sir, you can inspect a financial institution by having financial statements filed and analysts of the Central Bank can examine those to determine whether they are satisfied that the ratios and procedure manuals are correct, but it is always very useful to be able to visit the premises and verify that the information submitted corresponds with the information as exists in the institution. Therefore, on-site inspection can and will occur in the domestic and international financial institutions.

Sir, the provisions of adequate resources have been an issue for Barbados and we will continue to ensure that is rectified.

Sir, that outlines where we are as far as this particular reform is concerned. We anticipate that the same way we are able to derive benefits from the 1979 structure, which has yielded financial and other benefits, that we will be able to do this out of the new legislation. This is only one of the pillars within the International Business and Financial Services sector on which we will want to build.

I want to take this opportunity to locate this legislation within the framework of the work programme which has been developed by the Ministry of Economic Development for the accelerated growth of the international business sector in this post OECD era in which we are.

We identified that we need to do a number of things. We need to have a more aggressive marketing and promotion programme, which involves the private sector and the Government. We need to have a rapid expansion of our tax treaty network. We need to have a substantial improvement of the sector and the enhancement of our business facilitation in the sector.

We need to ensure that we are able to reduce the cost to the sector, particularly the cost of telecommunication. We need to continue the process which we have begun, that is the modification of existing pieces of legislation as well

as the introduction of new legislation to ensure that we are able to take advantage of the opportunities as they emerge. We also need to continue to adopt international best practice in the supervision and regulation of financial services.

Sir, notwithstanding our success in financial services within the international sector, we need to deepen and widen the culture of export services beyond financial services and, as a country, we need to continue to redouble our efforts to look at the export of services from culture and leisure to health, education, law, accountancy and engineering.
12.25 p.m.

We need to move rapidly to position ourselves as an exporter of a very wide range of high-quality services and simply not rest on financial services but to use our success in this sector to convince ourselves that it can be done and to get on with it. We need, while we have the buoyancy given by this sector, to move on to those other sectors.

Sir, in terms of some of the specifics of what we are proposing to do by way of increased marketing and promotion of the international financial services sector generally, I want to indicate that we recognise two things. One is that having been removed from the OECD black list and the stumbling blocks which would have been in our path previously, for example, as we tried to negotiate that Treaty when the OECD countries would refuse to negotiate with us because we were on that black list, the opportunity is there for us to get on with our work. It is now in our court to press forward and capitalise on that.

The fear and trepidation which potential investors would have faced in considering whether to go to a country which might very well in a year or two, or whenever, have sanctions placed against it by OECD members no longer exists and, therefore, that greater sense of investor confidence is there and we need to capitalise on it.

We also need to recognise that over the years our marketing and promotion has been first of all too much focussed, in my estimation, on those markets from which we were getting immediate and rapid success so that, naturally, Canada was a principal market for our promotion and marketing by the private sector, especially because that is where you got the greatest return.

The United States market has not received the same level of prominent attention, and that, we are proposing to correct. In fact, during the course of next week, there will be an extra push made at the annual RIMS Conference, the Risk Insurance Management Society, where attendance has been there over the years. I have found that there has been a mistaken view, even within the industry, that Barbados when it lost the special federal excise tax, the FET provision in the 1980s had found itself at a disadvantage but there are

methods by which that advantage can be negated and Barbados is in as good a competitive position in the United States as any but we have not – I have to be honest with this Parliament – been as aggressive, been as visible in that marketplace as other countries have been.

During the course of this year, therefore, the Government has committed resources to ensuring that we not only have active, visible, working presence at these major international business trade shows, but that we also have both editorial and advertising coverage in the major magazines and journals which are used by the attorneys, the accountants, the insurance professionals and others in the international business sector.

For the general purpose, business publications such as the Financial Times, Forbes and Your Money in which we will have a presence during the year, we will also be in things like Global Reinsurance Magazine and Captive Review and others, but a heightened presence. We cannot assume that everyone knows about us, that we are there and that automatically they will come. We have to keep reminding them. The lessons which we have learnt as a country from tourism promotion have to be adopted by the international business sector. In tourism promotion, Sir, there is a promotion of the brand called Barbados largely by the public sector, but privately as well, and the private sector companies tend to sell their specific slice of the brand.

We need to ensure we leave nothing to chance in ensuring that in the international business community there is an awareness of Barbados and what it has to offer as well as having our practitioners in the marketplace selling their services. We will also be making a specific targeted push at a number of the larger companies in the business.

I should tell you, Sir, that within the international business and financial services sector we have identified insurance as having the greatest possibility for growth at this stage in our development and also because as a result of the catastrophic events surrounding September 11th and the fact that international markets for insurance was hardening prior to that because of hurricane and earthquake claims that there is room for growth within the insurance industry. We, therefore, Sir, will be with the private sector engaged in some 10 or so international insurance conferences and other events by way of promotion.

We will be specifically targeting the six or so major players in the global reinsurance business. We will undertake, in association with the country team, a more focussed and vigorous public relations and public relations effort for Barbados, and members must remember that it is important for us to continue the good work of the Ministry of Foreign Affairs and Foreign Trade and more specifically that the Honourable Member for the City has commenced by way of chairing the country team.

We have resources internationally dedicated to tourism, to investment promotion, to diplomatic relations, but it is only in the last few years under the chairmanship and guidance of the Honourable Member for the City that we have, in fact, started to get the greatest logistic benefits from that presence in the marketplace and to use all of those points of entry into the market to promote the name and the opportunity which is available for Barbados.

In fact, we are confident enough that, given the work programme which we have developed, given the constraints which have been removed from us, we can revert to the level of growth in the international business sector which we would have had previously with the exception, of course, of the foreign sales corporation.

In future, whenever aggregate numbers are examined, one has to remember that by the ruling of the WTO and the removal of the foreign sales corporation provision from the laws of the United States of America, it is no longer possible for new foreign sales corporations to be registered in Barbados. The existing ones continue on our books and we will not repeal our Foreign Sales Corporations Act because companies which are registered under that enactment obviously have benefits which will continue, but with respect to new entrants, those several hundred companies per year will not materialise.

With respect to international business companies, we are basically setting as our target and we will be working very hard and straining every sinew to ensure that we attract at least 400 international business companies to Barbados for this year and some 25 international insurance companies.

I should tell you, Sir, that the net economic benefit for each insurance company is substantial, 40 societies with restricted liability and 9 or 10 offshore banks. Therefore, our work programme is not in a vacuum. We are not just going along and not knowing where we are going, but these are the targets we set ourselves based on our aspirations as well as our reading of the situation in terms of the opportunities which are presented.

I will speak a bit more specifically about the insurance sector shortly, but will give an overview of the other aspects of the accelerated programme. We have set in train already in association with the Ministry of Foreign Affairs and the Attorney General's Office our programme for an accelerated push for the conclusion of a wider range of tax treaties. Tax treaties form the backbone, the very bedrock of the international business sector which we have in Barbados and we have concluded a few treaties over the last several years with China, Venezuela, Malta and Cuba, but we faced a particular stumbling block with the OECD countries which had us on their black list internally. There was no official thing as yet but internally. That is no longer the case.
12.35 p.m.

We have already sent off indication to them, along with the model Barbados tax treaty, that we want to have discussions with them. They may ask what is in it for them because countries do not want to get into tax arrangements in which they believe they would forego revenue which they may otherwise have been able to obtain. What they want right now is to have instruments for exchange of information.

Barbados' position with respect to that has always been that we do not subscribe to the Organisation for Economic Cooperation and Development (OECD) approach to that matter but the United States of America and Barbados have already established instruments known to international law which work extremely well.

I could point to a few cases which went through the courts here in Barbados, in Canada and other places in which the existing provisions of the Double Taxation Agreement (DTA) and the exchange of information provision allow us to have the matters resolved satisfactorily. Therefore, for those countries in the Organisation for Economic Cooperation and Development (OECD) who may want to have exchange of information, we will do it within the framework of a Double Taxation Treaty. That is our approach.

Sir, we also recognise that the world is a dynamic place and that those countries which might have been the source of investment and those countries which might have been the principal targets in the past will not always remain so into the future, which is one of the reasons why China was a target for a Double Taxation Agreement. Some of the Double Taxation Agreements that are being used to good benefit now came over from the 1960s. Therefore, we are laying the foundation as well.

Included in our push for expanded treaties is not only the countries in the Organisation for Economic Cooperation and Development (OECD) but countries in Africa, Latin America and Eastern Europe. Once we are satisfied with some of these emerging countries, particularly the countries which were part of the former Soviet Union and all is well, and we are in a position to establish diplomatic relations, we would be pursuing the matter of treaties. Our priority countries for this year include Italy, South Africa, Mexico, Denmark, France, Germany, Ireland, Japan, Spain and Botswana and we will proceed in that regard.

One of the things which we must address is the matter of improved business facilitation and the general administration of the sector. Recognising that in our modern era where competitiveness is fundamental to our opportunity to pursue economic growth and sustain growth, this Administration has taken specific action in relation to public sector reform because we need to have a public sector which is modern in its outlook which utilises modern tools,

which responds in electronic time as opposed to postal time, which recognises the modern business realities, and where government services act as an aid to business rather than a constraint to business.

Two weeks or so ago, I held meetings with agencies which impact on the international business sector. These include Customs, the Immigration Department, the Corporate Affairs and Intellectual Property Office, the International Business and Financial Services Division, the Attorney-General Chambers and several others to give the remit which states our accelerated programme for the growth of the international business sector and stating what we expect and what our clients in the international business sector expect.

Our performance standards cannot be set merely by some internally generated concept of what is service but what our competitors from all over the world are able to offer. We are competing for this international business with Vermont and Delaware in the United States of America. If we in Barbados cannot provide services of the quality or of the speed that is needed, then we could look for the business to go elsewhere. It is an internationally mobile business. Therefore, public sector reform efforts must indeed consider that.

We are currently working on efforts to reduce the unnecessary bureaucracy which is the legacy of our past. We have situations in which a shipment of documents going to an international business company, not subject to any tax or maybe only a \$10 stamp duty or something like that, is still subject to all of the bureaucratic delays associated with the form filling and moving from point to point and the restricted business hours as if it were a shipment of goods. Therefore, we need to streamline some of these processes to make sure that we balance the requirements for good governance for the protection of the public interest and for the prevention of crime with the need to ensure that we are able to maintain and sustain businesses in Barbados.

Therefore, these measures which we are producing and have discussed with the departments are intended to reduce any frustration which would turn the initial interest of business into something else and facilitation that will make both our local and international investors feel truly welcome.

Sir, I must continue to make the point that we as a people still have a few cultural issues to resolve. It is my assessment that we in Barbados still bear that unhealthy suspicion of business. It is a general thing. If children say to their parents that they want to go into business, more often than not parents may try to discourage them. A person going into business is not perceived as one who is successful and is not treated with the same level of respect as an accountant or a lawyer. That is a cultural reality.

It goes to another point that business people are tricky people and when you combine that with the fact that they are expatriates, some of them if they are really up to something, are more than tricky. They are not from Barbados and so they have a number of negatives stacked against them. Therefore, we do have a few cultural issues to resolve if we are serious about wanting to make Barbados an aggressive international business and financial services centre for tourism, financial services, the arts and culture. Those are issues which we have to resolve.

12.45 p.m.

Mr. Speaker, the longevity of the international business sector depends, not on having people coming from overseas to invest, but on the extent to which young, bright Barbadians continue to get involved in the sector, continues to utilise the legislation which is there and which now commits Barbadians by and large with few exceptions. The financial service legislation allows Barbadians to make use of the international instruments for investments, trade and other corporate purposes. It is important that we encourage them to go in that direction.

Sir, I have indicated that we will continue to produce new legislation and to modify where necessary. We have put measures in place to ensure that legislation be drafted more speedily. We are also working on the electronic publication of legislation, amendments to legislation and new legislation, making greater use of Information Technology. Sir, in this day and age, things happen so quickly that there must no longer be a mystery or inconvenience to be able to check to see that after the House passes legislation, they are there for someone to be able to see them, read them and understand them, or where amendments are made to legislation for one to have to wait for an inordinate length of time to be able to consolidate.

Sir, before closing I want to speak more on the insurance industry and the opportunities which are there and to indicate to this House that is where the brunt of our efforts will be targeted in this international business sector. Sir, to say that this is one of the aspects of the financial services sector, this is one of the aspects along with banking and other services, which will form the bulk of the new investment we are seeking to attract. We have had studies and other objective work done which has indicated that we have certain advantages, for example, with our tax treaties. We can focus on certain niches in industries but there are several things we need to do.

Sir, I must make the point that we need to make reference to the strengthening of the Public Sector Reform in our business facilitation efforts. We also need to ensure that we strengthen the quality of private sector professional services provided to these international business sectors as well, including all of the professions, accounting,

financial and legal, to ensure that we are able to capitalize on the opportunities such as they exist.

One of the things we clearly have to do in relation to new legislation is that it will clearly have to fall to Government working with the professional associations to organise more professional and executive seminars in order to expose these professionals. We have had, of course, the unfortunate situation where the professionals servicing the sector have indicated that they are not able to offer clients advice because of the new legislation, for example, in relation to the protection of cells, protection of segregated cells, et cetera, because they have not yet studied the legislation and looked at its benefits and opportunities.

Therefore, we would be half-doing our work if, as a Parliament, we put new legislation in place but then the people who are supposed to sell it and translate it into economic benefit to Barbados, do not exert themselves in getting to the point where they are able to do that.

