
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

PARLIAMENT 2003 – 2008

HOUSE OF ASSEMBLY

Tuesday, November 25, 2003

met at 4.00 p.m. on Tuesday, November 25, 2003

PRESENT

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

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

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

Mr. L.R. Tull, G.C., M.A. (Oxon.)

Hon. Miss BILLIE A. MILLER, B.C.H (Minister of
Foreign Affairs and Foreign Trade)

Hon. R.C. EASTMOND, B.A. (Hons.) Dip. Ed.,

LL.B. (Hons.) L.E.C., J.P. (Minister of Labour and
Social Security)

Mr. G.W. GEORGE W. PAYNE

Hon. RAWLE C. EASTMOND, B.A.(Hons.), Dip.
Ed.,

LL.B. (Hons.), L.E.C., J.P. (Minister of Labour and
Social Security)

Hon. GLINE A. CLARKE, B.Sc., Dip. Ed., J.P.
(Minister of Public Works)

Mr. ROMMELL D. MARSHALL (Chairman of
Committees)

Hon. HAMILTON F. LASHLEY (Minister of Social
Transformation)

Hon. RONALD St.C. TOPPIN, LL.B.

Mr. DENNIS St.E. KELLMAN

Hon. Miss H. ELIZABETH THOMPSON, LL.B.
(Minister of Housing, Lands and the Environment)

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

Mr. TREVOR A. PRESCOD, B.A.

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

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

Hon. ANTHONY P. WOOD, B.Sc., M.Sc. M.Phil.,
J.P.

(Minister of Energy and Public Utilities)

Hon. REGINALD R. FARLEY, B.Sc., J.P. (Minister
of

Education, Youth Affairs and Sports)

Hon.. Miss CYNTHIA Y. FORDE, J.P. (Minister of
State,

Ministry of Education, Youth Affairs and Sports)

Hon. J.X. WALCOTT, M.B., B.S. (Edin.),
F.R.C.S., J.P. (Minister of Health)

Mr. R.D. JONES, B.A. (Hon), M.A Ed., J.P.

Dr. D.C. ESTWICK, B.Sc., B.M., B.S

Mr. C.A. MASCOLL, B.Sc.(Econ.) (Hons.), M.A.
(Public Finance), (Leader of the Opposition)

Hon. D.D. MARSHALL, LL.B., (Hons), L.E.C.,
(Minister of Industry and International Business)

Mr. M.A. LASHLEY, LL.B.,

Hon. K.D. SYMMONDS, B.A., LL.B. (Miniser of
State, Ministry of Foreign Affairs and Foreign Trade)

Dr. W.F. DUGUID, B.D.S. (Comm.), F.D.S.,
FDRCS., J.P.

Mr. R.L. SEALY, M.B.A., B.Sc.

*Prayers were taken by Reverend Canon Ivan
Harewood.*

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday,

November 18, 2003.

Hon. Miss M.A. MOTTLEY: I beg to move that the
Minutes for the Honourable the House of Assembly for its

meeting of Tuesday, November 28, 2003, which Minutes have been circulated, be taken as read.

Rt. Hon. O.S. ARTHUR: I beg to second that, Sir.

ANNOUNCEMENTS

Mr. SPEAKER: I am to report to this Honourable House that I am in receipt from the Accountant-General of the Accountants and Statements for the months of August and September 2003.

PAPERS

Rt. Hon. O.S. ARTHUR: I am commanded to lay the Report of the Accountant General for the Financial Year 2002/2003.

GOVERNMENT NOTICES

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

1. The St. John Ambulance Association of Barbados Incorporation Bill, 2003.

FIRST READING OF BILLS

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I beg to move that the St. John Ambulance Association of Barbados Incorporation Bill, 2003, be read a first time.

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

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

SUSPENSION OF STANDING ORDERS

Hon. Miss M.A. MOTTLEY: I beg to move that Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the remainder of today's Sitting.

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

The question was put and resolved in the affirmative.

ORDER NO. 7 – ANNUAL FINANCIAL STATEMENT AND BUDGETARY PROPOSALS FOR THE YEAR 2003 – INTRODUCTION

Rt. Hon. O.S. ARTHUR: Mr. Speaker,

Our nation and this Parliament have, at various intervals in our modern history, had to accept the need for, and to manage economic change of historic proportions.

The turn of the twentieth century, for example, found the largely non-sectoral economy of the day mired in a great depression caused by unfavourable conditions for sugar cane production. Some of the responses that unfolded over the following fifty years to that economic crisis, are still with us today.

It was during that period that the modern tourist industry had its origins. The period saw also a process of corporate consolidation within the plantocracy, giving rise to the creation of Plantations Company Ltd. in 1917. It saw the coming together of investors in the distributive sector to form the Barbados Shipping and Trading Company Ltd in 1920. The period also witnessed the formation of a new class of small businesses from among the then urban based poor white families, such as the Goddards, the Seales, the Dowdings and the Emtages who emerged as members of the merchant class.

The period also witnessed the Great Migration of almost 45,000 black Barbadians to the Panama Canal project, and the remittance of substantial sums by which a new property owning class contributed to the diversification of the structure of our economy by changing the pattern of our land ownership, and by opening shops, corner stores and industrial establishments from which they plied their crafts and trades.

The second half of the twentieth century saw another great economic transformation in Barbados. Parallel with the political effort to create a democratic, independent State came a commensurate economic initiative to transform, through diversification, what was then largely a monocultural economy. New pillars were created on which to rest the economy, manufacturing, a full-fledged tourism industry, and later financial, professional and international business services. It was all aided by access to trade preferences incorporated in trade agreements with our main trade partners and our ability to borrow at concessional terms from the international financial institutions to build our infrastructure and our education and other social institutions. That process of economic diversification also took place within an environment that tolerated the use by developing countries of tariffs and non-tariff devices with which to encourage the formation and to promote the development of their industries and enterprise.

Our economic system as we know it today is essentially a product of that process of economic diversification conceived some 50 years ago.

Mr. Speaker, I submit to this House that the need for another great economic transformation is now upon us. This Parliament, the first Parliament of the 21st Century, will have to preside over and to manage a more sweeping and far reaching programme of economic change than any previous Parliament in the history of Barbados.

We have to prepare our economy, which has functioned for almost four hundred years as a separate, distinct economy, to become integrally part of a Caribbean Single Market and Economy by 2004.

By 2005, we have to gear ourselves to participate in the Free Trade Area of the Americas; an arrangement which is intended to remove the barriers which have restricted trade, investment and the conduct of production and economic activity of all sorts in our hemisphere for 500 years.

Following this, Mr. Speaker, by 2007, we have to engineer the creation of a new Regional Economic Partnership Agreement with the European Union which will be different in many important respects from the four Lome Agreements which, since the mid 1970s have enabled us to enjoy highly concessional and preferential trade and economic benefits in our relationship with Europe.

16.10 p.m.

Sequence 1

Tuesday, November 25, 2003

4.10 p.m.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, despite the tumult of protest which have taken place in the streets wherever the World Trade Organisation (WTO) meets, there is a built-in agenda for continued multilateral trade negotiations, due to be completed by 2005, in relation to international trade in services on the one hand, and the agriculture on the other, our newest and our old industries.

All of these pending developments will bear substantially, on the structure and functioning of the Barbadians society. Insofar as these various negotiations will lead to the reduction and eventual removal of import duties, they will confer significant benefits on the consuming public, while adversely impacting on Government's reserves. Fiscal adjustments will therefore have to be laid.

Secondly, most of these negotiations are intended to replace the old preferential trade arrangements that we have enjoyed with new reciprocal arrangements under which, in order to get free access to other people's markets, we will have to give them access to ours. I submit to Parliament, Sir, that the loss of such preferences will have profound implication for the structure of our domestic production and our trade.

In the year 2002, Barbados exported goods worth \$333 million, of which \$177 million went to CARICOM

countries. However, fully 80 per cent of our extra-regional exports were made under the auspices of preferential trade arrangements, such as the LOME convention, the CBI, the CARIBAN with Canada, generalised system of preferences (GSP) arrangements granted by a number of countries, and under special bilateral trade arrangements with countries in our hemisphere.

In a word, Mr. Speaker, 80 per cent of our extra-regional trade and 99.8 per cent of our regional exports, which are all now the beneficiaries of trade preferences, will be put at risk as our trade relations are liberalised.

The negotiations to which I have referred will also profoundly influence the forms in which and the extent to which protection, subsidies and other forms of assistance can be provided to our enterprises and industries.

Mr. Speaker, we are already very painfully aware of the considerable difficulties that can ensue when measures are instituted to reduce the degree of protection we can afford our industry. For there can be no doubt that our implementation in 1998 of the commitments given by Barbados in April of 1994 to remove the licences, quotas and other forms of non-tariff protection which our manufacturing and agricultural sectors have traditionally enjoyed, has been the predominant cause of the decline in the fortune of those sectors ever since then.

It is equally certain that fundamental changes in the composition of our corporate sector will also have to be contemplated, as our enterprises, which are small by world standards, will have now to compete in the same markets and in the same economic spaces, aided by fewer special preferences and fewer forms of protection, against some of the most powerful enterprises in the world.

In addition, Mr. Speaker, over time, a number of areas of economic activity have been designated as areas reserved exclusively for Barbadian investors. These include watersports, ground transportation and the fast food industry, in which there is now a large cluster of typically small Barbadian businesses, producing and selling goods and services that carry the 100 per cent Barbadians brands.

We now face the prospect of having to open these sectors to foreign competition, on the understanding that our own industries and brands will also be given equivalent market access abroad. This process will begin with the opening of these sectors to regional competition.

All of these additions and considerations taken together, serve to signify and presage that our economic activity for the foreseeable future will take place in a more fiercely competitive regional and international business environment.

To function successfully in this new environment, we will have to accelerate the restructuring of our productive sectors, revamp aspects of our fiscal system, accommodate radical changes to our corporate sector, and foster a new enterprise culture, a new way of doing business, Sir, the likes of which have never before been seen in this society.

This is made all the more compelling because, in addition to being affected by these new forces and forms of trade liberalisation, our economic prospects will continue to be shaped in large measure by the impact of the revolution in information and communication technology which has been the defining feature of global economic activity at the turn of this 21st Century.

We can already, Mr. Speaker, safely anticipate that the way in which business is conducted, the very nature of work and the competitive position of respective sectors will be completely redefined by the workings of these technological factors. For us, some traditional industries will be made obsolete by these developments. We must, as an entire society, acquire the maturity not to wish to hold on to such failing and obsolete enterprises, long after the economic justification of the existence has vanished.

By the same token, Mr. Speaker, those same technological forces are continually opening up to us, new, exciting economic production possibilities for a country such as ours which is blessed with our attributes, especially the high quality of our human and social capital.

It is the optimisation, Mr. Speaker, of our exploitation of these new production possibilities, especially in the realm of knowledge based, skills intention industries that offers Barbados the prospect of holding and occupying a new successful niche in the evolving global economy.

Mr. Speaker, there can be no doubt that an important aspect of our response to the regional, hemispheric and global developments that await us over the immediate horizon is to seek to negotiate the very best terms of our participation in the new economic arrangements under the CSME, the Free Trade Area of the American (FTAA) with the European Union (EU) and under the auspices of World Trade Organisation (WTO).

That matter is actively engaging us, and makes trade policy per se a more crucial instrument in our national economic development than at any other time in our history. It should be clear to all that successful trade negotiations alone, cannot suffice.

There has also to be a sustained commitment to a far-reaching programme of domestic reform that will enable us to mitigate any of the adverse consequences of

trade and economic liberalisation and technological change on the Barbadian economy, while grasping any new market opportunities and new production possibilities that they bring.

We have especially to engineer a drastic change in the way in which business is conducted, to fashion new and more competitive enterprise that cannot only hold on to the export business that is now at risk, but that can bring new business, and new and better paying jobs to our shores.

Mr. Speaker, in each of the previous great transforming economic waves that have washed over our Barbados over the past century, a new class of economic enterprise has emerged out of the challenging circumstances with which we have been confronted.

Indeed, the leading enterprises of today, some of which now have a global focus to their activity, were spawned as a necessary response to the distressingly, challenging economic conditions that face Barbados at the start of the 20th Century.

House 13, sequence 2, 16:20:14

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: We have now a duty, at the start of another century, faced with an even more imposing agenda of economic change to respond by creating new economic enterprises and a new enterprise culture that will stand the test of time. We must not, Mr. Speaker, lose the moment.

In such a context, this economic presentation to the first Parliament of the 21st century will not focus on budgetary proposals intended to meet deficiencies in Government's finances, nor in the circumstances, would it feasibly be concerned only with dealing with matters of the immediate past or the immediate future. Rather, given the broad set of economic challenges with which we have fully and consistently to be engaged, this presentation sets out the medium term strategic and macroeconomic framework that can help us to bring about the great economic transformation that is required in our economic affairs in the first decade of the 21st century.

The first and the most immediate priority must be to put the Barbados economy on a successful and sustainable growth path that gives us the assurance of being able to substantially improve our standard of living, to eradicate poverty and to establish the conditions for the full employment of our people.

Mr. Speaker, we are necessarily encouraged by the overwhelming evidence of the resilience exhibited in the recent performance of our economy. It is good that after a

short bout of recession, our economy has now recorded a full year's growth of over two per cent and that our foreign exchange reserves held by the Central Bank and in the banking system now for the first time exceed \$2 billion.

We are also greatly encouraged by the fact that, even in the face of the recent recession, we have managed to contain job losses and have held the level of unemployment to tolerable levels. There are some administrations, Sir, that have not known what it is to hold unemployment in Barbados to between 10 per cent and 11 per cent, even when, in their estimation, the economy was performing like Sir Gary.

It is also good to be able to report that inflation has been contained to an extraordinarily low level; that Government finances are improving and that major investments in new production capacity, new infrastructural assets, housing and services are continuing to be made in our society. However, Sir, all of this together does not constitute enough evidence to establish that there has been a full recovery in Barbados or that Barbados is on a path of sustainable development that will enable us to attain our stated economic and social goals.

To begin with, given our population growth, just under two per cent - the real economic growth now being experienced, two per cent - will not permit us to improve the standard of living of the people already employed and at the same time to accommodate the needs of the unemployed and the poor. We therefore have to lift our average real growth rate of economic output to between three per cent and three and a half per cent and sustain that average rate over an extended period of time.

To accomplish this, major changes have to be made to the sectoral composition of the GDP and to the emphases of our recent growth strategies with a view to creating a more balanced economic system. In this regard, it is clear that too disproportionate a burden has been placed on our tourism industry to generate the bulk of the recent growth in the Barbadian economy. In the midst of this, the tourism industry itself reflects some of the features of a mature industry and has major issues concerning the viability of its corporate entities to successfully address.

We must fully implement the recent initiatives to provide the sector with the support and the resources to dramatically improve its product and to generate reasonable returns to its many producing enterprises. Even a fully restored tourism industry cannot carry the burden of generating the growth that we need.

Over the past decade, the relative contribution of both manufacturing and agriculture to output and employment has declined substantially. In respect of manufacturing, for example, the sector's contribution to

our gross domestic product has fallen from 12 per cent in 1980 to nine per cent in 2002. The relative decline in the performance of these sectors in recent years has been triggered by the removal of their traditional means of protection, and has occurred despite the bringing to bear of major new incentives, financial support and technical assistance on their behalf. The decline in the performance in these sectors must therefore be reversed and they must again be made to become engines of growth for the Barbadian economy. New major initiatives are hence required to secure such a turnaround.

In addition, our international business and financial services industries which for much of the 1980s and 1990s exhibited very robust growth has grown only moderately in recent years in the face of the threat it has faced from the Organisation of Economic Cooperation and Development (OECD) and other similar initiatives. It too must become again a robust growth area. To accomplish this, we must attract to Barbados more substantial international financial and other services whose function can meet any international standards. We must however also give greater emphasis to the creation of a Barbados international business class which is capable of successfully selling our indigenous professional, financial and cultural services across the globe.

This latter consideration must constitute the basis for the great leap forward in the development of Barbados as a major centre for the conduct of international business and as the region's principal financial centre over the medium term.

Mr. Speaker, at the start of the last century, faced with a major depression, Barbados launched a new industry called tourism. At the start of this new century, faced with formidable challenges of our own, we must now too start new industries which, like tourism, can stand the test of time. In this presentation I will therefore announce two new regimes to encourage the growth and development of not one, but two new lines of economic activity in this country.

Our second broad priority, Mr. Speaker, must be to ensure that we carry forward and sustain very sound fiscal debt and foreign exchange positions without which the general economic and exchange rate stability that are so necessary to conduce strong growth and development cannot be attained.

As you are aware, Sir, as a counter to our recent recession, we decided to incur a larger fiscal deficit than the two per cent of the GDP we deem to be sustainable. In addition, to prepare ourselves for the shock of trade liberalisation and to be ready to meet any financial eventuality in the aftermath of September 11, Barbados raised two major loans on the international capital market.

Mr. Speaker, this Government of Barbados does not propose to leave a future generation of Barbadians with a debt problem of the kind that has so overwhelmed so many developing countries. Over the medium term and in a phased and orderly way, we will therefore restore our debt and our fiscal positions to the levels required for sustained and sustainable economic growth.

Mr. Speaker, I would have said enough earlier to establish that as never before our economic policies must be crafted to fully accommodate the effects and the consequences of trade liberalisation. Again, this exercise has to be phased, and we already know what those phases are. Hence, Sir, we must make Barbados fully Caribbean Single Market and Economy ready by 2004; Free Trade Area of the Americas ready by 2005, and ready to participate in a liberalised global economy by 2007.

House 13 Sequence 3

4.30 p.m.

Tuesday, November 25, 2003

Rt. Hon. O.S. ARTHUR: Mr. Speaker, you may, therefore, confidently expect that this presentation will in part set out what is required to make this country Caribbean Single Market and Economy ready. It will also set out the outlines of a clear trade policy that states how far, how fast and in what direction we proposed to go in accommodating trade liberalisation at both the global and hemispheric levels.

The fourth great initiative expected of us on a sustained basis over the medium-term is the engineering of a new enterprise culture, to make this economy more competitive, more productive and more inclusive.

To succeed, Mr. Speaker, Barbados has to build enterprises that can produce good and services toward standards.

We need, therefore, to expand the technical and financial supports to all classes of producers who have to compete in the market on our behalf. We have to systematically strengthen the capacity of institutions responsible for setting standards and for monitoring and enforcing them.

In addition, Mr. Speaker, in a new Information Age, our economy must be geared to more effectively accommodate and defuse modern information and communications technology.

We need, therefore, to embrace a new approach to Science and Technology, and to deploy new means to

equip Barbadians to master the use of new modern technology.

We also have to strip away all of the archaic and burdensome practices that are so widespread in the public and private sectors, often supported by the labour movement, which so significantly and so unnecessarily contributed to the cost and the inconvenience of doing business in this country.

Mr. Speaker, we need, and this House must approve, a new Charter of business facilitation that removes all of the barriers that hold our business back.

Any new enterprise culture for Barbados must also be so designed to fully engaged persons who have too often be left out or left behind. The traditional financial system, despite being awash with excess liquidity, is hardly meeting the venture capital needs of non- traditional entrepreneurs and companies in this country. These institutions which have been created by Government to serve the needs of small and micro enterprise need now to be properly capitalised and to adopt new financial practices, to enable them to be faithful to their purposes. These matters will be addressed in this presentation as well.

Fifthly, participation in the Caribbean Single Market and Economy, in the Free Trade Area of the Americas, and in other such economic liberalisation arrangements, are of strategic interest to Barbados insofar as they essentially enable us, for the first time, to plan our development, free of the constraints traditionally imposed on us by the small size of our population, our land area, and our market.

Clearly, Mr. Speaker, one has a wider set of options in participating in a 15 million persons economy, such as the Caribbean Single Market and Economy, and a US\$15 trillion, such as the Free Trade Area of the Americas, than in a 270 000 and \$6 billion economy that is now Barbados.

Sir, to make the most of these options, we now need to adopt a new disposition towards and to introduce new measures to facilitate the export of Barbadian capital, Barbadian entrepreneurship and the Barbadian brand.

Mr. Speaker, in a world that is as dynamic as that in which we live, old patterns of resource use must give way to practices which might be new but which hold the promise of generating higher private and national economic and social returns. We must, therefore, now revisit how we use our land.

Sir, for the first time in an imaginative way, how we have used some of our inner City areas, and how we envisaged them, in fact, not as social blights and intractable problems but as potential new enterprise areas that can now be developed to the optimum because of their strategic locations.

Mr. Speaker, many of these matters would have, in varying degrees, engaged the attention of this annual Presentation to Parliament since 1998.

Mr. Speaker, given the complex and dynamic nature of the international environment within which our development will take place, we need now to manage far-reaching economic change compressed in a short period of time.