I want, therefore, to urge the private sector professional service providers to be more vigorous in their attempts at providing services, particularly understanding new legislation and identifying new opportunities for the sector in Barbados. Government has created the framework but, at the end of the day, Government cannot buy or sell an investment in this area. It is, at the end of the day, a sector in which all of the actual work is done for and by the private sector. Sir, this opportunity for attracting additional investment in the insurance industry, therefore, is one which we intend to pursue. This is a study we will be utilising in the areas already mentioned in marketing, promotion and business sector reform. New legislative initiatives will tend to focus on this whole area.

Sir, I am satisfied this International Financial Services Bill, 2002, which we will debate today, represents a major improvement on legislation which has already benefitted Barbados substantially over its 23 years of existence.

Sir, however, the time is now for us to make some improvements which will result in expanding the range of financial services which can be conducted by international business companies. Changes which will widen the range of entities which can, in fact, apply to the licence under the legislation, incorporate into law many of the modern regulatory initiatives which we accept and which are considered to be fundamental if financial institutions in Barbados are to be able to continue doing business with our international partners without any restrictions, ensure that the reputation and integrity for our international financial centre remains intact, ensure that Barbados, as a country, continues to benefit in an economic way, by way of the wages and salaries, taxes and other benefits.

Sir, the international financial services sector and the categories coming under the Bill is one of those sectors within the offshore sector that pays taxes. In fact, studies have indicated that the offshore sector makes a considerable contribution to the corporate tax revenue of Barbados, somewhere in the region of 40 per cent. Therefore, our efforts today are not efforts which are geared towards a phantom sector.

Our efforts today are efforts which are geared towards a real sector, a sector which some describe in the old language as offshore and in today's language as international. A sector which actually has presence in Barbados, employs Barbadians, rents office space, hires professional services, provides a range of professional experience such as increases in skills, talents, knowledge base of our people; which by way of the financial injection of foreign exchange into this country, has contributed to the growth and development of this country, Barbados.

Sir, I am satisfied that as I commend this Bill for the consideration of the Honourable Parliament, the changes which we are making are well-conceived, well thought-out and they will result in the benefits which I have outlined.

Sir, I have taken the opportunity to provide an overview of the accelerated programme to the growth of the international business sector built on a number of important things, some of which are external, most of which are internal. Sir, I am not one of those persons who are of the view that businesses, tourists or international activity will automatically come to us but that, at all times, we do have to constantly evaluate what it is we offer on the ground, how we offer it in order to make sure that we remain competitive.

Therefore, the focus of the Government, particularly the Ministry of Economic Development during the course of the year will be on ensuring that we take steps to preserve and improve the competitiveness of the international business sector, that we market that competitive sector more aggressively, that with prudent supervision and regulation we maintain our reputation and our right to participate in the international community, even against the odds which we face by way of the heightened scrutiny of the international financial services centres before September 11th and the explosion of the negative interest in these centres after September 11th.

Mr. Speaker, I commend this Bill to the Honourable Assembly and beg to move that it be read a second time.

Hon. R. N. GREENIDGE: I beg to second that, Sir.

SUSPENSION

Hon. Miss B. A. MILLER: Mr. Speaker, in view of the hour, I would beg to move that this Sitting be now suspended until 2.15 p.m.

Hon. R. N. GREENIDGE: I beg to second that.

The question that the Sitting do now suspend until 2.15 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.
12.57 p.m.

RESUMPTION

Mr. SPEAKER: This Sitting is resumed.

Mr. D. J. H. THOMPSON: Mr. Speaker, the Honourable Member for Christ Church East led off this debate this morning. I believe it could be said that his presentation was very skillful. He used all the right rhetoric and the traditional technical speech that govern matters of this sort like the requirement of prudential standards, that Barbados is a clean jurisdiction and the usual phrases that are heaped on the Barbados Labour Party for its foresight in establishing the initial push to develop the offshore sector.

However, what was not clear, and perhaps it would take the legal brains of the Honourable Member for Christ Church West to explain it to me, is what was the need for this Act at all because the original Offshore Banking Act has not been so significantly amended as to give rise to the need for a new Act.

I believe the records of the Minister of Finance will show that I was always of that view. There is nothing significant about the new Act being brought to this Parliament which is not flowing directly either from the existing law or from the practices of the Central Bank of Barbados in governing offshore banking in Barbados.

For example, the Honourable Member heralded as one of the new features of this legislation the concept of on-site inspection. Sir, on-site inspection existed under the old Offshore Banking Act and the only difference was that High Court permission was needed. All this Act does is to give the Central Bank of Barbados authority to carry out an examination without the requirement of an order of the High Court.

Those persons who believe it is important for public and statutory authorities to have the authority of the High Court when they want to undertake such examinations, might themselves express concern about this movement in the Law which gives the Central Bank of Barbados such wide discretion. I understand the Honourable Member to be questioning whether it existed or not, but the power was already in Section 54 of the Offshore Banking Act:

“When the Central Bank of Barbados has reasonable grounds to believe that a licensee is not in a sound financial condition, or is not acting within this Act, the Central Bank of Barbados may apply to the High Court

for an order to examine the affairs of the licensee.”

Sir, on-site inspection existed since 1980 when the Honourable Member for Christ Church West introduced this legislation. Sir, the Honourable Member for Christ Church East needs to explain why the intervention of the High Court should be eliminated because that is where the change has taken place.

Mr. Speaker, Sir, one of the problems with debates like this is that Honourable Members act as if they are inventing entirely new legislation when, in fact, in many areas like this Barbados already has a maze of good legislation which has served us well, so if they are going to amend it, they should get to the substance of it.

Is this Parliament saying that the Central Bank of Barbados, as an institution, should have the power whenever it feels it necessary to enter on the premises of an offshore bank in Barbados and undertake all the things it is going to do under this new Bill? If the Government feels that way, it should tell us why because there has never been a case, to the best of my knowledge, where the Central Bank of Barbados has found itself in the position where it has not been able to exercise its powers under Section 54 of the existing Act.

In fact, I will go as far as to say that the Central Bank of Barbados has received maximum cooperation from offshore banks operating in this country. Every year, the Central Bank of Barbados regulators in Barbados summon the directors, including local directors to a meeting.

Sir, I am a director of an offshore bank and I am a public figure so I cannot hide anywhere and I am not excluded. I am required to attend a meeting every year with the Central Bank of Barbados regulators. They require the foreign directors to fly into Barbados for a meeting at which they set out the obligations and duties of directors. They examine the accounts and question persons who are directors and they question you as well about your links with other offshore banks and financial institutions.

Sir, the idea that the Central Bank of Barbados requires these new powers must be explained to Parliament. There is obviously a reason for it and Parliament should be told what is the reason, or, is it that other countries are requiring Barbados to have a more rigorous or perhaps a more flexible prudential examination scenario? What gave rise to this amendment?

If I look through the other sections of the Act, there are not any major new provisions that have not followed part of the tradition. Barbados is already viewed as a clean domicile under the existing Offshore Banking Act and there is nothing dramatically new in the legislation. If the things the Honourable Member for Christ Church East said are

new, are minor procedural changes, then what is the need for this significant adjustment in relation to offshore banking in Barbados?

The capital requirements are slightly higher. They have moved from \$2 million in 1980 to \$4 million in 2002, so inflation takes care of that change very quickly. This is why I listened to the Honourable Member for Christ Church East carefully. I looked at all the Laws and tried to follow the Honourable Member to understand if this new piece of legislation would usher in some new era of prudential reporting, or new scenario in the offshore sector that justified Parliament's time this morning, and I have not found anything to justify the amount of time that was spent in introducing this piece of legislation.

Mr. Speaker, unless the Honourable Member has something to hide, and I doubt this is so from his demeanour, so it means he is either misguided on this point or alternatively, he is unaware that there is some motivation for this legislation that goes way beyond anything he said this morning.

I am not one of those politicians who get caught up in going through the provisions of legislation at Second Reading stage. If we put the legislation aside and focus on the policies that the Honourable Member for Christ Church East spoke about this morning, what has been the reason for the falloff in international business that has taken place in Barbados during this year and in the year 2001? At no point was this discussed.

We have been told that the OECD issue was a major victory for Barbados, as if a decline in the number of registrations can be described as a major victory for our country. We are told it was a major victory but yet the sector has registered almost 50 per cent decline. The figures I spoke about in last year's Budget debate provided by the Barbados Industrial Development Corporation demonstrated that they were way below the targets they set, and that by the end of the year they were no better off. To what does the Minister attribute the falloff in international business in relation to Barbados?

According to the Government, we have everything going for us. We are one of the cleanest jurisdictions in the world. We stand up for what we believe in. We have social harmony, peace and efficiency.
2.25 p.m.

We have a few problems here and there but yet we have registered a significant decline in the entities which were registering in Barbados. Sir, not just foreign sales corporations; I am talking about international business companies and other investments vehicles which previously had been restored to their 1989 levels by about the year 2000.

Sir, what can the Minister tell a young Barbadian who wants to develop a business providing services in the offshore sector about its future? The accelerated programme which we heard about today for promoting Barbados overseas and attracting new businesses is a programme, when I was a Minister of Finance, I was hearing about.

We were jetting off to the Risk Conference every year, setting up a booth, collecting business cards, the Industrial Development Corporation was contacting them, Ministers of Government were meeting with them, we targeted the Bank of Bermuda, the Bank of Butterfield, the Prudential Insurance and I can go through the list of all of the companies we contacted. We went to all of the major reinsurance companies, some of which eventually set up business here in Barbados and Barbados kept its profile up. That was prior to 1994.

Sir, since 1994, Government increased the budget of international business and financial services for promotion by almost 400 per cent. What were the officials in the Minister's Ministry doing since the year 2000 when more money was allocated in the Budget, when strategic plans were being trotted out, when new consultants were being brought in, when new products were being designed, and when we were being told that the sector had taken off? What was it that was happening?

It is that kind of information the Minister needs to get to the table for discussion in here, not for us to criticise him because there may be a valid reason for what has been happening in Barbados' offshore sector. Sir, today's presentation completely avoided any discussion of that.

It cannot be placed only on the table of the OECD, because some of these things were happening prior to the problems that were being experienced relative to the OECD. What is the reason for the falloff in registration despite the new expenditure and the establishment of a separate Ministry? In the old days we did not have a Ministry. We then established a unit in the Ministry of Finance which brought together all of the operations.

Sir, at one point foreign sales corporation was in the Ministry of Trade and the offshore banks were in the Ministry of Finance and exempt insurance was dealt with by the Supervisor of Insurance. The Government then brought all of those offices together and established a unit in 1992, or 1993, as part of the structural adjustment programme on finance, a home grown structural adjustment programme, and then major reforms and legislation were seen.

Despite all of this, the Minister needs to get to the stage where he can tell us what is the reason for that decline in business. Have studies been done by the Ministry? Where is the business that should be coming to Barbados, and that the Minister projected was to come to Barbados? Where is

it going? Who are our major competitors? Are we focussing on those areas of product development or promotion that will enhance the prospects for the development of international business?

Sir, there is no point getting up in here and passing all of this new legislation telling us what a wonderfully clean jurisdiction Barbados is, and all the great achievements the Ministry outlined if business is not coming our way. To say that you are a clean jurisdiction and to say that you have passed all the tests that have been set externally by all the various entities and still your sector is not making the strides that it should be making means that we will be wasting time.

I have always found that to be a very hazy aspect of the Minister's approach to dealing with the question of international business. He only speaks when things are going well about the competition and some of the challenges that might be faced in terms of further development of the sector.

It was once confirmed by the IDC, our independent research and by other information that the sector was not performing, but we have never had a clear and thorough explanation by the Minister other than the usual rhetoric that would determine what needs to be done to turn around that decline.

If there is one area which the Auditor General needs to have an examination on the basis of new value for money auditing which we are doing in Barbados, it is this area of international business. If you are spending more and receiving less, then an examination needs to be undertaken as to why we are undertaking that expenditure and getting less in return. These are the stark facts of the matter that need to be brought to the table in this debate.

Sir, if there was one area that this Act, or any major amendment to the financial services sector, needs to focus on, not just domestically, but legislation that affects international business would be the area of trust. There has always been some confusion about the existence of the trust which was created under the Offshore Banking Act and the International Trust Act, those governed by the Trustee Act of Barbados and those established under the Mutual Fund legislation and the Charities Act. I think that is one area of law in Barbados that needs further analysis and rationalisation.

I thought that to essentially opt out of that by simply repeating the privileges of the original Offshore Banking Act, then basically opting out of the new Mutual Fund

legislation in relation to the new provisions of the new International Financial Services legislation, left a number of loopholes and some confusion, to my mind, in the minds of practitioners and those who are seeking to unravel the current law in Barbados. Sir, I think this is very important and I thought that this would be a good occasion for that rationalisation to have taken place.

The Honourable Member also needs to expand for me the concept that Barbadians are benefiting significantly from the offshore sector and I am not talking by way of taxation. I am talking about Barbadians being involved in the business of servicing companies that are being established under the various pieces of legislation which is characterised as offshore sector legislation.
2.35 p.m.

It is not enough to get up and say that Barbadians are benefiting, because I believe I am seeing when I reflect on the period between 1994 and now, even prior to that, a decline in the number of Barbadians who are really benefiting from good jobs in the international business and financial services sector in Barbados so that I want the statistics. I am not sold on that point.