This confers a great urgency and an overwhelming relevance to the medium-term strategic and macro economic framework which I have just outlined.

Mr. Speaker, I now turn to deal with each aspect of our Financial and Economic Programme.

FINANCIAL STATEMENT AND FISCAL POLICY

In compliance with section 12 of the Financial Administration and Audit Act, the Report of the Accountant-General containing the Financial Statement for the fiscal year ending March 31, 2003, has been laid in Parliament.

The principal features of the fiscal outturn for the last financial year was a decline in revenue in the order of 0.4 per cent; an increase in total expenditure of 4.1 per cent and a realisation of an overall fiscal deficit equivalent to 5.4 per cent of Gross Domestic Product (GDP) at market prices.

I would have already indicated that an overall deficit of that magnitude is twice as large as the deficit the Government regards as being sustainable. It was incurred in large measure as part of a counter-cyclical policy by which fiscal stimulus was deliberately used as one of the chief means to stabilise the economy during the recent recession.

It was also caused by the carrying out of a capital programme of \$324.9 million, including large projects such as the South Coast Sewerage Project, the Bridgetown Road Improvement Project, the new Forensic Science Centre and the Cheapside Market, most of which have now either been completed or are near completion.

Now that the recession has passed and now that many of these large capital projects have been completed, Government proposes, by systemic steps, to reduce the size

of the overall deficit to 2.5 per cent of the Gross Domestic Product (GDP) at the very earliest opportunity.

The extent to which this objective is being realised can be gauged from the performance of the public finances for the year to date.

Public Finance 2003-2004

The information available points to an improvement in

the state of the public finances for this financial year to date. The 2003-2004 Estimates of Revenue and Expenditure were approved by Parliament in March this year and were formulated to achieve a deficit of 4.8 per cent of Gross Domestic Product (GDP) at market prices.

The Budget projected current revenue of \$1780.4 million, current expenditure excluding amortisation of \$1768.9 million and capital expenditure of \$270.1 million, giving a fiscal deficit of \$258.6 million.

Information for the first half of this fiscal year beginning March, indicates that the current revenue increased by 8.2 per cent when compared to the same period last year. The increases in the current revenue were triggered mainly by increase in the receipts of taxes on Goods and Services, particularly VAT, which grew by 19 per cent and the Excise Tax which rose by 26.0 per cent.

On the other hand, Taxes on Incomes and Profits and Non-Tax Revenue declined by 3.3 per cent and 13.1 per cent respectively. With respect to the Taxes on Incomes and Profits, it is to be noted that while corporation tax has increased by 18.5 per cent in spite of the downward adjustment to the corporation tax rates, personal income taxes, however, declined by 14.4 per cent due primarily to an increase in tax refund, as more persons filed early to avoid the \$100 penalty for late filing. The improved performance in respect of the corporation tax is reflective of the improved economic outturns.

6.40 p.m.

Thursday, November 25, 2003

Rt. Hon. O.S. ARTHUR: On the expenditure side, current expenditure, net of amortisation, grew by 5.5 per cent. Debt repayments increased by 36.0 per cent while capital expenditure declined by 23.9 per cent due to the winding down or completion of some projects.

The improved fiscal performance is expected to continue for the remainder of the year. It is therefore conservatively projected that current revenue for the fiscal year 2003-2004 will be 4.7 per cent more than the amount

collected for 2002-2003 and 0.9 per cent more than originally projected. With the economy expected to continue on a steady growth path during the latter half of the fiscal year, corporation taxes, VAT and import duties are expected to continue to perform well.

Current expenditure is projected to be 7.4 per cent more than recorded for 2002-2003 and 1.5 per cent more than the original projection due to increases in interest payments and public sector wages and salaries.

Amortisation is expected to be 28.9 per cent more than the previous year while capital expenditure is expected to be 20.1 per cent less than approved for the year.

Based on these projections, it is expected that the fiscal deficit of 4.8 per cent of GDP originally targetted for 2003-2004 will be achieved despite the increase in wages and salaries. This projected fiscal outturn compares favourable with the 5.4 per cent recorded in 2002-2003.

Mr. Speaker, even making full provision for the payment of the proposed wage increase, we have started the process of reducing the overall fiscal deficit.

It is clear however that additional financial measures are required to bring us closer to the achievement of the goals of our overall fiscal policy.

In this respect, Government proposes to restrain the growth of its non-wage current expenditures to a rate not exceeding the rate of inflation.

We propose also to place caps on the transfer to state institutions, some of which carry out quasi commercial functions. These institutions will be required to meet more of their requirements from the rationalization and improvement in their operation and the delivery of their services, for which there is much scope, and by collecting some of the substantial arrears which they are owed. The Q.E.H, the NHC and the Drug Service fall into this category.

The Government also proposes at the earliest opportunity to launch, on a pilot basis the community facilities divestment programme. This programme is intended to achieve cost economies and to lead to an improvement in the delivery of services at the community level by having community institutions and producer associations assume responsibility for the operation and maintenance of selected markets and community resource centres.

On the capital side, with the completion of the recent spate of capital projects, we propose to further scale down the size of the capital expenditure. Increased use will however be made of public-private sector partnerships and

build operate-lease arrangements to carry out major investments such as the Coast Guard relocation and the Tamarind Hall Town Complex, among others.

Indeed, we are satisfied that the extent of capital investment being carried out off budget by state enterprises, including the building of the Judicial Centre at (\$70 million), the expansion of the Bridgetown Port (\$35 million), the upgrading of Harrison's Cave (\$7.4 million), the Grantley Adams International Airport Expansion, the Coast Guard relocation Project (\$50 million), the new Hilton Hotel (\$212 million) the NHC Joint Venture Programme and the NPC expansion programme will ensure there will be no faltering of state sponsored capital formation.

Public Debt

Mr. Speaker, at March 31, 2003, the National Debt stood at \$3.9 billion, a 5 per cent increase over the period ended March 31, 2002. The domestic debt grew by 8.9 per cent, while the foreign debt decreased by 2.4 per cent. The overall national debt amounted to 72 per cent of GDP. As indicated earlier, its recent growth was prompted largely to provide for any financial eventuality in the highly uncertain period in the aftermath of September 11, 2001.

Targeting a fixed Debt to GDP ratio can as a general rule be an exercise that requires some flexibility. The issue however is what should constitute realistic limits. The Maastricht Treaty that is driving the fiscal strategy of most European Union members requires that the fiscal deficit should not exceed 3 per cent of GDP and the debt should not exceed 60 per cent.

Barbados has a proud record of not defaulting on its debt obligations, neither has it sought to reschedule any of its debt. The debt to GDP ratio has exceeded 70 per cent on four occasions in the last 16 years and has averaged 58.7 per cent over the other 12 years. The Government therefore considers it reasonable to aim for a debt to GDP ratio of 60 per cent over the medium and long term, while being cognizant of the need at times to be flexible as a consequence of economic necessity.

The crucial aspect of our debt management programme is that the Government will not raise any new commercial loans for balance of payments purposes on the international markets for the foreseeable future. Rather, we will look to the combination of a higher rate of economic growth and a lower annual overall fiscal deficit as the principal means of restraining the growth in our national debt.

The country can be sure that Government's fiscal affairs are in safe hands.

MAKING BARBADOS CSME READY

I now turn to policies concerning the general economy. One of the main priorities of our economic policies is to put Barbados in a position to be able by 2004 to honour its obligation to function as part of the Caribbean Single Market and Economy.

The process of economic integration that has been practised in the Caribbean between 1968 and 1989 was devoted largely to removing restrictions on intra-regional trade in goods. This proved to be of limited benefit to many of the economies of the region.

The main thrust of the arrangements for the creation of the CSME, as agreed at Grand Anse in 1989, is now to remove restrictions on the movement of capital, the provision of services, the rights of Caribbean nations to establish enterprises in the region, and the movement of skills.

Caribbean Governments have, under the Revised Treaty of Chaguaramas, agreed to introduce no new restrictions in these spheres, and to phase out all existing restrictions, numbering some 450 across the region.

All countries have notified the Caricom Secretariat of all of their existing restrictions, and have agreed to a programme of removing such restrictions, on a phased basis by 2005.

In conceiving of such a programme of economic liberalization, Caribbean Governments have also agreed to be guided by the principle that, in our relations with each other, we will remove barriers at a faster rate and over a wider set of economic, financial and trade transactions, than in our dealings with countries outside the region.

We have also agreed, under Article 7 of the Revised Treaty of Chaguaramas to prohibit the grant of any special provisions that discriminate on grounds of nationality only.

16.50 p.m.

Sequence 5

Tuesday, November 25, 2003

Continuation of: Rt. Hon. O.S. ARTHUR:

In general only activities involving the exercise of governmental authority, activities forming part of a system of national security or for the establishment or maintenance of public order are excluded from the programme of liberalization contemplated by the CSME.

Where Barbados is concerned, we have traditionally imposed few restrictions on our economic and financial

relations with our Caribbean neighbours. Hence, we have only a few now to remove; and those we have pledged to remove by the end of 2004, fully a year ahead of our obligations.

Barbados has already removed two such restrictions. The Institute of Chartered Accountants has amended its by-laws to remove any discrimination with respect to the ability of Caribbean nationals to provide auditing services. The Cabinet has also amended the regulation which restricted the ability of CARICOM nationals to register as Insurance Brokers.

With respect to the restrictions that we now propose to remove, three pertain to legislative provisions and two to non-legislative procedures that directly affect economic activities carried on by persons resident in Barbados.

Under Section 5 of the Travel Services Act Chapter 373a only citizens, permanent residents and immigrants are allowed to operate as travel agents. This provision will be amended to enable CARICOM nationals to carry on the relevant activities.

Section 32 of the Port Authority Act Chapter 285B states that only citizens, permanent residents and immigrants are allowed to use a speedboat for water sports activity for hire or reward. The amendment to this legislation, which will enable CARICOM nationals to engage in these activities, will be included in the Small Vessels and Coastal Craft Act.

The Small Business Development Act Cap 318C makes provision for an approved small business to be granted tax and other incentives. Under Section S.3 (1) (b) of the Act, a small business is defined as an enterprise that has 75 percent of its shares locally owned. It is the Government's intention to amend the legislation so as to remove any qualifying conditions relating to the nationality, place of residence or origin of the shareholder. Applications for these tax incentives will be evaluated mainly in terms of the benefits which Barbados can expect to derive from the activities.

The non-legislative procedures, for which there are no official regulations nor policy statements, which will be modified, relate to land transport services and restaurant services. The current practice is that services relating to car rental, taxi and mini-bus/omnibus operations are normally reserved for nationals. The application form that must be completed in order to obtain a permit to carry on these activities requires the applicant to state his nationality and national registration number.

The operation of small-scale non-specialised restaurants is also usually reserved for nationals. The practice currently employed is that the Immigration

Department seeks the advice of the Ministry of Tourism and International Transport before any work permit is issued.

An examination of the non-legislative procedures indicates that there have been few applications from persons who are not Barbadians or are not resident in Barbados in respect of land transport services and the operation of non-specialised restaurant services. We therefore do not expect major dislocation from the removal of these restrictions.

All member states, with the exception of Haiti and Montserrat, are expected to remove any legislation or non-legislative procedures that discriminate against other CARICOM nationals by December 2005.

Mr. Speaker, the CSME is all about giving market access in order to get market access.

Other Caribbean countries maintain restrictions which have militated against Barbadian enterprises being able to serve their markets. This is especially true in relation to the provision of services.

Barbados is keen to participate in the CSME because the opening of the regional market for services offers us an expanded scope to do regional business in a way that the pre-1989 provision for regional economic integration did not.

Indeed, in anticipation of this moment our principal service industries have now constituted themselves as the Barbados Coalition of Services Providers.

I will today announce significant new proposals to facilitate this Coalition in its efforts to maximize the market access gains we expect from participating in the CSME.

Barbados will honour its obligations by removing its restrictions and by displaying transparency in the operations of the amended legislation and non-legislative procedures. It is expected that all member states will do the same and so provide opportunities for Barbadians to engage in economic activities within their territories.

Each member state is also required to permit five categories of skilled workers to seek employment in its territory. These skilled workers are university graduates; media workers; sportspersons; artistes; and musicians. Barbados enacted legislation in respect of university graduates by amending the Immigration Act in 1996, but the movement of the other categories is being facilitated through an administrative arrangement. Legislation covering all five categories of skilled workers has been laid

in Parliament as the Caribbean Community Free Movement of Skilled Nationals Bill, 2003.

LIBERALISATION OF EXCHANGE CONTROL

Mr. Speaker, the main area in which our participation in the CSME is likely to lead to major new policies is in relation to Exchange Control.

Article 40 of the Revised Treaty of Chaguaramas requires Member States to remove existing restrictions on the movement of capital payments, and all restrictions on current payments for goods and services.

Sir, with respect to the free movement of capital within the CARICOM Single Market and Economy, there is not yet any regional agreement on a programme or timetable for the removal of exchange controls. Barbados continues to have a limited set of exchange controls and it is important to remind ourselves of the reasons for these.

For three decades, one of the objectives of macro-economic policy in the Barbadian economy has been maintaining a fixed rate of exchange of the Barbados dollar against the United States dollar. This has been done in order to maintain the ability of our residents to purchase goods from the country that provides the majority of our imports. The Central Bank of Barbados has therefore administered an exchange control regime with restrictions on both current account and capital account transactions.

In recent times, however, the Bank has gradually liberalised these restrictions by permitting more delegated authority to the commercial banks. Under the regime of delegated authority, the commercial banks are able on their own accord to provide their customers with foreign exchange for certain types of transactions, provided for the most part that the customer has adequate documentation in support of the transaction.

Particularly over the last three years, the Central Bank has increased the pace of this liberalization.

Current Account Transactions

The current position is that almost all restrictions have been removed on payments for goods and services from CARICOM and elsewhere. Residents of Barbados do not therefore now require Central Bank approval for any current account transaction other than for:

1. prepayments in excess of Bds\$250,000 on imports;
2. management expenses in excess of Bds\$250,000 per year;

3. individual private travel in excess of Bds\$7,500 per year and business travel in excess of Bds\$50,000 per year;
4. cash gifts in excess of \$5,000; and
5. imports without documentation, in excess of Bds\$5,000 of fruits and vegetables.

This gradual liberalising of current account transactions has been proceeding well without causing undue stress on our reserves. We will therefore continue this programme of current account liberalisation and now propose that all remaining restrictions on current account transactions will be removed within a year.

17.00 p.m.

Sequence 6

Tuesday, November 25, 2003

5.00 p.m.

Rt. Hon. O.S. ARTHUR: Asides.

Rt. Hon. O.S. ARTHUR: I want, Sir, that some of the current restrictions relating to transactions to which documentation is not usually available, and which do lend themselves to abuse by persons who would wish to launder money, we will allow such activity, so we will retain exchange controls on those transactions as part of our efforts to ensure that the financial system in Barbados is not used for illegal transactions.

In relation to the capital account, Sir, the only CARICOM capital account transactions, which currently require approval from our Central Bank are borrowing and lending transactions, transactions specific to commercial banks with other credit institutions, real estate transactions, direct investments in excess of BDS\$250 000 in private companies, transactions conducted through the Stock Exchange in listed securities in an amount exceeding \$5 billion per transaction, and transactions in the issue of Government securities, because of the generally large size of such issues of Government securities by CARICOM states.

In addition, Sir, all EC dollar transactions, except for the debt of the OECS Governments, can now be undertaken through our banking system, without reference to our Central Bank. The Bank has justifiably followed a path of more gradual liberalisation in respect of capital account transactions because of proper concerns about speculative outflows if the capital account is liberalised too dramatically.

Given the abolition of exchange controls in some Caribbean countries, complete liberalisation would make

Barbados more vulnerable to speculative flows, because of its size, openness and fixed exchange rate. Consequently, Mr. Speaker, Barbados needs to proceed gradually with liberalisation, all the time reviewing the impact on our foreign exchange that each round of liberalisation creates.

Following this strategy, Mr. Speaker, we will now, on a pilot basis, subject to continued review, delegate more selected capital account transactions to our commercial banks, increase the value limit of such transactions under delegated authority, and slowly liberalise those types of transactions that lend themselves to liberalisation.

As a matter of policy, however, Sir, we propose that in three years, we will have met all our obligations to remove all exchange control on capital accounts within the CSME.

Mr. Speaker, I will next deal with our global trade policy. While it would be indiscreet of me to fully reveal the specifics of Barbados', or indeed, the region's, negotiating positions, I wish to point to some of the broad negotiating objectives and positions of the Government of Barbados.

I should first of all point out, Sir, that across all negotiating theatres, Barbados and CARICOM are seeking special and differential treatment in recognition of our special circumstances as small economies. Like all other small economies involved in these negotiations with the WTO, FTAA and EU, our intention is that liberalisation should not be carried to a depth, or should proceed at a speed which would precipitate an economic crisis in our vulnerable economies. We are seeking concessions in the form of special and differential treatment.

The concessions which we are seeking include, longer time frames for the implementation of agreement, Sir, sometimes as much as ten to fifteen years, exemption of our sensitive products from liberalisation, lower levels of obligations in relation to trade disciplines than those expected of the developed world, the exclusion of our most vulnerable sectors of liberalisation, special consideration in respect of compliance with standards in sanitary and phyto-sanitary measures, flexibility built into trade agreements, Sir, that allow us to assist our industries, especially in time of distress, and deliberate provision in trade agreements that enable us to have access to technical and financial assistance.

Our broad objectives in these international trade negotiations are:

First to ensure that these agreements provide real opportunities for us to export those goods and services which we can produce and sell competitively, given our limited endowment of human, financial, and natural and other resources.

Secondly, Sir, to shield our vulnerable goods and services sectors from the negative effects of trade liberalisation. Our vulnerable services, as defined, for the purposes of international trade liberalisation, include cleaning services, auto repairs, taxi services, fast food services and building cleaning services. Our vulnerable goods for the purposes of these negotiations include our poultry industry, dairy, some vegetables such as onions, carrots and peppers in the case of agriculture, Sir, and rum, beer, garments and solar water heaters in the case of manufacturing.

Thirdly, Sir, our objective is to insist that our the provisions are enshrined in the various agreements that would allow us to defend our domestic industries against unfair international trading practices.

In the area of services our strategy is first to liberalise those sectors which would cause the least disruption to our economy and would help us to attract much needed technology and allow for greater inflow of investment. For example, in Barbados we need to attract computer services, technology-driven research and development services, and different forms of telecommunication services in order to further our own economic development. We are hence prepared to liberalise in these spheres.

On the other hand, Sir, there are service sectors which we consider to be vulnerable, which are critical to achieving national development goals, or which need further development on the domestic market before we can entertain liberalisation. For example, poverty eradication is a primary objective of this Government, and a wide range of services which allow for low-capital set-up and for self employment should be assisted, as far as possible, and must therefore, Sir, as a matter of deliberate policy be shielded from local free trade.

Asides.

Rt. Hon. O.S. ARTHUR: Regarding the export of services, there are a number of sectors which we will be seeking to promote, given our capacity in these areas, and their potential to earn foreign exchange. We will therefore be seeking to have full access for these services in the markets of our trading partners, and where possible, attract investment from abroad in these areas. These include some professional services, cultural services, entertainment services, some computer related services, and health tourism services.

Mr. Speaker, unlike the services sector which is relatively open, and where liberalisation will entail making commitments, not to impose any new restrictions, the industrial and agricultural sectors have been experiencing a removal of import restrictions, and the lowering of tariffs because of previous international trading agreements.

There sectors which, over the years were protected through high tariffs and import restrictions as part of the Government's previous import substitution strategy, are therefore being challenged relatively more by trade liberalisation.

Our broad strategy in respect of goods, is to first liberalise trade in those goods which would have the least impact on Government revenue and which call for the least adjustments in our industrial and agricultural sector.

We will be seeking to protect our sensitive industries with the highest tariffs allowed under the various agreements, and to acquire the longest phase in period possible for any tariff reductions, in relation to agriculture and manufacturing, under the new international rules that may arise from any future WTO agreements.

In addition, Sir, for those sectors which, in addition to the production, would be considered to be critical to achieving national goals such as maintaining employment, acquiring food security and protecting the environment, we will be seeking to have these excluded from any tariff reductions.

Of course, Sir, our strategy also involves having the necessary safeguard mechanisms which will allow us to take action when domestic sectors are being threatening, injured or are threatened to be injured or threatened by trade liberalisation.

House 13, sequence 7, 17:10:14

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: Regarding the export of goods, the Government through all of its agencies, will be rigorously assisting our exporters in maintaining and improving their market share, even as trade preferences are being eroded by multilateral negotiations. Problems which affect our exporters under various preferential trade arrangements will be addressed including the language barrier, lack of marketing intelligence and sanitary and phyto-sanitary measures. Along with our regional counterparts, we will have to find a solution to the problem of high transport cost which are reported to be retarding our exports to the Latin American market.