We were battling as far back as 1994 and nothing changed since then when the accountants started to say that Barbadian professionals were being paid too much, and to make the sector competitive they wanted a revision downwards, and you had offshore banks and other entities in Barbados offering Barbadians compensation packages and fixed term contracts which were less than what they had been receiving before as a result of the push of one non-Barbadian accountant.

We also know that there are a lot of these offshore businesses that are entitled to bring in foreign professionals to work in these entities. Too many of them are doing jobs that Barbadians can do and not enough is being done by the Ministry of International Business or otherwise to ensure that Barbadians who receive adequate qualifications are benefiting from job opportunities in the offshore sector in this country.

I am not accepting at face value this rhetoric and the very sweet sounding phrase that Barbadians are benefiting. Yes, there are a lot of maids and caddies on the golf courses, and a lot of people doing low-level jobs, but I want to know about the jobs which are being provided at the higher level of the offshore sector in Barbados and I think the Minister needs to tell us whether that is the fact occurring.

One of the very bases on which the same old Barbados Labour Party, which the Honourable Member for

Christ Church East praised to high heavens today in this debate established the offshore sector was that it would provide good jobs for well qualified Barbadians. If that goal is to be brought to fruition, then the Minister is going to have to establish beyond a shadow of doubt, and certainly beyond rhetoric, that those opportunities have been provided.

There are some countries in the Caribbean which have established legislation which limits the people who can actually provide services to offshore companies. Some of them actually limit them to nationals. My recollection is that the Vincentian Registered Agent and Trustee Act – I think that St. Lucia has a similar piece of legislation – actually restricted the persons who could practise in these areas to their nationals or residents. I do not remember the exact definition.

Barbados, in fact, has gone the other way, despite what the Minister has said, and it is in fact by and large non-nationals originally working in accounting firms in Barbados who pushed the development of the offshore sector and also invested significantly in it. That is the stark truth. It was then later on with one or two exceptions in the legal fraternity and in the accounting fraternity a large number of Barbadians got actively involved in the development of this sector.

That has not been the case in other jurisdictions and perhaps one should compare the Barbados scenario to the Vincentian or St. Lucian scenario and determine whether we made the right choice or not. Even if we made the right choice at the beginning, is it now about time that the Government be active in ensuring that Barbadians are major beneficiaries from the development of the offshore sector in this country?

I am not saying that you have to go against the rules of Protocol II to the CARICOM Treaty or our obligations beyond that, because we all recognise that there is going to be a level of competition even greater than we had even imagined in the offshore sector post 2005. I am talking about the opportunities that exist now for Barbadians to be involved in the international business and financial services sector.

The Minister should look at the disparity between what Barbadians are being paid and what expatriates brought into Barbados are being paid to do similar or the same tasks and with the same qualifications. I am not nit-picking nor have I come in here to identify any specific individuals but if you do not address those kinds of issues you will find it very hard to convince Barbadians that it is worthwhile developing an offshore sector other than the persons who work in low level jobs as maids, or gardeners, or caddies, or low level professionals, unless you can convince people that new opportunities are going to be provided and that their opportunities are not going to be taken over by others who

are not Barbadians in the international business and financial services sector.

I think, Sir, that those are the major concerns but the one thing I want to reiterate is that I found it a curious twist of fate that 10 years ago, after a structural adjustment programme plan was identified for the international business sector, which I can remember as if it had been presented to me yesterday, some of the exact recommendations which are now being put forward in this so-called accelerated programme have come back to the fore to intensify the promotion and involvement of Barbados at Risk Insurance Management Society Conferences. Those Conferences are extremely large and there are some countries that benefit significantly from having booths at them – the Canadian RIM and the USRIM.

I think there are other things that need to be done along the way if the Minister would take off the international business hat and focus a bit on the human resource element. What I am talking about is the people that travel to these conferences and this is a point I have made on several occasions before. It was an experience I had witnessed. People would spend thousands of dollars travelling to international business conferences. We had one in Halifax and one in Atlanta and I used to marvel at the fact that at every one of those conferences, the accountants would be out there doing the donkey work in terms of attracting business and making contact and one Barbadian lawyer involved in marketing himself and his product.

The rest of the Barbadian lawyers would spend the entire period talking to each other, eating together, standing up in cocktail parties talking to each other and generally failing to use the opportunity to market Barbados, which I assume was the reason why they had travelled to those conferences in the first place. It seems a pointless exercise to take these large delegations of Barbadians overseas to marketing conferences, particularly large ones like that, if everybody is going to be socialising with the same people they left Barbados with, and if no attempt is going to be made to focus the team on marketing Barbados and what it has to offer.

Therefore, I believe that some resources need to be put into helping Barbadian professionals to market themselves and to market the product, so that before you set off for Risk Insurance Management Society at which people go from booth to booth collecting teacups, pens, key rings, notepads and all the other things that each booth gives away, whereas the people in the booths who are giving away these things are taking from all of us call cards, names, telephone numbers and using other promotional methods to get our business.

2.45 p.m.

Before you set up for those kinds of activities, you need to have a very focussed plan on how you are going to be marketing Barbados. You should not make the assumption

that the only people who know how to market Barbados are trained marketers or the people who work at the Barbados Industrial Development Corporation (BIDC), or in the Ministry. A lot of that effective marketing is going to have to come from the service providers themselves, but it is only going to be worth their while if they are actually involved in direct marketing.

On several occasions when you travel to these conferences, you may find that only one or two accountants or lawyers will call on you to meet with clients and it is going to be the same people all the time. A lot of the others are not putting in the kind of effort and hard work for which they will get returns.

When you call on Government to hold people's hands, people believe you mean that you must give people money. I am not calling for that. In fact, it probably would cost less money if there was a greater effort to train the persons who are going to market Barbados and the services they offer, so I highly recommend that.

Many of the journals in which Barbados is going to be promoted are journals in which we have had promotions before. I believe it is important to ensure, because some of these things are extremely costly, that you are going to get value for money because significant amounts of money can be spent putting nice glossy photographs and wonderful stories about Barbados and its great achievements, and how pretty a country we are, our social stability and our political development as the third oldest Parliament in the Commonwealth, but then very little will result from those promotions unless they are targeted at magazines or journals in which Barbados, at least, has some advantage in terms of the other territories that are going to be promoting their business and also in relation to the specific products we offer.

I remember the Honourable Member for the City complaining many years ago that she read an article in an American Airline magazine written by a Mr. Jerome Schneider which was critical of Barbados for the same things that the Honourable Minister today said has been our advantage.

The Honourable Member for the City said she fired off a letter to Mr. Schneider telling him that none of what he said was true, but the things he was complaining about are the lengthy examinations that people have to go through and all of the red tape before they can set up an offshore bank and the fact that Barbados is only a low tax jurisdiction. So the very things that Mr. Schneider was saying about us were the things we have been using consistently as our sales pitches in the international markets.

Perhaps, some misguided official advised the Honourable Minister that what Mr. Schneider was saying

was inconsistent with what we wanted when everything he said was consistent with the kind of domicile that Barbados was.

My view then and it is now, is that even if we did not get a mention in his booklet, it would be to the advantage of Barbados because, to my mind, he was not promoting good clean business but promoting opportunities for people to engage in activities which are now being frowned upon and activities which, as a result of greater prudence in the international environment, are actually being outlawed in some jurisdictions, and I presumed Barbados would be one of them.

The push in relation to insurance is obviously something that can yield results. The other day I met someone who has had a long history of association with Barbados on the capital market and he said that this was an area in which Barbados has an advantage and that we should push for it. I do not know if that is so because it is not something I can speak to.

What I do know is that Barbados needs to get better returns from the amount of investment it has put into the promotional budget of the international business and financial services Ministry whether it is from insurance or some other area that you are going to target, because we need to see those returns and we need to see them soon.

The Minister said that the major constraint has been removed which was the problem in relation to the Organisation for Economic Cooperation and Development (OECD) issue. He also said that the work programme of the Government is focussing on 400 international business companies (IBCs), 25 exempt companies, 40 societies with restricted liability companies (SRLs), 10 offshore banks and the negotiation of more tax treaties.

We are today at April 9, and I assume this programme would have been developed as part of the emergency economic package, or certainly from the beginning of the year, and the Minister said this is what the Government was focussing on this year. Therefore, in that regard the Minister needs to give us an indication in figures of where we are by letting us know how many IBCs, exempt insurance companies, SRLs and offshore banks have been incorporated in Barbados during this year and where the Government expects to conclude the new tax treaties before the next eight months elapse. That is going to be important and critical information in relation to this debate.

Mr. Speaker, Sir, having listened to the Honourable Member for Christ Church East, I was not able to identify where the very significant and major changes in relation to the offshore banking regime were being introduced by virtue of this Bill. Very few of the matters which he raised

were matters which were not already covered by the excellent Offshore Banking Act that has governed Barbados for the past 22 years. There was nothing new in relation to the on-site inspection of offshore banks except that the High Court's intervention was no longer necessary, and there was nothing new in relation to any of the other prudential requirements based on my analysis of the existing legislation and an analysis of the new legislation.

In fact, based on my experience and by virtue of the work which is done by the Central Bank, they are already requiring offshore banks to do a number of things which are not, strictly speaking, covered by the existing legislation including meetings every year with the directors and the requirements to providing information on a timely basis to the Central Bank.

What new powers are they that the Central Bank of Barbados needed that would have required the introduction of a new Financial Services Bill in Barbados? It is that specific question, together with some of the others, that I would like the Minister to respond to in winding up this debate.

2.55 p.m.

Mr. D. St. E. KELLMAN: Mr. Speaker, I rise to enter this debate and to say from the outset that we in Barbados need to have a new focus. It is clear to me that globalisation has taken over our minds and our focus seems to be more concentrated on what we can get from the outside, moreso than what we can do for ourselves. It is clear to me that the whole taxation system, as it stands, has been put in place to attract capital from external forces without looking at the productive sectors of our own country.

Sir, what I would like to see is that, instead of concentrating on how much we can get from outsiders, we put the necessary measures in place to make sure the private sector of Barbados can be looked at by outsiders in the same way that we are prepared to look at outsiders in our financial market. Every time we are hearing about an amendment to allow something foreign to come to Barbados, but we are not hearing about those tax proposals to make sure our private sector has the capacity to do the same thing for Barbados that we are now inviting others to do for us. Sir, it seems that everything is predicated in such a way that we believe our development can only come from outsiders, that our people are so limited that we must fleece them to accommodate others.

Sir, we need a new thinking. We need to recognize that if Barbados is to be developed in the way we want it to be, then we cannot continue to depend on outside help to develop Barbados in the way we want. It is clear to me that our sectors we used to depend on are no longer important to us, that we are looking to outside forces to create the capital for us when we should be empowering our people to develop and improve our country for our own.

Sir, every time one looks around, one can see new amendments to accommodate the capitalists from outside, but that same speed and direction is not given to our private sector. Sir, we need to see a new change in this Parliament where the politician comes to develop and strengthen ideas to show how we can develop our private sector, to do the same things for Barbados that we want to do for the OECD nations.

Sir, it is clear to me that we have lost track in this country and believe the only thing we can do is to follow. We are hearing about the low taxes for the businessmen from other countries but we cannot hear it for our own. What craziness is this, Sir? Are we going to continue depending on people to develop Barbados for us? Are we going to continue to behave as if we are going to sell everything we have developed just to beg people to bring capital to help develop our country? Are we going to be innovative to make sure that we put those necessary measures in place to develop our own private sector, with the capacity to go outside and do the same thing?

Sir, if we cannot do that, we will continue to live on borrowed time and will not get anywhere in this world. If globalisation is supposed to be for all, then it is quite clear that we do not understand what globalisation is about. Sir, all we are doing is behaving like vessels and accepting everything that is being dumped in our vessels but we cannot see it possible to move a step further and recognize that we have the capacity to dump into someone else's vessels.

Sir, if we are going to use these new amendments to get capital to help us to do what I speak of, then I support this measure, but if we are going to continue to use these measures to borrow time to survive within the world, then we are wasting time and I do not want to be party to that, Mr. Speaker. I want to be a party to a Barbados that can be recognized all over the world as having the same capacity as anybody else.

Sir, there was a time when Barbadians were seen, and that was the time we were only producing sugar. We were recognized within the world of adding something to England. We added to England's economy but now, in 2002, we are begging everybody to add to us. In other words, we are not going forward, we are going backward and are limiting our people who have the same capacity to be brighter and smarter to the earth.

We are developing ideas for other people to come and dump everything onto us. If that is the type of Barbados they want, I am not party to it. I want to see a new thinking. In that new thinking it must not only come from the private sector in this country but from this Parliament and we must understand what we are all about.

Clearly, what I am hearing in this Parliament I am not party to and for the simple reason. We seem to believe that everybody can provide for us and we do not have the capacity to give to somebody else. We are now the dumping bag for everybody. People must make money overseas and must bring and lend it to us. Suddenly, we want easy living. We no longer want to have the capacity to develop anything that can be lent, given or sold to anybody.

Sir, as pretty as these amendments may sound, if we do not have a change in thought, this country is not going anywhere. We have tourism and are hearing that we need an international hotel to market Barbados, not realising that when the international hotel is being marketed, it is not only marketing Barbados but everybody else. Why is it that we cannot get our own and develop it into something that everybody wants to get on board? What is wrong with our thinking that we feel we have to copy everything from everybody else?