Having, Sir, set out our global trade policy I treat now to World Trade Organisation issues. The failure of the

fifth World Trade Organisation Ministerial Conference in Cancun in September is unlikely to stop or retard the process of global trade liberalisation. Following the Built-in-Agenda agreed to at the end of the Uruguay Round in 1994, negotiations are in process in the World Trade Organisation in areas of agriculture and services.

In addition, Sir, at the end of the Fourth Ministerial Meeting in Doha, negotiations are also in progress in a number of other areas of importance to Barbados. These include; anti-dumping and subsidies, trade and the environment, intellectual property rights and rules for governing regional trade arrangements. In keeping with the timetable already agreed to, we have to anticipate and prepare ourselves for the eventuality that these negotiations will be concluded by 2005.

In the area of services, negotiations albeit at a slower than the scheduled pace, are proceeding in the World Trade Organisation to further liberalise the sector and also to develop new rules on such issues as subsidies and domestic regulations. Presently, Sir, under our existing World Trade Organisation commitments we are committed to liberalising only a few sectors. Ongoing negotiations, will however, result in the liberalisation of a much larger number of service industries.

Already, Sir, we have received requests from the United States of America, the European Union, Canada, Japan and Panama to liberalise a number of services sectors including tourism and travel services, education and training services, energy services, some aspects of legal services, accountancy and architectural services among others. These requests are being evaluated in the context of the broad objectives of our trade policy as I have spoken to and we will respond to these requests in due course.

At the same time, Mr. Speaker, we have also identified those areas of export that are of interest to us, as indicated earlier, such as professional services, cultural services, entertainment services, some computer related services and health services. We will put those as requests on the table to those countries in due course.

The further liberalisation of the services sector will be accompanied by rules which, to varying degrees, restrict Government's ability to protect and to assist this sector. As in other areas of negotiations, we must therefore be very vigilant and proactive to ensure that the type of assistance we must now render to the tourism sector, for example, is not to become outlawed under new international trade rules.

I wish to point out, Mr. Speaker, that our current obligations within the World Trade Organisation continue to set the parameters within which Government policies are in some respect defined. For example, the provisions of the

World Trade Organisation agreements on Agriculture and Subsidies and Countervailing measures, limit the type of assistance which can be afforded to the agricultural sector and the manufacturing sector at this time.

In order to avoid conflict with international trade rules including existing World Trade Organisation rules and those being crafted currently in the Free Trade Area of the Americas and in our negotiation with Europe which too must be World Trade Organisation compatible, it is prudent in the future that Government concessions not be tied to export production performance; nor the use of local inputs over imported inputs should not be specified to any enterprise industry or group, should not exceed agreed tariff levels and should fall within the limits of what are considered to be non-trade distorting measures or should be *de minimis*, that is, that should cause minimum distortions to international trade.

Sir, Barbados' planning regarding the Free Trade Area of the Americas is based too on the assumption that the Free Trade Area of the Americas and the negotiations will be concluded in 2005. Negotiations are fluid, but Barbados will seek to ensure that the necessary level of protection is given to those fledgling industries, and that flexibility in the application for the negotiated principles and obligations be extended to ensure that hemispheric integration is indeed advantageous to our continued growth and our continued development.

At this stage in the negotiations, two important issues have been determined in relation to market access for industrial and agricultural goods. First, that tariff reductions will commence from the tariffs as were applied at December 15, 2002. CARICOM countries have been granted a concession to use bond rates for a few agricultural items on which a low rate was being applied at that date. Secondly, it has been determined that liberalisation will occur in four baskets as follows:

Basket A: immediate tariff elimination for some goods which carry very low tariffs;

Basket B: tariff eliminations in less than five years for other selected commodities where the tariff falls in the range of 5 per cent and 15 per cent;

Basket C: tariffs to be eliminated over a ten-year period for goods within the tariff range of 16 per cent to 40 per cent; and

Basket D: that basket of goods where the tariff will be eliminated over period of more than 10 years for the most sensitive industries.

I stress, Sir, that there would be a four-phase process of tariff elimination under the Free Trade Area of the

Americas which extends over a period of more than 10 years.

Mr. Speaker, countries have submitted initial offers in industrial and agricultural goods, services, investment and Government procurement. These offers for liberalisation are under consideration by the Government of Barbados and other countries in the region. Requests for improvement would be made in all areas to ensure that the specific interest of Barbadian producers, services suppliers and investors are met. The offers made by the Government will be in keeping with the broad objectives of our trade policies and strategies that I outlined earlier.

In relation to the European Union, the signing of the Cotonou Agreement in 2002 signalled the beginning of a new economic partnership agreement between the African, Caribbean and Pacific group of countries and the European Union. The agreement provides the basis for trade, economic and financial cooperation between the parties. The preferential trading component of the agreement will be replaced by a reciprocal trading relationship in goods and services from 2008 to 2020 in the first instance.

Negotiations to revise the trade component of the agreement were launched in September 2002 with the understanding that the negotiations would be completed in two phases. Phase one will be all ACPEU discussions on the interest of all parties and phase two will involve the actual negotiations. These negotiations are intended to be completed by the end of 2007. Mr. Speaker, given the preliminary stages of these negotiations, I will be in a better position next year to provide Parliament with a better outline of our proposed economic partnership agreement with the European Union.

Mr. Speaker, trade liberalisation must be approached with realism. The process will result in some cost to the Barbados economy at the level of the Government, the private sector and labour. Obviously, a major cost to Government arising from trade liberalisation will be a loss in Government's revenue as a result of the elimination of custom duties. At present, these import duties are approximately \$147 million or about 9.8 per cent of Government's tax revenue.

House 13 Sequence 8

5.20 p.m.

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: Mr. Speaker, in respect of trade with non-CARICOM

countries participating in the Free Trade Area of the Americas negotiations, these duties are some \$87.5 million.

Receipts from VAT will also be negatively impacted upon, given that VAT is collected on import duties, is based on the CIF value of these goods plus custom duties. Government could not possibly lose this amount of revenue "overnight", and still provide the current levels of public services. It is, therefore, important that trade liberalisation be negotiated to be implemented in a phased manner which would allow Government to accommodate the necessary adjustments to accompany such revenue losses.

In terms of the private sector, there will be adjustment costs, as some businesses might be negatively affected by liberalisation. There is, therefore, a critical and urgent need for business, particularly in the trading sector, to re-tool and to implement more efficient business systems to achieve higher levels of productivity.

The problem with which business could experience will not only arise from increased competition on the local market but will also arise from a loss of preferences from an export markets, including CARICOM, where 99.9 per cent of our goods are not subjected to the Common External Tariff.

On the eve of trade liberalisation, it is important that each business assesses its vulnerability and implement those measures which would assist in ensuring that it makes a successful transition to free trade.

Our various export promotion and facilitation programmes will have also to be enhanced to assist our businesses wherever possible.

In respect of labour, there is a need to institute programme to assist in retraining and to make it possible for persons to move towards growing and emerging sectors. It will be necessary for the Social Partnerships to work closely to ensure that any dislocation of labour in Barbados is minimised.

Mr. Speaker, we do expect to derive a number of benefits from the trade liberalisation process as well. As a result of the various agreements, we will not only incur obligations but will also acquire trading rights. Some of these will include:

(a) The right of duty-free access into the markets of other parties to the various agreements based on their obligation to liberalise their markets;

(b) The right to sell the best of our professional and other services into the markets of other countries again given that they will be obligated to liberalise their markets;

(c) The right not to have sanitary and phyto-sanitary and other non-tariff measures restrict our exports without adequate justification;

(d) The right not to have our goods and services discriminated against, either in respect of other countries, or goods and services produced in the importing country;

(e) The right to have our intellectual property protected;

(f) The right to take action against goods on the basis of unfair trading practices and;

(g) The right to have our trade grievances heard and resolved.

To ensure that our rights are not breached, and that our goods and services are not disadvantaged in the markets of other countries, a new mechanism will be put in place to monitor the fulfillment of trade obligations of other countries, and to make the necessary safeguard and dispute settlement options under the various agreements.

Sir, as such, a new Trade Investigations and Compliance Unit will be established within the Ministry of Foreign Affairs and Foreign Trade, and will not only be responsible for initiating and executing the necessary action if Barbados' goods and services are being disadvantaged, and will be responsible for initiating and executing the necessary action if our goods and services are being disadvantaged in foreign markets.

The Unit will also have responsibility for taking action against infringements in respect of goods and services being dumped into Barbados or being subsidised to the extent that such dumping and subsidisation of foreign goods would threaten or injure our local production. It will also execute action under the various safeguard agreements.

It, therefore, can be concluded that liberalisation is a reality which Barbados must confront, whether at the multilateral, hemispheric or bilateral level. We, therefore, must prepare ourselves for that eventuality.

Mr. Speaker, it is within such a context that I now turn to our sectoral policies.

SECTORAL POLICIES

Agriculture

The role of the agricultural sector must be viewed in its entirety given its contribution to the economic, as well as the social and environmental fabric of Barbados. The preservation of the very sector has become the key issue since it is on the front line in the war induced by trade liberalisation.

During the past year, the performance of the agricultural sector was mixed. Unlike non-sugar agriculture where production has fluctuated without discernable trends in recent years, sugar production fell for the third consecutive year from 44 819 tonnes in 2002 to 36 325 tonnes in 2003. By contrast, Mr. Speaker, cotton production increased from 8 100 kg in 2001 to

26 903kgs in 2002, due to renewed efforts to resuscitate the industry. Production is now poised to increase further in the 2003 crop. Non-sugar exports continue to decline as only a few agricultural producers remain committed to growing for the export market.

Despite the somewhat disappointing performance by the sector in recent years, the sector continues to serve a crucial and indispensable role in contributing to our food security, to rural development and employment, to landscape and environmental preservation, and in generating activity both directly and through linkages with other sectors of the economy.

In addition, exciting and refreshing initiatives in areas such as cotton, pig production, poultry, the Barbados Black Belly Sheep, as well as efforts to transform the sugar cane industry through novel approaches to production, processing, and marketing, are expected to stimulate much needed investment in the agricultural sector and to increase its contribution to the Gross Domestic Product (GDP) in the medium-term.

Mr. Speaker, while we would do everything possible for agriculture, we recognise that Barbados is now operating in a highly rules-based environment, which restricts the degree of flexibility that can be exercised at the domestic levels.