Sir, when we come to this Parliament and give people ideas, they tell you that they have not seen it in any law books, neither have they seen any other country doing it. Sir, a good example of that is this. For eight years in this Parliament, I have been asking for an amendment to the Companies Act. Every time it was mentioned, people would laugh at it. Sir, what is amazing is that if Barbados had adopted that amendment, no lawyers in Barbados, operating under the Intellectual Property Act, could have used it to show that if the Americans had adopted that, the ENRON situation could have been solved by a simple amendment that could have been done in Barbados.

The Arthur Andersons would not be in the trouble they are in today because the simple amendment that was asked by me in this Parliament would have solved that problem. But who am I? Just a simple country boy. So why do you have to listen to a simple country boy? Sir, that is the problem. People believe that ideas must come from one direction and that is not true.

Sir, there was once a man called "Gear Box" who used to frequent the premises of Parliament and...

Asides.

Mr. D. St. E. KELLMAN: Yes, I know he represented St. Lucy. No other person other than the Member for St. Michael South would have said that. Sir, the truth is that one got more knowledge from "Gear Box" than from the Honourable Member for St. Michael South. When people thought that "Gear Box" was talking foolishness he was, in fact, talking sense. That is something I cannot say about my comrade.

Sir, in a country like Barbados we have to understand that because we are small, does not mean we have to follow. We must understand we must lead and the same way we had

led in the early days in the sugar industry, there are many other things in which we can continue to lead. People believe that because Barbados is a little spot on the map of the world nothing good can come from a place like Barbados. This is foolishness. We must stop limiting ourselves. We must stop believing that the only time we can get anything that is good is when it comes from outside. We first have to learn to appreciate ourselves and that is the biggest problem that is facing Barbados.

We brag about how many international business companies we bring in, how many national insurance companies we bring in, how many societies with restricted liabilities, how many offshore banks, but we never stop to ask ourselves how many we are sending out to operate in someone else's country. Yet we brag about how many there are coming into ours and yet we say we are progressing. Well, if that is progressiveness then I do not know what is regressiveness. We call it progress but at whose expense?

Mr. Speaker, we have to stop and think about what we are doing. We believe that when we brag about the number of banks that are coming in, we feel good. We have a Barbados National Bank that is as good as any other bank in the world. Where is it operating?
3.05 p.m.

Sir, we are only vessels. I am told that the insurance industry in Barbados is the best in the world but yet we are making provisions for insurance companies to come into Barbados. We never stop to think that we should be sending our insurance players out to tap into the market, yet a Minister will get up in this House and tell me that this is progressiveness and it is what will take us into the year 2098. Sir, if this will take us into the year 2098, when the international organisations pull out their capital Barbados will be one broken place.

Sir, we can brag about \$1.5 billion in foreign exchange but we have to understand that if this money does not work for us it is of no help to us. I want to see a Barbados that has the capacity to work for \$1.5 billion in foreign exchange and when we ask the Central Bank of Barbados to account for this \$1.5 billion in foreign exchange, it is all homegrown.

Sir, I asked this Parliament to recognise that there are returning nationals who have large bank accounts overseas and to treat them as a special category, but Parliament ignored me. This said to me that it was not worth the paper which I wrote the idea on. Yet Government brings people here they know nothing about, create all sorts of tax incentives for them but yet they cannot do if for their own people.

Sir, who are we really fooling? We are simply delaying the pain and hurt today but it will eventually hurt us one day.

Sir, this is why I say that Parliament needs a new thought because the type of thinking from this Parliament is not relevant for this time. When the slave trade was in vogue there was not this kind of thinking. We believe we are doing many wonderful things but these things are not relevant to this time. We have passed that stage and we now need innovation.

We cannot continue behaving as if capital from outside is the only thing that can help Barbados because there will be a payment time. The people of Barbados should have the same opportunity to develop the capital market so that at the end of the day we can have the capacity to send some of our capital outside.

Sir, this is why I say that some of the most productive people in Barbados are fishermen, farmers, ZR drivers and workers but when I make this point people get vex. The truth is that somebody needs to teach the ZR workers how to behave on the road, but I like their aggressiveness to earn their living and this is what is needed in Barbados. We need some more of that aggressiveness, but we have to understand that we have a part to play to show people how to do it the right way. We should not only look at the negative side of those people but we should see the positive side as well.

Sir, I agree with the Governor of the Central Bank that there is a lack of aggressiveness in Barbados. When the Governor made this point, I said we have the ZR workers who are aggressive and people became angry with me. If we can nurture that aggressiveness and spread it through Barbados, we will have a beautiful, productive country and one with the capacity to lend to others.

We feel that because the capital markets are available, that we do not have to do anything because we can borrow and invite people to develop the country, but this is not what is required. If we develop the country ourselves, then everybody will feel that they have a commitment to get on board, but if we continue to invite outsiders to develop our country, we will have a lazy country without the capacity to develop anything for itself.

Sir, the same way the Americans recognised that it was important for their tourists to stay at home, the time will come when they will recognise that it is important to put incentives in place to keep their capital markets at home too. Sir, if this happens, what will happen to us? This is the question that we are not stopping to ask ourselves. We cannot continue to hope that people will develop Barbados for us. We must be prepared to do it for ourselves.

Sir, globalization is here and some people will understand the importance of sending their capital markets and goods here but we do not understand there is a cost and that it will be a drain on our foreign reserves at some point in time. They may look rosy now and we are not prepared to look at the negative side now but I am asking the

practitioners to be conservative in their thoughts and recognise that there will be a judgement day.

Sir, I thank you.

Hon. R. N. GREENIDGE: Mr. Speaker, I would like to lend my few minutes' worth to this debate. This legislation indicates that the Government of Barbados is in tune with what is going on in the world in which we live. This legislation is a clear testimony to that.

Mr. Speaker, nowadays, people do not want to put all of their wealth in one jurisdiction. Wealth is no longer static, it is being flown all around the world and there is a lot of international investment going on.

Sir, we are living in an era where a lot of money is flying around and all of this money is not necessarily regarded as clean money. Offshore centres are, at the same time, cropping up everywhere and the market has become very competitive.

There was a time in this region when Bermuda and the Cayman Islands were regarded as our main competitors. Now, Nevis and Anguilla have also become offshore centres, and some of the most remote parts of the world are now known as offshore centres.

3.15 p.m.

I believe that many countries are becoming offshore centres and they were doing it without putting in the necessary safeguards. The OECD was moved to use the big stick policy to bring a lot of countries in line. Even though we may criticise the OECD for the method used to blacklist countries, we realised that there was the existence of that particular mischief which the OECD was trying to prevent.

I also believe that international best practices or regulations must be adhered to. There is much international concern about poorly regulated offshore banks and we in Barbados do not want to have a reputation as a corrupt or poorly regulated jurisdiction because we would want to pass all of our international tests. I think we have a duty in Barbados to turn down what was and can be described as bad business.

I recall living in a jurisdiction where there were literally dozens of banks that operated from behind one door with the name of the bank printed on it and one person. Sir, from the moment I saw that kind of thing I had my personal suspicion of what was going on behind those doors.

The Honourable Member for Christ Church East said that offshore banks normally do not come within the purview of banks in the same way that our local commercial banks do. The new legislation will now have provision for the supervision on-site by the Central Bank. The Honourable

Member for St. John tried to point out that this power of supervision currently exists but you have to get a court order. I think there is a difference between the Central Bank having a right and the Central Bank first having to get the court's permission through a court order to carry out such inspections. I think there is some improvement in the legislation.

I have to make the point that we must regulate and we have to follow what would now become international laws. We have to be very careful not to put unnecessary obstacles and unnecessary impediments in the way of those who want to do business with us. I think the aim of any legislation like this one should be to improve and not to restrict the way we do business.

The Honourable Member for Christ Church East pointed out this morning that we are up against places like Vermont and Delaware in the USA. Sir, he spoke about the bureaucratic delays which will now have to be reduced. We definitely have to avoid long delays in decision-making and we have to do whatever we can to be as business friendly as possible to others. We want to be a qualitative jurisdiction rather than quantitative jurisdiction and I hope that it remains that way for a very long time. I would prefer to see our offshore industry grow slowly with clean money rather than grow at a rapid pace with dirty money.

I believe we have been doing something right in our schools in Barbados. Recently, we have made it imperative with the new school curriculum that Spanish will be taught at our primary schools. I believe that this is a move in the right direction. It is all right for us to continue to look towards Europe for our business but I think that the emerging wealth in this hemisphere will be coming from the Latin American region.

I think it would be an added incentive if a secretary could write a letter in Spanish or have a conversation with a businessman in Spanish because I believe that there is a lot of wealth in the Latin American region.

Asides.

Hon. R. N. GREENIDGE: I think that as a country we need to pay more attention to the teaching of finance and financial matters in our schools. I believe that CXC should be urged to include in their syllabus more on banking and credit unions so that our students will leave school steeped in a culture of finance. I think the offshore industry is a West Indian thing, so CXC will not be following a concept which is foreign to any of our Caribbean neighbours.

I am making the point that in the same way we have begun to inculcate the value of tourism into the thinking of our students, our students should be given a better understanding of financial matters from an early age.
3.25 p.m.

The point I am making is that in the same way we have begun to inculcate the value of tourism into the thinking of our students, so too our students should be given a better understanding of financial matters from very early. I said I would speak a few minutes and I think my minutes are up.

As I take my seat, I am very convinced that with the help of this particular piece of legislation, it will go a long way towards enhancing and sharpening the competitive edge of the Barbadian offshore sector.

I am obliged to you.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I welcome this piece of legislation which is before us today. I wish to make a few remarks and I would wish to make them from the perspective of the portfolios for which I have responsibility, Foreign Affairs and Foreign Trade. As the Honourable House is fully aware, we now have, and I suspect we are the only country in the English speaking Caribbean if not further afield than that, which now has a standard Parliamentary Committee on Foreign Affairs and Foreign Trade. This Committee is broadly based. Within Parliament, it embraces both Government and Opposition Members. I have to be careful how I put that. I do not mean both Opposition Members – Government and Opposition Members both in this House and in the Other Place. The labour movement is represented on the Committee. We have co-opted members of the private sector. We have co-opted members of civil society and they are very hard at work helping to define Barbados' national policy in respect of its foreign and particularly the foreign trade component within its foreign policy.

Our foreign policy, Mr. Speaker, as you are aware, indeed all Members and all Barbadians must by now be aware, at this stage of our development, is being driven largely by economic concerns, namely, foreign trade and, as you all must know by now, the Caribbean and Barbados within it is the only region or sub-region, as they sometimes describe it, in the world which is at one and the same time negotiating in three distinct and separate what we call now "theatres of negotiation".

We are deeply engaged as you know, Sir, in the Free Trade Area of the Americas, the 34 countries of this hemisphere. This year Barbados is hosting the Organisation of American States' General Assembly for the first time and this is a meeting at the level of Foreign Ministers and their advisers. I hope that all of the Foreign Ministers of the 34 countries of the hemisphere of the Americas will be in attendance, including Mr. Colin Powell and the Foreign Minister of Canada, Mr. Bill Graham, who was, in fact, in Barbados over the Easter vacation and assured me that he would be back at the beginning of June.

The other theatre of negotiation is that of the African, Caribbean and Pacific group of States, 77 of them in all, and the European Union, now 15 States and in the process of enlargement. The third theatre of negotiation is that of the World Trade Organisation.

One of the members of the Standing Committee of this Parliament on Foreign Affairs and Foreign Trade is a student of the Barbados Community College's Political Science Association. His is a young fresh voice which I welcome. A few years ago they invited me to address their association and at that time I promised them that as soon as this Committee was formed in this Parliament they would be sure to have a voice on it. I do not know if they believed me, but it has come to pass and they are delighted and excited, much enthused and very grateful for an opportunity to have this kind of exposure.

Yesterday afternoon we were meeting. In fact, it is not easy to get all of these people together and, after two failed attempts to get a committee meeting in this first quarter of 2002, we got a meeting together yesterday. It was such a good turnout that we could not fit into the Committee room and we had to use the Senate Chamber, and it was wonderful.

In the course of the meeting, Sir, this student voiced a very serious concern and he ventured to speak on behalf of his generation. He was concerned about the impact of these various negotiations, the fact that the Caribbean Single Market and Single Economy was not yet fully on stream and, perhaps, might not be ready in time to access the global economy in the way we would all like to see it.

He understood clearly that we had a 2005 deadline and understood also very clearly that if the Single Market and Single Economy does not actually get its act together and get into full implementation of all the protocols that, in fact, by the end of 2004, we will find ourselves subsumed in the Free Trade Area of the Americas programme. He understood these things.

He was concerned that in the face of all of that, in face of the rapid technological change as to what career opportunities would be available to him, and his peers, and his generation, generally speaking. He was concerned – would the Caribbean be left behind, how would the developing world manage. I think we were all impressed. The Honourable Member for St. John was there. The Honourable Member for Christ Church East was there. The Honourable Member for St. James South was there and the Honourable Member for St. Philip South was there on the Committee.

We were all delighted to hear this young man speaking for his generation. I think that it humbled us to understand in a very instant and a very up-in-your-face way as the young

people would say nowadays, that what we were doing now would have its effects felt when this young man had, as he put it, gone through the University of the West Indies and was looking into the marketplace to see how best he could employ whatever skills or talents he had. Many of us sought to respond to him and part of the answer that was offered spoke to the vast opportunities that these trading negotiations, once they were brought to good resolution, would offer.

The reality is, Sir, that Barbados, like so many other countries, it does not matter whether they are developed or developing, has opted for a services-based economy in this century. We need to humble ourselves a bit and put ourselves, if we can, into the shoes of the young people in the sixth forms, at the Community College and Samuel Jackman Prescod Polytechnic who will very soon and even in the course of these negotiations be going into the world of work.

3.35 p.m.

They have career choices to make and they are looking at Protocol 2 of the Caribbean Single Market and Economy, particularly at the free movement of goods, people and services.

We live in this little island, Mr. Speaker, but we cannot expect to be apart from the rest of the world, and we cannot opt out of where the rest of the world is taking us. Barbados is well on the way to being in a state of preparedness which other developing countries have not yet obtained, but we are still not as ready as we should be and, at the same time, we cannot ignore what is going on around us. There may be other developing countries in other regions who are ahead of us.

We woke up this morning and are more and more concerned about what is happening in the Middle East. People who do not know any better are talking about a third world war forgetting that those warriors go back beyond the Old Testament days. It does not amaze me that in some parts of the world people are still fighting with sticks and stones. David felled Goliath with a stone and rock pelting is a well-honed art in certain parts of the Middle East like India and Africa and in Barbados too. When I was a child, stick-licking was well-known, but we have gone beyond that.

Mr. Speaker, we woke up this morning and found that terrible things are happening on the streets of Venezuela which is not too far away from us. Both in the Middle East and in Venezuela, Mr. Speaker, the implications in respect of energy supplies must be worrying all of us at this time because everybody in here can remember what happened in the oil crisis of 1973.

Some Honourable Members may be too young to have a proper appreciation of it but some of us were old enough to have felt the effects of it and to know what it can do to small economies like ours which are dependent, so on a day like today one must wonder what is going to be the ripple effect of this and if it is in any way going to derail these other very important matters which speak to our middle distance and long-term future?

Mr. Speaker, we still have to carry on the work, we still have to have enough confidence in ourselves and this piece of legislation speaks to that. It speaks to the fact that Barbados is on target and upgrading our services. When you say services, Mr. Speaker, financial services fly to mind for a lot of people but tourism should also fly to mind. Many Barbadians do not properly understand that tourism is a service industry and there are a whole host of other services as well. This was discussed in another forum yesterday.

We have many services that traditionally we have exported in this region and beyond. Barbadian doctors, lawyers, ophthalmologists, ENT specialists, heart specialists, engineers, architects, interior designers, and the list goes on and on, do not sell their services in this Caribbean and beyond.

The new technology we have today allows surgeons anywhere in the world to perform very complex operations. It is very little that it does not touch. In this specific area of international financial services, Barbados has to keep its head well above the water, and we have to get in front of the game wherever it is possible for us to do so.

We took a decision, along with many other countries over 25 years ago, that this would be the way for us because we understood then, although it was at such a distance away from reality, that the old commodity base structure of our economy was going to disappear or change radically in our lifetime. Services is the way of the world generally, and is not anything peculiar or specific to Barbados or the Caribbean.

The point has been made *ad nauseam* on the Floor of the House today that the competition out there is fierce. In the developed capitals and the developing capitals, competition is fierce, so we have to instill in our young people, at this time in our development, that they have to be highly competitive.

I welcome this legislation. I made this point on this Floor and I am going to make it again, because it bears a requisition that will help us to brand Barbados, it is the way of the early 21st century. Coca Cola did not brand itself in two or three years. It took generations. Branding does not happen overnight.

I have made the point in here already that we are fortunate in Barbados that there is a Barbados brand out there in the many sectors but we do not exploit it, and when we do try to exploit it, we barely touch the surface. If you say the name Sir Garfield Sobers anywhere in the world where cricket is played, or even where they do not play cricket, that is the Barbados brand. Say Sandy Lane, and I am not advertising here, Sir, anywhere in the world, that is a Barbados brand. These are part of the Barbados brand. If you say Barbados in the United Kingdom, everybody goes "aah". This is their idea of the most wonderful holiday destination to which one could go. If anybody hears that you are going to Barbados, they behave as though you are going to heaven. Of course we live here in paradise and we know that.

3.45 p.m.

We have to create a Barbados brand so that whether it is tourism, sports, music or international financial services, the world will know this is the best quality they are getting. It is like Barbados rums. We cannot even call only one rum nowadays, any name can play. It is like buy one and get nine free. People know that when they purchase this Barbados rum, they are getting the best and can depend upon its quality.

Sir, this Bill is important in enabling the ways so ably outlined by the Honourable Minister for Christ Church East. It is part of a continuous process by which we must upgrade what legislation we have in this regard in this particular sector. This is the second fastest foreign exchange earner for us – do not let us forget it. Some aspects of it are disappearing overnight, new ones are appearing on the horizon, new products are appearing everyday. We heard the Honourable Member say you have to know your customer. It is easier to do that if you have a well-branded product that virtually speaks ahead of you and also speaks for itself before you can even get to the customer.

Sir, the Honourable Member for Christ Church East has made reference to the country team and to the fact that it is now much engaged in this process. The highest priority issue on the agenda of the country team is the branding of Barbados. The country team comprises of: the Ministry of Foreign Affairs and Foreign Trade, Ministry of Economic Development and particularly the Ministry of International Business, Ministry of Tourism and Civil Aviation. Other Ministries, in due course, will come on board but this is the nucleus of it.

Sir, in our missions abroad, we have offices of the Barbados Tourism Authority and the Barbados Industrial Development Corporation. We do not have an office in every mission because, from capital to capital, our business thrust will differ. Canada is our major market up to present in respect of international financial services, therefore, with Toronto being the business capital of Canada, and

Canada being an important tourism market for us as well, we have a Consulate. Therefore, the country team has to work as one, speaking as often as it can with one voice but always selling one product – Barbados.

We have a Consulate in Miami and there is an office of the Barbados Tourism Authority and also the Barbados Industrial Development Corporation. It is a very important capital for us. It is a hub for us in the trading of goods and services for the Caribbean, Latin America and the United States of America. It is our major trading partner and in other capitals where we have missions, this is the task of the country team. The country team, of course, is led by its Ministers here in our capital and we are the ones who must give policy direction to it.

Sir, as soon as this Bill passes this House and, indeed, this Parliament, and is enacted, technology will take it to all of Barbados' missions abroad, all of those entities with whom we have an interest in doing business. Sir, we have to hone the country team so that it is like a hubbing machine, so that the process is like a seamless process. Therefore, we do what we have to do today in this Chamber as we are doing with this Bill.

The Ministry of Foreign Affairs and Foreign Trade has a role it must play. The Ministry of Economic Development and International Business has a role it must play. Sometimes we have to work in collaboration, in immediate partnership and in tandem. There are other points along the way in the process where highly skilled and specially skilled initiatives have to be taken coming out of one Government department or another.

The private sector also has a very important role to play. I am not always happy that we get the kind of response we would like from the private sector but it has to awake from its slumber. It has to get away from this feeling that somehow, someone is going to bail it out.

Sir, the Caribbean met in a Forum in Georgetown last week. Four Ministers from the United Kingdom came to this business meeting. The business sector were invited. Quite a number of them came. It was not a happy report that came from the business sector. Sir, they were saying that they were way behind the game. They were recalcitrant and somehow just were incapable of facing the reality.

Sir, I have said that we have to be careful about how we liberalise our trade and the swiftness with which we move. Even within the CARICOM Single Market and Economy (CSME), in respect of movement of persons, we have seen that Barbados has moved with an alacrity that some of our colleagues have not. We have to be very careful we do not go so far forward that we find we are isolated because we know we are dealing with developed countries

who say that we must do as they say, but not as they do. Therefore, a very fine balance has to be held there.

Sir, in this area of international financial services we have taken a battering. It did hurt the Barbados brand a little when the OECD branded us in a negative way. We had to divert time, money, energy and human resources, when we could have been getting on with important matters to defend ourselves against a false charge. It is not over. We have to be vigilant at all times. Sir, even though in the end Barbados was vindicated, we still had a lot of damage control we had to do.

We have to do a lot of mending of fences, the building back of the Barbados brand and the refurbishing of the Barbados brand in the area of the international financial services that we have to do. Therefore, even a rumour can do damage where there is no reality to show it up. Sir, it is partly through the legislative process that we can put our jurisdiction and our Barbados brand in a position that it will not be so easy to assail it and to abuse it as we have seen happened in the case of the OECD. It is like a sleeping tiger and its eye is not only on international financial services but also on tourism. In fact, its eye is on all services – and this is where the harmful tax aspect of the damage that the OECD is doing to us and would wish to continue to do to us lies because they want to drive as much of that back on shore into their coffers and not into ours.

3.55 p.m.

Mr. Speaker, we do need legislation to defend and promote our position and to help us sell our position in this very fiercely competitive world of international financial services.

Mr. Speaker, I know my time is up and I wish I could speak further to this but I am grateful for the opportunity to have made a contribution.

Sir, I am much obliged to you.

Hon. R. C. EASTMOND: Mr. Speaker, in September 1976 and some weeks preceding this date, the leaders of this great party, of which I am a proud part, took to the people of Barbados for the first time the idea that the process of economic diversification should proceed further. I vividly recall as a young person hearing the late but immortal J. M. G. M. Adams clearly enunciate a position that Barbados had come to a stage where beyond sugar, agriculture, manufacturing and tourism the time had come to identify new segments which would inure to the benefit of this our motherland.

There were those who doubted whether Tom Adams was visionary, and some were cynical as to suggest that a move by Barbados into the realm of financial services was a

move fraught by risk. In early times, notwithstanding the able support that J. M. G. M. Adams received from the likes of the current Honourable Member for the City, the Honourable Member for St. George South, the Honourable Member for Christ Church South and the Honourable Member for Christ Church West, there were still those persons in Barbados who were of the view that offshore banking, captive insurance, exempt insurance, international business companies and foreign corporations, to mention a few, would be businesses that would not only present challenges in passing legislation to govern them but also ensuring that persons known to the underworld would be kept out of the business.

Mr. Speaker, history can be a cruel process because the cynics of Barbados from 1976 seem to have migrated to regions which eventually became part of the OECD, which I will come to in due course during this presentation.

In support of my colleague, the Honourable Member for Christ Church East, there is no question that he made bold to say that the offshore sector has generated employment for Barbadians. It has seen inflows of foreign exchange and, generally speaking, it has added variety to the economic sectors that we know.

The Honourable Member for St. John, consistent with earlier contributions about growth in the economy of Barbados, spoke disparagingly of our efforts in the last four years where, according to the Honourable Member for St. John, the types of growth that were desirable for Barbados in offshore business simply did not occur. Opposition spokesmen are not known usually to be benign to a Government they oppose, especially when a particular season beckons. At the same time, what has to be made transparently clear is this. Where there is decline in any level of economic activity it is always necessary to try to locate the causative factors for the decline.

Mr. Speaker, I have not seen the decline of the order that the Honourable Member for St. John said, nor am I seeing any sign of decline as evinced by persons.

If we look at the causative factors, how would an investor proceed if he were looking to invest in Barbados, a sector under veritable attack by the rich powerful countries of the OECD, an investor would naturally hesitate after hearing that these mighty nations of the OECD have launched an attack on countries in the Pacific, Europe, and the Caribbean.

Mr. Speaker, I am making the point that the OECD started an attack which was not only sustained but which changed character from time to time. Initially, there were those of the OECD who described particular jurisdictions as being havens for unclean money. Then, when the particular jurisdictions were able to say that their jurisdiction was

clean, the OECD then changed and said that the jurisdiction was uncooperative or that the tax policy of that jurisdiction was harmful.

The Honourable Member for the City was careful to say that this attempt by the OECD cost us in terms of time, human and other resources. The Honourable Member for the City did not say all that she knows. She did not mention the intrigue, the backhand moves, the tactics and strategies that were devised to frustrate us. In boxing when you have an opponent that is persistent, a good tactic is to frustrate the opponent. As these small jurisdictions were making progress, the OECD constantly hit on stratagem designed to frustrate and wear down these small jurisdictions. Sugar Ray Leonard, when confronting the famous opponent Roberta Durant, frustrated and wore him down to a point where he said, "No more, no more".

Mr. Speaker, every journalist in Barbados should take careful note of this. There are members of the OECD which sign double taxation treaties with countries like Barbados in contemplation of the very tax policies that eventually Barbados and other jurisdictions embark on.

I will repeat that, Sir.
4.05 p.m.

There are neighbours of the OECD that sign double taxation treaties with countries like Barbados. I repeat that. There are countries in the OECD which signed double taxation treaties with countries like Barbados in contemplation of the very tax policies that Barbados and other jurisdictions eventually embarked on.

I am saying that if, for example, country "A" signed a double taxation treaty with Barbados in contemplation of the fact that it will be used as the basis for offshore business, how can they go to the OECD and attack Barbados having themselves been a party to an agreement that facilitated Barbados? There must be a law called "estoppel", binding oneself to an agreement as not to escape from it. Sir, these countries within the OECD willingly signed tax treaties to facilitate the process thereby helping the sectors in offshore business to get off the ground. Morally speaking, even if they do not consider the law, they cannot reprobate and approbate, as the Honourable Member for the City would say. Sir, this is the first time in my life I am using the term "reprobate and approbate".

This morning, I spoke to Mr. Frank Laine, whose postal address is P.O. Box 253, Jersey, Channel Islands, who has been to Barbados 30 times and is a friend of Barbados. He also spoke to my mother, Lucille Eastmond, and my aunt, Pat Eastmond, at Holetown, St. James where I was born.

Asides.