In order to discharge our obligations and act in conformity with those international guidelines, while still expanding our agricultural sector, the strategies we have developed must include the updating of plant and animal health legislation, improving the infrastructure, building national capacity to undertake risk analyses, protecting indigenous genetic materials and to use Geographical Indicators or other mechanisms relating to intellectual property.

Policy Framework

Mr. Speaker, since 1998, my Government has enacted a

number of policies and incentives which have been impactful on the sector, and although they may not have yet generated the growth required, they have mitigated the decline in the industry.

We, therefore, cannot and will not retreat from the sector but will define and accelerate implementation of the new policies, given the importance of the sector to our food security and to our rural stability.

17.30 p.m.

Thursday, November 25, 2003

Rt. Hon. O.S. ARTHUR: We intend to transform and reposition the agricultural sector such that its contribution to GDP measured in the traditional manner will increase from the present 3.2 per cent to 6.4 per cent over the medium term.

Mr. Speaker, following are policies and strategies to facilitate the repositioning of the sector to compete effectively, capitalise on the opportunities, and respond proactively to the challenges, that will arise from increased liberalisation.

It is imperative that Barbados must have an increasing level of food security based on domestic food production and processing. This necessity arises from the fact that our current food import bill stands at \$330 million which is unacceptably high;

6. We must institute a land use policy that affords agriculture the space to function effectively including definition of a green belt for agriculture based on agro-ecological zones land capability studies;

7. We must provide full protection in all forms to the extent consistent with regional and international trading agreements; and provide

income transfers to the farming community to the extent allowed by our financial circumstances;

8. We must continue to target financial assistance through Incentives to support efficient farming enterprises that have the potential to exploit local and export opportunities;

9. We must carry out institutional reform of MAR, BADMC, RDC and farmers' organizations;

10. We must expand local market access to the farming community through managed market arrangements in public institutions;

11. We must use Benchmarking, as the basis for the provision of financial support to various segments of the sector;

12. We must accelerate the programme of improving Access to Technology and Retooling in certain industries as a vital aspect for enhancing the

competitiveness of commercial agriculture in Barbados;

13. Given Barbados' position as a relatively high cost producer of agricultural products, products have to be marketed on the basis of quality. In this regard, quality assurance and the issue of standards would become increasingly important both for domestic production as well as goods produced for the export market;

14. We have to safeguard the Intellectual Property of Barbados as this area will become increasingly important as we seek to expand trade in non-traditional areas.

Sugar

Our production targets for the sugar industry have been based on the assumption that the preferential arrangement with the European Union would remain in place indefinitely. However Mr. Speaker, the foundation of that assumption has now been shaken by recent events. During the next seven years the European Sugar Regime will experience pressures that will individually and collectively tend to significantly alter the sugar market and result in Barbados and other ACP countries receiving a reduced price for sugar. The major pressures on the EU Sugar Regime are the WTO Doha Round which is likely to lead to a substantial reduction in tariffs and subsidies, WTO Challenges from Brazil, Australia and Thailand, Reform of the Common Agricultural Policy, Mid Term Review of the Sugar Regime, growth in imports from Everything But Arms/Less Developed Countries (EBA/LDC's) many of whom are capable of producing very large amounts of sugar cheaply, and EU enlargement.

Mr. Speaker it is pellucidly clear that the sugar industry in its present form as a producer of a primary commodity for export is doomed. As a consequence Government must act now to transform the struggling sugar industry into a sugar cane industry which can take advantage of the well-recognized value of the sugar cane plant for deriving pharmaceuticals, energy, alcohol, rum, board, wax and sweeteners.

BAMC has already established six hectares of high fibre cane as part of trials to ascertain the viability of use of this type of cane as a source of fuel to generate electricity. The objective is to establish 2,850 hectares of high fibre cane to produce approximately 10 per cent of Barbados's energy needs.

Research has been initiated by the Ministry of Agriculture in collaboration with Michigan State University on possible alternative uses for sugar cane. Preliminary reports indicate that there is tremendous potential for generating intellectual property from these products in addition to providing raw material for assorted

manufacturing operations. Cane separation technology will be put to the test during the ensuing crop since evidence suggests a number of possible uses for the cane juice other than sugar. Whilst pursuing these new initiatives we will continue to meet our obligations to the EU and the domestic market by producing 40,000 tonnes but we have decided that the future of the sugar cane industry must be one based on the initiatives alluded to above as well as export of branded sugar rather than bulk raw sugar. Mr. Speaker this heralds a new dawn for the sugar cane industry.

To support the initiative and in an attempt to ensure the viability of the industry, the Government will maintain its technological and fiscal support to the industry whilst pursuing the initiatives set out in a business plan which has been developed for the industry. We will therefore continue:

15. Annual assistance to the BAMC, to assist in out-of crop financing for the industry, through the continuance of the Bond Issues guaranteed by Government;
16. The Cane Replanting Incentive Scheme in an effort to encourage producers to maintain and return lands to sugar cane production. Monitoring mechanism will be accentuated to ensure the continual assessment of the programme. This is estimated to cost \$1.5 million;
17. Price support to the independent plantations, as an incentive to continue production. Sugar cane producers will however be benchmarked against industry standards in an effort of reward those producers who are implementing best practices measures and this will be used as the basis for the provision of price support in the future;
18. Government will continue to support that part wage bill of independent growers which results from negotiated settlements.

In addition the Government will assist in meeting the cost of associated with the new diversification initiatives to which I have referred.

Non - sugar Agriculture

Mr. Speaker Government will persevere in pursuing policies in those areas of agriculture where there is strong domestic demand, where linkages with other sectors can be established and where there are niche markets to be established.

Cotton

In response to the various policies and incentive for cotton production there has been an increase in cotton production over the last two years. As a result of this renewed interest and the significant potential economic benefits, the Government facilitated the development of a five-year business plan for the industry which envisages an increase of production to 1620 hectares over the five year period. Recently the cabinet approved the establishment of a private sector led company which will be engaged in production, processing, marketing and other activities relating to the development of a vertically integrated West Indian Sea Island Cotton Industry. This industry, comprising production of cotton lint, fabric and final garments in the Caribbean, will lead to significant foreign exchange earnings and increased employment opportunities. A cotton research and development fund was also established in 2001. As a measure of further support to this important industry, Government will now:

19. Make a capital injection of \$1 million into the Cotton Research and Development Fund to provide much needed resources for the conduct of priority research and development activities.

Pig Industry

Last year Mr. Speaker, out of concern for the absence of adequate supplies of the well-known Barbadian delicacy of 'Proper Pork', I provided a raft of special incentives to support resurgence of the pig industry. These incentives included the Gilt Build Up Programme, dedicated extension services, artificial insemination financing and rebates for investments in new technology. I am happy to report that 156 pedigree Gilt have been kept and bred by farmers to allow for expansion of pork production. These initiatives plus aggressive lending by the Agricultural Development Fund and the Livestock Development Fund, renewed interest by farmers as well as the response of the public to the "Proper Pork" campaign gives us the assurance that production is on the rise.

17.40 p.m.

Sequence 10

Tuesday, November 25, 2003

Continuation of: Rt. Hon. O.S. ARTHUR: We now need to place the industry on a more sustainable footing. Mr. Speaker, Government is therefore pleased to join with the Barbados Pig Cooperative, Pig Farmer's Association, Southern Meats, Pinnacle Feeds, HIPAC Ltd, Carlton-A1 Supermarket, Barbados Agricultural Society (BAS), British Caribbean Chamber of Commerce to conduct of a baseline data survey and a feasibility study of the pig industry with the main objective being to develop a detailed business plan for the sustained and full development of the pork

industry. The business plan should be completed by January 2004.

Feasibility Study and Business Plan for the Barbados Blackbelly Sheep Industry

Barbados Blackbelly Sheep a high quality unique indigenous resource has great potential and thus is worthy of further development. Last year I provided \$250,000 to support the Sheep Feed Lot and Sheep Registration. Initial market work shows that approximately 20 hotels have expressed an interest in purchasing lamb but supply is grossly inadequate. The industry merits further assistance and we now propose to:

Provide \$250,000 to support the conduct of baseline data surveys, commodity systems analysis, preparation of a business plan and other pre-investment activities for the development of the Barbados Blackbelly Sheep Industry.

Establishment of a beef feedlot

We propose now to support the development of a beef feedlot structured along the lines of the sheep feedlot in order to contribute to resurgence in the beef industry and to improve the viability of dairy farms by providing an assured outlet for young bulls and heifers. This could result in significant foreign exchange savings.

To achieve this, we now will provide:

A grant of 50% up to a maximum of \$250,000 to registered farmer's organizations for the establishment of a beef feedlot. Marketing Support -- Increased Use of milk in the Schools On 8th August 2001, I announced that "60% of the milk requirements of the School Meals Service and all other Government institutions" must be met from local milk production. This policy was initiated, but unfortunately at present, only 17 of the 80 schools in the schools meals programme are receiving the high quality, wholesome and nutritious local milk. One of the main constraints has been the lack of refrigeration in the schools. The Pine Hill Dairy and the farmers have committed themselves to assist in providing chill dispensers in the schools. Government recommits itself to this policy as it provides a managed market to allow Dairy farmers quotas to be restored to former levels. Government will therefore: Allocate adequate funds for the Government institutions to meet the 60 percent minimum purchase requirement for local produce.

8. Establish a Buy Local Support Fund to be centrally managed to facilitate the payment of price differentials to suppliers of local produce to Government institutions

Major New Initiatives Scotland District Development Plan Mr. Speaker, in order to increase the

contribution of agriculture to GDP and to enhance food security, we need to make the fullest use of the Scotland District, which comprises one seventh of Barbados.

Last year I announced that MAR and stakeholders had developed an Agricultural Development Plan. We are now ready to fully implement this Plan.

The Plan has been divided into eight key strategic components, which are considered to be vital for the overall rehabilitation and sustainability of agricultural production in the Scotland District and will attract the following support over and above the amounts now being spent:

1. Land Conservation
8. Infrastructure Maintenance and Development: \$2,395,000.
9. Arboriculture and reforestation: \$1,345,000.
2. Development Of Water Resources
8. Hydro geological Drilling: \$50,000.
9. Reservoir Development: \$14,848,000.
10. Irrigation Infrastructure: \$63,000
11. Hydrology/Agro meteorology: \$21,200.
3. Land For The Landless -- Special New Funding in Relation to
8. Land Procurement and Distribution
9. Land Clearing and Fencing
10. Refurbishment of Buildings
11. Technical Support to Farmers and Farmers' Organisations
4. Increasing Production And Productivity
8. Upgrade of Greenland Livestock Station: \$446,000
9. Establishment of a Breeding and Multiplication Unit: \$160,000.
10. Support to Farmers' Livestock Project: \$50,000.
11. Tannery Pilot: \$40,000.
12. Horticulture Project: \$690,000.
13. Orchard/Agribusiness: \$250,000.
14. Aquaculture: \$250,000.
5. Marketing Of Goods Within The Scotland District
8. Marketing & Agro-Processing Facilities for the Scotland District: \$1.3 million
6. Inter Sectoral Linkages 7. Development Of The Physical Infrastructure

8. Road Works: \$838 000.

9. Street Lights: \$28 000.

8. Institutional Strengthening

8. Training: \$220 750

9. Disaster Management: \$740 000

Scotland District Investment and Development Fund

Mr. Speaker, much of the land in the Scotland District is privately owned and many owners remain reluctant to invest in agricultural and other agro-related projects. We will therefore:

8. Establish a Scotland District Investment Support and Development Fund to provide grant funds to support the development and implementation of agricultural and agro-related projects in the Scotland District.

Agricultural Health and Food Safety

Mr. Speaker it is becoming increasingly difficult to export agricultural produce and fish to Europe and elsewhere in the absence of an internationally acceptable sanitary and phytosanitary system. For example it is now impossible to export any of the few flying fish that we catch off Tobago to the United Kingdom or any part of Europe.

National agricultural Health and Food Safety Authority

Failure to address agriculture health and food safety in an environment of increasing trade liberalization and common international standards places the health of the nation at risk, compromises the tourism industry, militates against agricultural exports and presents increased risk of introducing exotic pest, diseases and unsafe foods into Barbados. We will therefore establish a National Agricultural Health and Food Safety Authority to provide for improved coordination of activities, relating to agricultural health and food safety. In order to ensure reliable laboratory testing to support this critical area, we have submitted projects to IADB and to OAS for upgrading the infrastructure and systems of the Government Analytical, Veterinary Services, Crop Protection, Cotton Fibre, Tissue Culture and Animal Nutrition Laboratories.

Benchmarking and Competitiveness Enhancement Fund

Mr. Speaker, still in pursuit of building enterprises to meet world--class standards, we need to address the issue of competitiveness enhancement in agriculture. Farmers and the agribusiness community need to comply with the best agricultural practices and national standards. We

believe that benchmarking allied to technical assistance and a responsive incentive framework will greatly assist in accomplishing this.

17.50 p.m.

Sequence 11

Tuesday, November 25, 2003

5.50 p.m.

Rt. Hon. O.S. ARTHUR: We would therefore propose to implement the following:

1. Establish the policy, the legal and regulatory framework for bench-marking the sector, setting out the standard for products, production and post harvest practices as well as sanitary and phyto sanitary procedures which these are applicable to both domestic production and to export trade.
2. Implement, Sir, a technical assistance programme to assist those that can become efficient and those that are efficient to remain so.

In pursuit of this, Mr. Speaker, we will establish a Special Competitiveness Enhancement Fund of \$2 million, similar to the fund for the manufacturing sector to support the bench-marking of agricultural enterprises and the implementation of the competitiveness enhancement strategies.

A sum of \$1 million will be set aside under the Agricultural Development Fund as Special Project Financing to be managed by the BADMC for the establishment of strategic specialised agribusiness related infrastructure and systems to be coordinated with the private sector.

Sir, the future of the agriculture sector will depend heavily on the extent to which young people take up farming as a modern business. The training conducted by the Vocational Training Board, the Samuel Jackman Prescod Polytechnic and the Barbados Community College is of necessity technical and scientific in nature but there is still a need for internships that expose young people to the practical insights of operating a farm through direct day to day contact with farmers. We now propose a new Farm Attachment Mentorship Programme which would provide unique opportunities for young persons, and their mentors who would also benefit through payment for their professional services.

We will therefore, Sir, provide an annual allocation of \$250 000 to meet the cost of administering a Farm Attachment Mentorship programme under which young

people selected to participate will receive a weekly stipend and farmers would received professional fees for serving as their mentors.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, the Agriculture

Development Fund which was capitalised by the proceeds from the bound rates in agricultural imports and the sale of assets (land and property) of the sugar industry, have provided much needed capital to the sector to support the retooling of the sector to enable it to achieve international competitiveness. The Fund has however disbursed most of these proceeds. The new policy initiatives to which I am speaking, require that the Fund be replenished.

We therefore propose, Sir, to re-capitalise the Agricultural Development Fund to accommodate the increase demand as a result of the measures proposed by the Ministry of Agriculture to the extent of \$7.5 million. We will also restructure the Fund to provide a dedicated annual allocation of \$10 million for loan financing to agriculture, and we would provide an annual support to the sugar industry that is estimated to be \$6 million from all of these proceeds.

Sir, we propose to upgrade fish landing sites and market facilities to ensure consistency with Hazzard Analysis Critical Control Point (HACCP) and other international accepted standards essential for food safety reasons. Barbados cannot export fish to any part of the world because our fish does not meet international standards and this is important.

The Government has redevelopment programmes, therefore for the Bridgetown Fisheries Complex and the Oistins Fish Market to upgrade these facilities and the drawings have been completed in this regard. Work will be commence shortly to build a shed at the Bridgetown Fishing Complex to facilitate the unloading of fish in appropriate conditions to meet international standards.

Asides.

Rt. Hon. O.S. ARTHUR: The entire roof of the market needs changing and some \$800 000 has been earmarked to carry out this work before the end of this financial year.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, the existing Agricultural Incentive Programmes and the Up-Front Duty-Free Concessions granted hitherto have been significantly

expanded and deepened to the extent that it is considered by many stakeholders to be the most comprehensive set of incentives ever provided to the sector.

However, a few new incentives addressing key areas of productivity enhancement, product development, agricultural health and food safety are now proposed.

First the use of wind tunnel ventilation technology in poultry houses, some of which cost \$400 000 has resulted in significant improvements in productivity in the poultry industry. Similar, environmental control system could prove beneficial in other live stock enterprises. To further assist with the adoption of this technology, the following incentive is now being proposed: a maximum rebate on the components of approved environmental control system for poultry and livestock facilities will be increased, Sir, from \$15 000 to \$25 000.

Asides.

Rt. Hon. O.S. ARTHUR: The Government is poised to introduce updated and new legislation relating to the slaughtering of animals and the handling of fish, meat and value added meat and fish products as well as the administration of markets. It will be made mandatory for individuals transporting meat, poultry, fish and associated value added products to use refrigerated vehicles.

We now propose to extend duty free concessions on refrigerated and other specialised vehicles used for the transportation of animals, carcasses of meat, poultry, fish and value added meat poultry and fish products in compliance with recommended food standards.

In addition, Mr. Speaker, for a high cost producer like Barbados, adding value to outputs of the agricultural and fishing industries is paramount in enhancing international competitiveness and achieving sustained agricultural and fisheries development. We propose, Sir, to encourage producers of value added agri-food and sea-food products, to pursue new product develop investment in research and development.

As a result, Sir, the Government would provide a rebate of 50 per cent of the cost of product development up to a maximum of \$25 000 per annum to agribusinesses engaged in the development of value added agrifood and seafood products based predominantly on local agricultural produce and fish as their raw materials.

Secondly, we will grant a rebate of 50 per cent of the cost of developing waste treatment systems, up to a maximum of \$15 000 per annum to agribusinesses engaged in the treatment of agricultural produce and fish waste to produce products for sale.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, agricultural producers across Barbados and in particular, livestock farmers have been experiencing problems in their respective communities and neighbourhoods due to the environmental problems associated with the rearing of animals. This is true, Sir, in some Christ Church districts particularly. Some farmers have had to discontinue operations because of continuous complaints and their ability to make the necessary husbandry agreements. We propose to encourage farmers to invest in proven technology which accord with good agricultural practices to mitigate these environmental irritants.

As a result, we will provide a grant of 50 per cent up to maximum of \$5 000 per holding, per annum to farmers to implement adjustments in waste disposal systems, animal housing location, as well as locating trees, purchase dust nets and to acquire any other inputs or introduce new procedures geared towards improving the quality of the environment and surroundings.

Mr. Speaker, strip tillage is a technique which has proven to reduce soil erosion with no negative effects on sugar cane productivity in Barbados whilst reducing land preparation cost by 60 to 75 per cent. Farmers are encouraged to apply this practice of strip tillage with other crops such as cotton and transplanted vegetables.

To encourage it, Sir, a new Strip Tillage Incentive Scheme, similar to the existing sugar cane planting incentive scheme will provide a rebate of 75 per cent of the cost of strip tillage up to a maximum of \$240 per hectare, in order to carry this scheme into existence.

As well, Sir, ground cover reduces the cost of weed control and land preparation by 40 per cent while assisting with soil and water conservation. Similar results can be achieved with other mulches.

House 13, sequence 12, 18.00 p.m.

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: We now therefore proposed to extend the current rebate of 30 per cent of the cost of extended life weed fabric up to a maximum of \$2 000 per hectare. Sir, that completes the programme of incentives for agriculture this year, but we will have continuously to review it and update it in the light of circumstances.

Mr. Speaker, I turn next to manufacturing. The manufacturing sector continues to be critical to the overall growth and development of a balanced economy contributing 8.4 per cent of the real Gross Domestic

Product (GDP) and employing 9 838 people up to June. Output in the manufacturing sector has remained stable over the first seven months of 2003 when compared with the same period for 2002.

Government has implemented a number of trade and production-based policy instruments to assist with the continued development of this important sector. These policies instruments include:

(i) an applied duty of 60 per cent on a list of manufactured goods formerly under surtax;

(ii) the special safeguards which were applicable to agro-foods and aerated beverage this year; and

(iii) a three year \$15 million technical assistance programme to improve the productivity of this sector.

I am pleased to report that this \$15 million technical assistance programme has to date provided direct assistance to 98 companies across the manufacturing sector and another 67 in the service industry.

We are providing \$25 million in the form of an Industrial Employment and Investment Fund. To date, this fund has been capitalised in the amount of \$10 million. We have also borrowed US\$15 million from the Caribbean Development Bank and have invested it in the Industrial Credit Fund by way of the Central Bank's operation to provide loans capital at concessionary rates to this sector. Sir, to date, US\$3.5 million of this US\$15 million line of credit have been drawn down. We have also as you know, Sir, supported the national 100% Bajan campaign which is now in its third phase.