Hon. R. C. EASTMOND: Sir, for the avoidance of doubt, Lucille's number is 422-3035 and Pat's number is 422-2271.

Sir, in speaking with Mr. Laine, he said that originally, Jersey's economy was agriculture, tourism and then offshore businesses. He also said that their people developed a faith in this emerging diversifying economy and lo and behold, a monolithic colossus coming out of the sea and behaving like a hector to the offshore sector in Jersey to a point where, even though Jersey is geographically in Europe, has historically triggered a lot of colonial, new colonial and neo-imperialistic influences on mankind, they as Europeans have suffered to a degree where they had to offer empathy to our jurisdiction.

Sir, Mr. Frank Laine, to whom I am going to post this presentation when it passes to me, said that they followed the fight of the Caribbean and they admired Barbados' position to a point that he suggested that if Caribbean nations had been united from the start, rather than do the things which the Honourable Member for the City did not mention, the triumph that Barbados eventually achieved could have been achieved, not only by Barbados and the Caribbean region, but by countries like Germany. He also said that Barbados represents a kind of spiritual inspiration to the people of Jersey based on Barbados' determination to stand on high-borne principles.

Sir, we all know that even though we had to make painful adjustments, Barbados at no time, even before the OECD backed off, had never been guilty of any financial or other solecisms. Mr. Speaker, because of their determination to look into the activities of these countries, and because of the rate at which Barbados and other Caribbean countries had been progressing, they frustrated us to a degree where if we did not have the personnel and the will to stand up to them, we may have cowardly surrendered and backed off.

Mr. Speaker, the point is this. Barbados from the outset, in the days of J. M. G. M. Adams, the Honourable Member for Christ Church South and other BLP members of the 1976-1986 period to whom history is going to be very kind, had the foresight to know that it had been careful about those who set up business in Barbados.

There were instances during the period 1979 and 2002, where certain licences had to be revoked without any pressure from the OECD, and certain measures were adopted to ensure the sanctity of the sector. Mr. Speaker, this legislation is seeking to ensure that as this modern world evolves, we do not fall victim to complacency where we get comfortable with the achievements and progress we have made. We always have to be looking for new opportunities and we always have to be modifying our economy.

There is no question that agrarian agriculture and economy can be very badly constrained. There is no question that the other sectors which do not have the long gestation period as agriculture, and which are not subject to the same risk of uncertainty as agriculture, are sectors which we cannot depend on 100 per cent.

The way Barbados is evolving, the era has come where beyond primary production in agriculture, tourism and manufacturing, we now have to see how best we can position Barbados for the delivery of economic services at the tertiary stage. This is a Government that has fully supported things like copyright. This is a Government that is looking to see where our people can find new opportunities to get work, practise their skills and help develop their country in the process.

4.15 p.m.

I feel glad to know that Barbados has been able to prevail over the OECD. I also feel glad to know that no one can seriously suggest that Barbados has ever been a dirty jurisdiction or an uncooperative jurisdiction.

Mr. Speaker, what I would say in closing is that if the Honourable Member is indeed correct, we on this Side are sure that the conduct of the OECD scared away investors because the conduct of the OECD and their attitude to these countries created such an atmosphere of uncertainty that no investor willing to come who feared that he would come and have to leave after two months, or feared that he would come and have to expose himself to investigations that he could not easily live up to, would come, so this piece of legislation has to be commended.

The efforts of those who work for Barbados must be commended and, in this regard, a Miss Lynette Eastmond will have to be entered into the records of this Parliament as being part of a process. Neither she nor I are ashamed of that, Sir.

Mr. Speaker, the efforts of the Honourable Member for the City as Foreign Minister, the efforts of the Right Honourable Prime Minister, the efforts of the Honourable Member for Christ Church East and the patience of Barbadians who waited to see what the outcome would be, their loyalty in standing firmly behind their country which was not equally matched, a tiny emergent nation, faced by the fury of no fewer than 29 nations working, I would not say in caucus, but in cartel and, certainly, in collusion to frustrate the legitimate aspirations of a small developing country to strengthen further its economy, and to make sure that its people would enjoy a more secure and, indeed, in the words of the motto of the Barbados Labour Party, a better life for all our people.

I thank you.

Hon. N. A. LYNCH: Mr. Speaker, obviously many Members have spent much time, particularly the Honourable Minister, the Member for Christ Church East, in outlining the aspects of this piece of legislation in the new International Financial Services Bill and he has, during his presentation, laid out many of the aspects why it is important to Barbados and to our development. I do not need, Sir, to delve into or to repeat many of the things which he has said.

Sir, it is important we set the Bill in context in relation to the work that is being done and the importance of this legislation as it outlines a major plank of our economic development strategy. I believe this Bill fits in and compliments many of the other initiatives taking place in other areas of the economy as we seek to build this new economy for Barbados, an economy that is going to be based specifically on a new service paradigm in the new service economy.

Sir, during the Estimates debate, I believe the Prime Minister laid out in very specific terms the major plank of that new economic strategy and he spoke with much seriousness upon the two initial productive sectors that are going to be the basis of being able to provide for Barbados that new economy, and I believe he referred to the two sectors, international business and tourism. However, I believe there is more of a link between tourism and international business than we sometimes want to recognise, or we sometimes want to give credit for.

Sir, I believe the two industries obviously complement each other and therefore there is work that is being done to develop the tourism industry which should create a much better environment for international business to thrive and *vice versa*. There is work also being done in the arena of international business that will also complement the area of tourism development. First of all, businesswomen, businessmen and business travellers and those who work in the business sectors are becoming increasingly more sophisticated and are sophisticated travellers.

People usually combine the issue of business travel with pleasure and business visitors and residents are high yield visitors who consistently spend more than ordinary travellers. Therefore, with Barbados as a new point of investment and as a commercial gateway to the rest of the region, we must continue to redefine the potential benefits we can derive from these two sectors in combination. Barbados has got to move ahead and be marketed as well in terms of all the other things we constantly talk about, the sun, sand, sea, and now in recent times, eco-tourism and the like.

Barbados must also be marketed as a premier tourism business centre. I think we are opening up enough avenues and putting in place enough of a structure to make that happen. To qualify as a premier international business centre and environment for investment, the quality of life here must

match the expectations of some very sophisticated managers and professionals who operate in the business environment, and to succeed as a global business hub, Barbados must also build a vibrant and attractive business centre that attracts people to invest in Barbados, to stay in Barbados and also to work in Barbados.

Sir, I have heard many people saying and the Honourable Member for St. James North speaking about the concept of Jersey and moving from agrarian societies into tourism into international business. In this particular environment, and in the very near future, these two sectors must exist in a very complementary way and the framework must be laid for them to be able to complement each other for maximum benefit for Barbadians.

Sir, I believe it is important that we outline that the best potential for growth in any sector and for quick growth is in this international business sector, even more so than in tourism. We have had in this sector recently to deal with many challenges, initiatives of the Financial Action Task Force and the Financial Stability Forum in relation to anti-money laundering, the OECD threat on harmful tax competition and the issues of the demise of foreign sales corporations following the adverse WTO rulings.

Despite all of this, Sir, and all the criticism that Barbados and the sector has had to endure, all the criticism that has been thrown at all sides I believe that despite all of this, Barbados has continued to thrive as an international business and financial services sector. It does not mean that we have always performed as well as we could, but the issue is that Barbados has been kept alive.

I heard the Honourable Minister outline that during 2001 over 450 IBCs were actually formed which is the largest number ever formed in one single year. I think that speaks to the resilience of the sector and is a clear indication that Barbados is still a very attractive and stable place to conduct business and to invest.

I believe that part of this continuing success is owed to a number of factors, the fact that we still have a very strong regulatory environment, generous tax and other concessions and a growing tax treaty network. Even within all the challenges that we face with the OECD, it was to our credit, Sir, that Barbados has been given a clean bill of health without having to do all the things other jurisdictions have done. All of these factors combine to present investors with numerous opportunities to minimise the cost of doing business internationally.

Sir, this particular piece of legislation fits into the framework in which we have always operated. Since the 1969 IBC Act, Barbados has continually enhanced its legislative framework by enacting legislation in many areas of international business, banking, insurance trusts, general

and international business and a number of recent amendments of which this now forms a part has added a new dimension to the opportunities available for investment in our country.
4.25 p.m.

The removal of restrictions on entities conducting business with CARICOM residents and the legislation on the establishment of segregated cells has been changed in the Exempt Insurance Act.

Sir, this legislation is in the same vain because we need to move now to accelerate the growth that can come from the international business sector because of all of the other issues relating to the international business sector like the once Organisation for Economic Cooperation and Development (OECD) threat which would have an impact upon Barbados.

I am sure, Sir, that many Honourable Members understand the new issues relating to the movement of money across the globe, particularly in the United States of America, which might get into the hands of terrorists. Therefore, we need to move now to protect our jurisdiction.

I believe, Sir, that the marketing drive needs to be more advanced. I believe we have not done as much as we could have or should have in terms of our strategies and tactics in relation to how we market Barbados and the international business sector. This is an opportunity now to focus Government's programme for real serious and sturdy growth in the sector in the next decade or so.

Sir, to do that, a number of things would have to happen. The Honourable Member for Christ Church East has outlined some of them but further expansion of the treaty network we have is a fundamental plank to being able to create a better environment. We have been able to do much of this work with China, Canada and Cuba but being able to advance and expand our treaty network is going to be fundamental to any platform we create for growth in this sector.

In addition to that, advancement in telecommunications and telecommunications reform must fit squarely into this strategy. We have moved in recent times to reform the telecommunications sector, but we need to move faster. We also need to be clearer about how we deal with this particular telecommunications sector.

There is a wide range of products which are being distributed much more rapidly but if Barbados is to keep up with our competitors, we are going to have to create a basis for further reform of our telecommunications sector at the local level like the issue relating to Government regulatory framework in terms of registering companies. I do not think we have done the best job in this regard.

Barbados also, and I take the cue from the Honourable Member for the City, needs to capitalise on this Barbadian brand for stability and for educating people. I do not think, Sir, that we have done as much as we could in terms of creating a better platform for educating all of our citizens about the international business sector. I believe we need to do more whether it is through the formal or the informal education process.

We have also to be able to create a better basis for marketing the international financial business sector. Further physical infrastructural development as well as what we do in terms of tourism product development is going to provide an even better platform for that.

The work that is going to be done at the Grantley Adams International Airport and our attitudes within the cultural base which we created need to be further advanced if we are to take advantage of everything that is going to be thrown at us.

Sir, there are some specific aspects of the Bill. We have replaced the Banking Act with the new Financial Institutions Act and a similar Act must take place in international business and this is what this particular piece of legislation is to deal with. We are functioning in a much changed environment and we must table this piece of legislation now to better regulate the banking sector and the international banking sector in Barbados. I believe there are a number of best practices for banks which are not located here but are doing business here and Barbados needs to be as competitive as we can *vis-a-vis* the other jurisdictions.

The range of financial services now bears no relation to services that would have been laid out when the Offshore Banking Act was tabled in the 1970s. Therefore, we need to continue to reform and protect the sector and be able to measure where we are.

Many of the strategies that work for us in the past are not going to be sufficient today. There has to be a new efficiency and a new investment-driven paradigm because we are moving to a knowledge and innovation base paradigm that must take place for this new economy to exist. Our economic landscape must change and we need to be able to create new capacities.

Sir, I am surprised when I hear the Honourable Member for St. Lucy speaking on some of the issues that are spoken about and how he sets out the issue of how the new legislation and the new areas of economic development like the international business sector being able to provide opportunities for people from the outside and that investment in Barbados is going to create a negative impact upon entrepreneurs and the people in Barbados. However, I see

it as more complementary and being able to create new opportunities for Barbados' business people and entrepreneurs to survive, to strive and to move forward.

We need to be able to encourage more entrepreneurial start-ups in Barbados to be able to move forward, and we need to support the stronger ones to grow regionally and globally, so Government needs to create a supporting environment and not get in the way of value creator.

As far as I am concerned, Sir, whenever we create a better basis for people to invest in Barbados, we create that better opportunity for more Barbadians to get involved and to move forward. Sir, we need to make Barbadians more globally relevant to what is happening within Barbados and within all of these sectors through our educational system.

Sir, I cannot understand how anyone can equate being able to create this new paradigm and this new economy and being able to create new opportunities out of this paradigm system based on service, to being in somewhere to the detriment of existing businesses in Barbados.

Sir, the Honourable Member for St. Lucy takes me into some far-off places that is really offshore. He is so far offshore from what is real for Barbados that I doubt anyone can understand his line of thinking.

Sir, both the Honourable Member for the City and the Honourable Member for St. James North have outlined this "Barbadiana" badge that identifies Barbados as a place to get a good education and Barbadians with a sense of responsibility, thrift and commonsense, all of these things create a better basis for marketing the sector in the future. I believe we need to network better as Barbadians, particularly with those who live overseas, because this is the new paradigm that is going to be created for marketing the overall sector.

Sir, this legislation makes us more competitive, but our ability to network with Barbadians, those who have that international savvy and those who understand business savvy at that level, is going to be a fundamental plank in being able to market this sector in the future. This legislation strengthens our position with the sector and makes us even more competitive because most of the people who work within the sector are still a little bit concerned about how other jurisdictions have been able to move so quickly ahead of us in some areas.

4.35 p.m.

Sir, I do not think we are as efficient as we should be at the regulatory level. I do not think we are able to put a lot of the other ancillary matters around our marketing to make Barbados even more a serious jurisdiction to international business entity.

Sir, I want to compliment the leaders of the team and all those persons who have been able to create a basis of bringing this legislation to the people's House designed to strengthen the regulatory framework under which Barbados' registered offshore banks operate. Sir, I believe it is to our credit we are creating a new paradigm for our existence which is firmly made on issues of being able to move international businesses and bringing them forward in a complementary way. My kudos to all those who have contributed to this legislation. It creates new opportunities and allows us to measure where we are as a country.

I thank you, Sir.

Hon. Sir HAROLD St. JOHN: Mr. Speaker, I just want to say few words on this Bill that is before Parliament. Sir, basically this Bill is not a revolutionary Bill but it does improve upon an existing framework of law relating to offshore banking which, in my opinion, has stood us in good stead over the last 22 years that it has been in existence. It is, therefore, opportune that we do some kind of census on the efficacy of that Law and this analysis of the Law has been going on for a considerable period of time. What we have here today is the result of a considerable amount of study of the existing Law and its defects. An attempt is being made to cover the areas of defect and to introduce new improvements.

Sir, I agree with those who say that one of the objectives in this Bill is to improve the regulatory environment, to improve the powers of the Central Bank with respect to supervision. That, today, is a very worthy objective because it has an element of transparency of the regime which will give some comfort to the Barbadian regime because that is an area that today is very much invoked in those countries to disband the offshore regime in other countries while, at the same time, promoting them within their countries.

The analysis of the Law relating to the offshore regime, however, does not stop at the legislature and this is a point which I think we need to give serious consideration. A real analysis must look at all of the constraints and criticisms of our regime. I believe there are a number of areas in addition to legislation which we must practically discuss. Among those areas, in my opinion, is the need for improvement in its decision-making process. However perfect one's legislature in the offshore regime is, it will still not bring the benefits to be derived from an offshore regime if people who have to deal with it on a daily basis, feel that the jurisdiction has excellent laws but the decision-making process is too long, so that to have an analysis of our regime, consideration should be paid to that.

There are, in this Bill, some specific time limits that have been introduced. I am all in favour of that. I recognize that flexibility has to be given because there may

be transactions in relation to this Bill and other Bills of similar nature that are sometimes exceedingly complex. It is, therefore, necessary that one has a degree of flexibility in the Bill which will permit the decision-makers to have a reasonable period of time to make a decision. It is important that a culture is established among the decision-makers, that it is very necessary to the well-being of the regime, that decisions are taken in a reasonably swift time.

Sir, another area about decision-making that is very important, it is not only among the administration that decision-making has to be reasonably swift, it is also in dispute resolution. I am still of the opinion from all that I heard and read, that we have a problem here and our dispute resolution procedures have to be tightened up. It is very important that consideration be given to how we can improve decision-making procedures in this resolution.

We also have to look at the regime in the context of its totality. Legislation provides the framework but for full benefits to be achieved, it is necessary for us to develop the human resource personnel that is necessary to ensure that the regime works smoothly and human resource is of such a calibre that it is aware of the competitive environment in which it is operating. Also it can provide new thinking in the direction in which the regime is to go, for the legislatures and administrators. This human resource training has started.

I think it is significant that the University of the West Indies and the Ministry of International Business and others have created these international courses as part of a training regime. It must not only go to University level but to all levels. I firmly believe, and there is a lot of evidence that can prove it, that those who state that Barbados has a niche that is not being exploited but it could have, in the form of providing what is known as backroom services to the insurance and banking industries. Many reviews have recently taken place in the Barbados regime and that area has been very clearly identified.

If one looks at the number of offshore banks, however small, there may be that they have been formed recently. One would recognise that, by their very reputation, they are serious businesses that have come to Barbados to take advantage of the relatively inexpensive in relation to international standards we have. That is a very important point.

We have always envisaged, when the legislation was first introduced, that because of our human resources, we would be able to establish a niche in providing human resources to man operations. Of course, at that time in 1979, we did not think, were not aware, and did not envisage fully, the impact of the revolution in telecommunications.
4.45 p.m.

As a matter of fact, because of the revolution of telecommunications that has taken place between then and now opportunities have expanded. I hope that we vigorously

proceed with this new legislation and others already passed to bring the telecommunications costs in line with our competitors because it is only as a result of a combination of legislation, good telecommunications and good human resources that we will be able to exploit the opportunities which are provided today in the offshore sector.

We also have to be clear in our mind that the International Financial Services Act is part and parcel of other pieces of legislation that is necessary. I look forward to the modernisation of the Trust Law. We have a series of legislation in trusts of various kinds which are permitted to operate in the offshore regime. In the same way that we have specific legislation in respect to companies, as far as trust is concerned, I would like to see amendments to a Trust Bill which will set out the duties of the trustee in relation to trust and the powers that one has in relation to investment and things of that nature.

There are certain common pieces of duties and obligations embodied in the legislation irrespective of the purpose of which the trust is set up which I would like to see updated and modernised.

As I have said, when one brings a degree of certainty to the offshore legislation that redounds to our credit. Offshore lawyers like to see things clear and simple although, by its very nature, it cannot be simple but they want to have certainty in the way the legislation is interpreted so that they themselves can militate to their clients with a degree of confidence.

It is quite obvious that the competitive nature of the industry is such that periodically one will have to face a tax from the developed world because, after all, the clients' sources for offshore regimes are citizens and residents of the developed world.

It is also very important that where we find people using our regime in order to deprive us of legitimate revenue that we should take steps. I am firmly of the opinion that we have some gaps to close in respect of our external companies and the utilisation of our external companies by people abroad, in conjunction with other offshore sectors, to evade our property transfer tax. Given the situation that we have, it is very obvious that properties are changing hands at tremendous prices, yet still the contribution to the tax effort in Barbados from total property taxes is under \$100 million. Sir, something is drastically wrong and I hope that attention will be paid to this.

We have improved our regime in relation to reporting of companies but I hope we will learn from our experiences and do something about it as a matter of urgency. We have passed the legislation and all of the legislation envisages

that there will be regulation, but there is no point in passing the legislation and do not have regulations in place. The administrators of the legislation will say that until they get the regulation that nothing can be done about it and, therefore, we would only have half of an effort.

Let us not forget that although we talk about offshore financial services and other entities which are companies, we must always remember that first and foremost those companies are incorporated under the Companies Act of Barbados. If you are defective in your regulations relating to reporting, it means that you have only passed the law but its full implementation cannot be put in force.

I hope that the regulation that is envisaged by this Bill and by a number of other Bills upon which this is dependent, in particular the Companies Act, that those defects in our efforts will be looked into and remedied immediately. Sir, Section 1.13 of this Bill envisages that there will be regulation.

Sir, when one looks at the totality of the efforts over this section of Parliament, one can say that the Government has made a tremendous effort to update the legislation.

I notice in the Estimates that Government has committed itself to the expenditure of vastly improved sums to promotion. It is vital to understand that in the competitive environment in which we are operating that promotion is essential if we are to impress decision-makers from other countries and be able to extol the virtues of our jurisdiction.

It is vitally necessary that restructuring of professional and service providers take place. There is no doubt that the demands for larger professional firms to provide services in the offshore sector are clearly and absolutely demonstrated. Clients do not wish to deal with small firms or individuals and some clients require a 24-hour service because of different time zones.
4.55 p.m.

The Prime Minister is famous for saying that the infrastructural aspect of the service providers has to be improved and I believe some incentive in marketing support by way of writing of expenditure is in place.

Sir, it is important to recognise the provision of computer software infrastructure is expensive, but it is possible to have computer software do a lot of the mechanical secretarial work for companies. Sir, not only is this computer software expensive, but it changes very quickly. The duties on computer equipment have been reduced, but the cost of upgrading computers is very high.

Barbadian professionals must recognise that in this era of globalisation and the new agreements under the WTO and the FTAA, there is no doubt that they are likely to be faced

with service providers from other countries because professionals from around the world see the world as a place from which to practice and there will be an element of competition and sharing for the services of telecommunication or any service that has to be provided.

We must equip ourselves with the knowledge and equipment because the offshore will be meaningless to us if we do not have a core of people who are able to exploit their skills by providing services to the companies we attract to Barbados.

Sir, a census of the employment in the industry would indicate that we have approximately 1 400 people employed in the traditional offshore financial services. While we would have lost jobs at the lower end of the informatics industry with the development of call centres and backup operations, Barbados continues to attract employees at the higher level of the informatics industry and many realise that it is profitable for them to utilise Barbadian skills.

I was once a Minister of Industry and during the period 1985 and 2002, a company by the name of Donnelley Barbados (RR) came to Barbados to do a specific thing but, as the technology changed, the number of employees was reduced to 40 people. However, because they were satisfied with the environment in Barbados, they changed the basis of their operation with technology. I am told that they now employ 300 people at that company. We must not discount the contribution that can be made in the offshore sector and the integration of services of the informatics sector and the backroom operations.

Mr. Speaker, I am not as pessimistic as some who feel that this is an industry that does not bring much benefit to Barbados. I believe that many benefits are derived from the offshore sector and it is our duty to ensure that we have the environment, not only legal and physical, but educational and administrative as well that will allow us to remain competitive.

I thank you, Sir.

Hon. Miss M. A. MOTTLEY: Sir, I rise to make a few comments in this debate before it closes. There are a few areas of concern which I would wish to flag at this stage. I have taken note of comments of various Members in relation to the pace of legislation in the past and can only say that as far as possible, we must try to ensure that all the needs are met expeditiously.
5.05 p.m.

We do recognise that there are some instances in which particular expertise has to be bought and brought in order to

be able to complete some of the very highly specialised areas, and I believe that approach which has been used in the past by my predecessors is one which I will continue to use in the future.

However, I want to issue one note of caution and that is that generally while there is a feeling that everything must be done overnight and quick, quick, remember that the Government is also subject to some very stringent requirements under its own legislation as it relates to know your customer guideline, as it relates to ensuring that in the long run Barbados' reputation as a clean jurisdiction is not tarnished by reason of persons simply rushing to get business without ensuring that the due diligence which should be done in ensuring that the person who is doing business is, in fact, doing clean business and not dealing with the proceeds of illegal activity.

I therefore feel that in all things in life there must be a balance and that balance must require that we must become a little more efficient in how we respond to some entities and to some matters within the international financial services sector because our competition is global but, at the same time, we have to recognise that there simply must be provisions and requirements that allow us to ensure that we know who we are dealing with because the implications are too dire and the implications are that we cannot only have our reputation tarnished but, indeed, Mr. Speaker, it can have direct effects on the level of business we are able to conduct with other entities.

Indeed, one only has to look at the implications of the USA Patriot Act which was passed by the United States recently as a response primarily to the September 11th and as a response to terrorism financing primarily. It focuses a lot on the whole issue of offshore jurisdictions. It also places great stock as to whether or not you remain on or off the list of an international independent organisation, whether it is the FATF or the FSF, or the OECD, or whoever.

It also gives wide powers to the Treasury Department on their own initiative to take actions against jurisdictions, particularly as it relates to correspondent banking, the consequences of which can be deleterious not just for the international financial services sector but, indeed, for the whole financial services sector, and by extension the economy of Barbados.

We have to balance what we are doing and we have to bring a sense of clear thought but also a commitment to do what is right in terms of what our Laws already provide for what is the climate we are operating within internationally. We have also to recognise that too far East is West. What do I mean by that? We have had occasion, as I said, to bring legislation which requires financial institutions or rather persons selling financial services to know their customers.

There has been an approach in Bridgetown which has seen some banks carrying it to an extreme and where there are customers from within the very same bank going from one department to another, the bank asking them to fill out a form even though the bank is the source of the funds they gave the person. Now, let me be clear, Mr. Speaker. The legislation which requires companies selling financial services to know their customers was not put in place to be a disincentive to business activity or general economic activity in this country. It was meant to be able to ensure that we can meet the highest requirements in terms of keeping Barbados as a clean jurisdiction.

When instead of looking to sift out suspicious transactions you try now to inhibit all transactions over a certain threshold, then you obviously will have a drag on the business that is done generally in the economy and you have the impact on frustrating customers and frustrating legitimate business activity. Those banks therefore have a responsibility to put internal provisions for monitoring in place so that those employees that they have who have been trained recognise that the import of the legislation is to be able to detect suspicious transactions and not just all large transactions. It is a fundamental difference between the two.

Mr. Speaker, I hope that the stories of what has been taking place in Bridgetown in the last few months will be simply that thing of the past and not the continued way of doing business in town because it will have a negative impact.

There are some other challenges which we will continue to face. There is no doubt that this Government was brave and steadfast in its position in relation to the OECD and its threat in seeking to have Barbados labelled as a tax haven and indeed the consequences that would flow from it. It is of great note that the Government held its ground and was able to show that the practice which it had engaged in from the start of our activity in the international financial services, namely, in the development of treaties for the provision of exchange of information were some of the very things that the OECD was now asking other people to do and therefore for Barbados not to have to give any signing on of any commitment is a significant achievement and speaks to the fact that the OECD themselves were satisfied that what we were doing, and have been doing, was satisfactory in respect of meeting the parameters of a clean jurisdiction.

I believe, Mr. Speaker, that this is something as the Honourable Minister has said, that must be the foundation from which we will market and continue to market Barbados, particularly given the fact that there was absolutely no doubt in our minds that the threat of the OECD sanctions over our heads for two years had a negative impact on the generation of business activity in this country and we need to turn it around and use it for what it is worth in terms of promoting Barbados as a strong, clean jurisdiction.

By the same token, Mr. Speaker, we have also to recognise that there are things we must continue to do to expand our capacity. I am satisfied that we are on a good batting wicket by ensuring that in Barbados there is a larger number of local people delivering services than in almost any other Caribbean jurisdiction that is offering offshore services. We need to carry it even further and we need to do so.

I believe it is the Honourable Member for Christ Church South who just made the point with them understanding that when they seek to engage in, whether it is the international financial services or services generally, that the world must be their stage and to get to the world they must be prepared to compete regionally, hemispherically and then globally. Particular professions, and I will speak to the legal profession specifically, need to change their approach to doing business and the practice of law.

Lawyers have traditionally had a very cloistered approach towards the practice of law and one of the things we are going to have to be able to do is to ensure that lawyers take a far greater entrepreneurial approach in the practice of law and recognise that the provision of legal services without compromising the quality of advice and the quality of their practice needs now to be on a regional basis, at the very least, to start and there has to be an approach which will see them partnering with international entities to be able to expand the range of services that can be offered both in terms of the range of services as well as geographically in terms of where the services can be offered.

One of the decisions we took in the Ministry of Education when I was there, Mr. Speaker, was to be able to prepare adequately Barbados's future generations to meet the needs of where we felt the economy was going and we felt that we needed to do so at the primary and secondary level by providing a sound basic education, familiarisation with the technology and acceptance and I am not dealing with the social skills that they need because that is a given, but familiarisation with the technology as well as a recognition that even at the tertiary level, even after a person has finished a degree or a course, that the provision of ongoing professional training on a regular basis is absolutely necessary since in many of these areas new products or new ways of doing things would come up. To that extent, we needed to ensure that our professionals were always on the cutting edge in respect of it.

5.15 p.m.

We also felt that Barbados should develop itself as a location for the provision of that type of training because if you could develop a reputation of excellence in the provision of training then that would give you a reputation as a domicile that has some credibility. I hope that this work

would continue particularly with the Centre for International Services at the University of the West Indies.

There is also a clearly stated commitment in Parliament today by this Government to expand significantly the number of treaties on which we would base our relationship with double taxation treaties. Barbados, as a low tax jurisdiction, would strive by having an extensive network of double taxation treaties and to that extent there has to be a certain level of aggressiveness on the part of Government to make up for the lost time that we would have lost during the period of time when the Organisation for Economic Cooperation and Development (OECD) threat loomed over our heads.

There is absolutely no doubt that the international financial services sector must be one of the major planks for our economic growth and for sustainable economic growth in the future. I believe that it will perhaps be the sector more so than any other that can push Barbadians to recognise their worth and the need to sell their services beyond the region because once you begin to recognise that you can compete and work effectively in this area, you will recognise the opportunities that are there globally and hemispherically for you to do so, whether it is in health services, legal services, educational services, cultural services or insurance services, but before we reach that stage we will need to exploit those areas that are of immediate benefit to us.

Over the last 20 years, the offshore banking sector has been growing. It has not been phenomenal in its growth but it has been steadily growing which, for the most part, allowed us to remain a clean jurisdiction and keep our reputation as such.

When we first entered the captive insurance market in the late 1980s, Barbados was a global leader in terms of the new captives formed in this jurisdiction. However, there has been a falloff and we owe it to ourselves to recoup that kind of pace in terms of the number of captive insurance companies while, at the same time, recognising that we are not simply going after quantity, but quality, in terms of the attributes of the individual captive insurance companies. There is absolutely no doubt that the market is there.

Other Honourable Members have spoken to the performance of Bermuda since September 11th. I believe that Barbados, with a strong aggressive marketing programme and with the kind of market that is there as a result of the September 11th situation in respect of the impact that has had on raising premiums, has opportunities from which we can benefit considerably.

We have to recognise also that we are seeking to carve out our own niche in what is really the world's largest sector, the financial services sector, and to the extent we have to ensure that we maintain appropriate structures for regulation,

supervision and transparency and match those with the appropriate level of skills domestically in terms of the local value-added whether there be legal, accounting or ancillary services so that we can continue to remain an attractive destination because the quality of life in Barbados is one that is good. Therefore, we must jealously guard against any shift in that because that is one of our strongest assets for the marketing of substantive business to locate itself in this jurisdiction.

This Government truly understands that and the Minister is fully cognisant of it and the cooperative approach which is being taken more and more across Ministries would ensure that we can continue to see renewed and substantive growth in this sector.

Mr. Speaker, there continues to be threats, as I said. There are implications from the USA Patriot Act for what we would have to do in respect of terrorism financing. There is also the likelihood, come June, that the Financial Action Task Force (FATF) will issue a list of those countries that do not have appropriate structures in place for terrorism financing which will have negative consequences for those countries. These are the kinds of things we have to continually be alert about on our radar screen, but I trust we will have nothing to worry about.

We have already indicated that we will have legislation dealing with terrorism in place before June. In fact, we have established a high level committee, because some of the things that were being asked of us under Resolution 1373 and other similar agreements were fairly draconian and we needed to be absolutely certain that they were consistent with our constitutional provisions before we blindly adopted these provisions and then found that we were in difficulties because of the lack of constitutionality, so we have work to do.

We feel confident that this sector would be one of the three major planks for the renewed growth in the Barbadian economy. I am also cognisant that the Ministry of Home Affairs has a duty to increase the pace of the legislative work which must come here to help lay the foundation for the sector but there would be the need for the rationalisation of certain things like the laws surrounding trust and the need to ensure that regulations are put in place.

We need to work with the line Ministries who very often forget that the regulations have to be put in place and do not send down the appropriate instructions for the drafting of those regulations. Persons just pass legislation very often and forget that the regulation informs the environment within which things must work which provides for a level of certainty for how rules should be applied within the framework of the existing legislation.

We look forward to playing our part in this area and give the Minister for Economic Development our strongest support in ensuring that Barbados can do what it has to do to put the international financial services centre back on a strong path of growth because it must be one of those sectors from which there must not only be foreign exchange benefits to this economy, but there can be substantial benefits to be derived by Barbadians in the pursuit of their legitimate business activity.

We see this as one cog in the wheel with the additional cog being that we seek to export our services to the rest of the world to be able to ensure that we restructure the nature of our economy.

Thank you, Mr. Speaker, Sir.
5.25 p.m.

Hon. R. R. FARLEY: Mr. Speaker, I rise at the conclusion of the second reading of this Bill. First of all, I want to thank all Honourable Members for the contributions they have made.

There were not major points to comment upon except to express with the greatest regret that, given the opportunity to participate on the Bill in a most meaningful and important aspect of the legislative arrangements in support of the new economy, as in this case in relation to the international services and business sector, I thought the Opposition would have taken the opportunity to rise to the occasion. Instead, if I had to summarise the presentation from the Other Side, I heard strains of a melody that could only have been written by Jennifer Lazzlo.

I heard the Leader of the Opposition, the Honourable Member for St. John, characterising Barbadian workers who work in the international business and services sector as being low level people - gardeners, caddies and maids, as if they are not people too. This was very much reminiscent of the toilet scrubbers description which was used by the DLP to describe people who participated in the other major aspect of our tourism economy. Sir, it was, therefore, unfortunate that the Opposition should have reverted to that melody which we thought had been removed.

Sir, this sector continues to provide good quality employment for our talented and educated Barbadians and some of our attorneys, accountants and others have found very useful employment. Sir, what makes it worse and why I was saddened, was that the Leader of the Opposition, the Honourable Member for St. John, has made for himself a lucrative law practice based on providing professional services to the offshore sector. Now he has the gall to stand in this Parliament and to assert that the sector only provides work for caddies and maids.

The Honourable Member was not providing caddy or maid service, I hope, to any clients in the offshore sector

but his practice was so lucrative that, by his own admission, he can retire at the age of 40 and devote himself to being a full-time Leader of the Opposition, or whatever description he is going by these days, and we are not sure whether he is the Leader, or of what is he the Leader.

Sir, the reality is that it is regrettable that he did not rise to the occasion and join with us on this Side in seeking to reposition and restructure this economy, to take advantage of the opportunities and to brace ourselves for facing the challenges that we face, even as we embark upon this.

Sir, regarding the Honourable Member for St. Lucy, if we were to follow his advice, we would not pursue this international business sector because if foreign investment does not come, what would we do? The same argument, therefore, if taken regarding tourism would be that we should not attract visitors to Barbados because if they no longer come, what will we do? If we take this to its logical conclusion, I would have to ask him why he bothers to open Moon Town because if people do not go there anymore, what will he do?

Aside.

Hon. R. R. FARLEY: Sir, we on this Side recognise that we live and operate in a dynamic context. The nature of business today is not what it was in 1979 when the Offshore Banking Act was passed and that is why we are making the changes today. We can expect that in 20 years' time, the nature of business will not be what it is today. Therefore, it falls to us to so have our systems fine-tuned and well honed, such as new opportunities present themselves, that whatever adjustments to our legal, administrative or financial infrastructure are necessary, that we are able to do that and that is what we are doing today.

We recognise the shift in the provision of narrowly prescribed banking services to the provision of a range of financial services. Therefore, what is new about this Bill is the very broad description of financial services such as recognises that these days what is the need of our economy, where a range of products in one financial institution can be bought.

In fact, Sir, if I had to express a regret, it is the regret that a number of our banks have not moved with the times nor at a fast enough speed to offer a wider and expanded range of services. For example, at this stage, they are not providing opportunities for full e-commerce transactions to be conducted through Barbados and this is important. There are a number of companies, both local and international, which would want to be able to do business on the Internet and to complete their transactions.

When we established the website at the Industrial Development Corporation, ShopAtBarbados.com, at which

we sell a range of Barbadian products, we were not able to do the merchant transactions in Barbados. It had to be done overseas. It was not possible to have a situation in which one was able to go on line, order the product, have the payment made by credit card wired through the Internet to banks in Barbados.

We have IBC's set up for the purpose of doing various forms of international trade which are not able to do their full e-commerce transactions out of Barbados. Therefore, because of the slowness of these banks, we are missing out on the full opportunities for benefits and I would hope that they too, like us, would recognise we need to change the financial infrastructure to change with the times.

Sir, the Honourable Member for St. Lucy must recognise the dynamic situation and the fact that though we are not able to predict this form of business will be here 100 years from now, must not be taken to be a justifiable reason to ignore the opportunities for the business as it exists today.

The Honourable Member for St. Lucy must be more surefooted. He is normally more surefooted than that but I do not know what rare form of incapacitation would have afflicted him today but I trust he would soon recover and be back to his usual self.

Sir, those are just the few clarifications I want to make and to point Members to the areas in which this Bill is different. It is offering a full, new range of services and the strengthening of the regulatory and supervisory standards such that would ensure the capacity of our banks will be able to maintain corresponding banking relationships with banks in the United States particularly, so as not to be subject to high withholding taxes which are the penalties now imposed on banks operating out of jurisdictions that do not have proper supervisory standards in place.

Another area is to continue to secure this industry which continues to contribute millions of dollars into our economy. As we have indicated earlier, there are 56 offshore banks operating in Barbados. Two hundred and ninety-seven employees contributed millions of dollars in foreign exchange by way of wages, salaries, taxes and other expenses, to add to the quality of life which we have here.

Sir, I want to thank Honourable Members for their contributions to this Bill. I will keep this Honourable Parliament informed of the results and the progress we are making in terms of the implementation of the work programme for the accelerated growth and development of the financial services sector, as described today.

Mr. Speaker, I beg to move that this Bill be now read a second time.

Hon. R. C. EASTMOND: I beg to second that.
5.35 p.m.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, it has come to my attention that the Honourable Member for Christ Church East Central is out of the jurisdiction and in the circumstances I would wish to propose that the Honourable Member for St. Michael South Central act as Chairman of Committee for the balance of today's Sitting.

Hon. R. C. EASTMOND: I beg to second that.

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

COMMITTEE

Mr. CHAIRMAN: The House is now in Committee.

Clauses 1 – 3 were called and passed.

Part I, clauses 4 – 38 inclusive, were called and passed.

Hon R. R FARLEY: Mr. Chairman, I beg to move an amendment to this Part. At clause 4, I propose the deletion of the bracket, the number one and the bracket following the number one, the insertion of a comma after "means" and in the second line the deletion, "the business of".

I further propose the insertion after (a) on the next line the following words "the business of". It would read then:

"(a) the business of receiving foreign funds through..."

Sir, I beg to move that Part I, as amended, stand part.

The question that Part I, clause 4, as amended, was put and resolved in the affirmative without division.

Parts II – V, clauses 39 – 116 inclusive, were called and passed.

Schedules 1 and 2 became the Schedules to the Bill.

On the motion of Hon. R. R. FARLEY, seconded by Hon. R. C. EASTMOND, Mr. CHAIRMAN reported to His Honour, the SPEAKER, the passing of one Bill in Committee, as amended, and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. R. R. FARLEY, seconded by Hon. R.N. GREENIDGE, the Bill was read a third time, passed and cited as the International Financial Services Act, 2002.

ADJOURNMENT

Hon. Miss M. A. MOTTLEY: Mr. Speaker, Sir, I beg to move that this House be adjourned until Tuesday, April 16, 2002, at 11.00 a.m.

Hon. R. C. EASTMOND: I beg to second that.

The question that the House be adjourned until Tuesday, April 16, 2002 at 11.00 a.m. was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.

5.45 p.m.

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