Mr. Speaker, the prospects in the medium term for the local manufacturing sector will depend on its ability to compete in an increasingly liberalised environment. In the next three years, it is anticipated that the Free Trade Area of the Americas and the Caribbean Single Market and Economy will come into effect. While the Caribbean Single Market and Economy does not present any increase competition for this sector, the Free Trade Area of the Americas will constitute the newest wave of competition in the saga of trade liberalisation.

The main challenge for the sector will be to expand and to increase its export base beyond the region while increasing its domestic market share.

However, as I said, Barbados' food sector most significant challenge in the international market during the medium term will be in accessing the European market as Barbados is constrained by its inability to trade in Europe in animal and fish based products. This limitation stems from the fact that Barbados is not on the list of countries which can trade with Europe in these products.

Additional competitive pressures will be realised in the European market as preferences for rum will diminish during the next five years. Given the CARICOM's position that all goods should not be liberalised at the same rate in the Free Trade Area of the Americas, it is anticipated that the Free Trade Area of the Americas will not present an immediate threat to sensitive industries as it is expected that these products will benefit from longer implementation periods, in some cases more than 10 years, before tariff protection is eliminated. On the other hand, the Free Trade Area of the Americas also presents an opportunity for our manufacturers to participate in new non-traditional markets in Central and South America. The Government has set the strategic objective for the sector to increase its output and its exports during the next three years. We must aim, and I stress, to increase manufacturing output by between five and ten per cent per year and the exports of the sector by between 15 and 25 per cent. In order to assist in the achievements of these goals, the following measures will be implemented.

(i) The technical assistance programme to support the creation of enterprises in manufacturing to world standards was intended to last for only three years and to cost the Government was \$15 million.

Government recognises that in order to create world-class entities that can compete in the region and the Free Trade Area of the Americas this technical assistance programme must be extended indefinitely and must be expanded to \$7.7 million per year, that we shall do.

(ii) We will accelerate the capitalisation of the Industrial Investment and Employment Fund and we will contribute an additional \$5 million to allow it now to be able to provide some of the working capital needs of our manufacturers.

(iii) We will also expand the scope of the Industrial Investment and Employment Fund to allow it to provide financial assistance specifically to companies seeking to expand operations into CARICOM and globally.

(iv) We will further support the provision of technical assistance via the Barbados Investment and Development Corporation and funding via the Industrial Investment and Employment Fund for the formation of clusters of manufacturing producing entities.

(v) Such co-operative producing entities which are formed to facilitate manufacturing clustering will be allowed to register under the Co-operative Societies Act and to benefit from the zero tax regime relating to manufacturers.

So we will allow the formation of producers co-operatives in manufacturers and give them a zero tax rate.

(vi) We will also introduce a new special corporation tax for manufacturers by allowing our manufacturers to be charged at a rate of 25 per cent in 2005, two years ahead of the corporation tax rate for all other businesses, and we will further reduce the corporation tax rate on our manufacturers after 2005 when the corporation tax rates for other businesses fall to 25 per cent.

Mr. Speaker, Sir, the existing arrangements to provide protection to the manufacturing sector by way of the surtax on certain selected goods and the safeguard protection regime will remain in place. Government will also provide continued support to the "100% Bajan" initiative and we urge its expansion to cover craft and other lines of domestic output which are now under its purview. I will deal later with matters concerning the creation of a specialised marketing agency for our manufacturers.

In relation to international business, Barbados continues to be a popular choice among investors who want to invest in a jurisdiction that has a good infrastructure, stable political framework, a sound regulatory environment, generous tax and other concessions, a growing tax network through the network and a sound reputation in the international communities. These attributes will continue to sustain Barbados as a viable international financial centre in the face of considerable challenges.

Indeed, Barbados has continued to hold its own in the performance of the sector in spite of the many challenges that it faces. To the end of October 2003, 228 International Business Companies (IBCs) were licensed compared with 224 for the same period in the previous year and it is projected that the IBCs licenced this year will be about 296. In the case of ISRLs, 28 were licensed at the end of October 2003 compared with 21 for the same period in the previous year. It is anticipated this year that 40 such companies would be licensed. Eight new exempt insurance companies were established this year up to October as compared to six last year, but there had been a decrease in the number of new offshore banks coming into existence in Barbados.

Sir, in terms of our strategic focus, and this is the key, an array of special legislative measures and expanding investment treaty network, our economy continues to successfully support the services export culture of those

foreign countries from which companies now operating in our international business sector originate. With this experience in hand and with an indigenous crop of world-class service providers located now in Barbados, the time is right for the Government to focus on the creation of an indigenous class of international business entrepreneurs and on the development of Barbados as a fully-fledged international service centre.

House 13 Sequence 13

6.10 p.m.

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: Strategic Goals and Objectives

The strategic objectives of the Government for development of a service economy is to realise the creation of a new class of export local service providers, both professional and non-professional, using the CARICOM Single Market and Economy as the first tier of that outward expansion, the Free Trade Area of the Americas market as the second tier, and the wider global economy as a third tier.

Over the medium-term, the Government expects to see the birth of at least 5 to 10 export-oriented service companies within the domestic sector, while also increasing by 5 to 10 per cent the number of foreign-owned companies operating in the international business sector attracted to Barbados by the deliberate action plan that develops Barbados as the premier regional international services centre.

The attainment of these goals will redound to the further growth of the domestic manufacturing sector and general improvement in labour and capital productivity. These will, in turn, lead to improved generation of foreign exchange earnings and contribution to the Gross Domestic Product (GDP). They require, however, new initiatives.

New Initiatives

The creation of services economy and the establishment of Barbados as an international services hub require a number of specific policy measures to be implemented. The following represents the core policy programmes necessary to achieve Government's new developmental thrust.

1. Services Investment Facilitation Bureau (SIFB)

The development of a services-based economy will require an export driven culture that captures the imagination and intellectual talent of the whole society and

will require the greatest expression of institutional co-ordination across Ministerial portfolios.

The Government has already put in place the infrastructure for the Enabling Environment for the Private Sector Investment. The next step required is to enhance this infrastructure to provide greater connectivity among the participating Ministries.

In essence, this will give rise to a virtual Investment Facilitation Bureau, which will, in its functioning, draw on the collective experience and know-how of all relevant Government agencies across the Ministerial portfolios. The Bureau will activate all regulatory aspects of the Government's regulatory machinery to address and to resolve the very issues to realise services investment projects that are conceptualised by the private sector.

This Bureau will be coordinated by the International Business Unit in the Ministry of Industry and International Business and operationalised to the tune of \$1.5 million.

2. Special Technical Assistance Programme (Services)

To increase the number of world-class, export-ready

domestic services and to support those companies and individuals already engaged in the export, the Government will expand the Special Technical Assistance Programme of the Barbados Investment and Development Corporation to include technical support for the services sector.

3. Research and Development Capacity

To maximise the efficiency of the International

Business Unit to drive the creation of Barbados as an international services centre, the Government will provide \$300 000 in the next financial year towards enhancing the research and development capabilities of the International Business Unit in the Ministry of Industry and International Business.

This programme will focus on research and development to develop the appropriate policy responses to improve Barbados' ability to aggressively seize on those new and emerging regional and global market opportunities for the expansion of our services sector, while providing an enabling environment to continue to attract international business.

Sir, our principal initiative is to empower the Barbados Coalition of Services Industries (BCSI) to be our spearhead in the creation of indigenous class of international businessmen and to penetrate export markets.

4. Barbados Coalition of Services Industries (BCSI)

Mr. Speaker, I wish to reiterate the Government's strong support for the recently formed Barbados Coalition of Services Industries (BCSI) as our new private sector European Union for Economic Partnership Agreement in this country's services exports drive. The Coalition now covers over three thousand Barbadian service providers across a range of services, including physical therapist, quantity surveyors, journalists, estate agents and valuers, insurance and financial advisors, Information Technology professional, and a host of others.

We anticipate that it will spearhead our national effort to gain market access for our services in the arenas where we are engaged in trade liberalisation. Government will, therefore, continue to financially support the Coalition and will increase its support from \$250 000 last year to \$500 000 for the next financial year 2004-2005.

In addition, to supporting the operation of the Coalition Secretariat, this increase funding would be to allow the Coalition to establish a website that will provide ready information to its members on market access opportunities across the globe. This website will also identify projects for tenders put out by local, regional and international agencies, to enable our domestic service providers to bid on such projects together, singly, or as a consortium of professional services.

Sir, as you know, the marketing and promotion of a service is qualitatively different from that of the marketing of a good. The most effective way to showcase the intellectual capital that lies at the heart of the provision of a service, is through the demonstration and application of the service live. Therefore, these additional funds will also support the Coalition's endeavour to market and promote our national services abroad through the hosting of symposia, conferences and other functions, that showcase the Barbadian services abroad and that are focused and targeted to the right audiences, in the right places and at the right times. Such promotion activities will help in the packaging and branding of the Barbadian services by incorporating the appropriate amount of cultural content.

Sir, by way of an additional measure, Government also proposes to establish a Services Investment Guarantee Fund (SIGF).

5. Services Investment Guarantee Fund

This Fund is to provide coverage for non-commercial

risks related to cross-border investment in services by Barbados service providers. The Fund will be capitalised in the next financial year and will be intended to operate to cover risks that our service providers will

experience such as unexpected currency volatility, transfer restrictions, expropriations, breaches of contract by foreign clients, and wars and civil disturbances.

The World Bank, through its Multilateral Investment Guarantee Agency recognises, as does my Government, that there are many risks to investing in new markets. Our exporters of services, if they are to be encouraged to export, must be provided with a hedge-fund to militate against unforeseen changes in the market environment caused by risks which are not part of the traditional range of guarantees offered in the open market. The Fund will be capitalised with a set-aside of \$5 million over the next three years.

Insurance

Mr. Speaker, the insurance sector has the potential to become the largest segment of our financial industry. Government has recognised the need for new initiatives in the insurance sector and has made two vehicles available to help the industry to reduce and to widen its scope of business.

These are the Catastrophe Fund and the provision to allow certain local companies to form Captive Insurance Companies.

The Catastrophe Fund was established in 1998 and allows local insurers a tax free deduction of 20 per cent of premium income from property insurance to be placed in the fund. The limit of 20 per cent was increased to 25 per cent effective in income year 2003.

The Catastrophe Fund has up and until now, has been underutilised in the main because it is mandatory. It is felt that, however, this vehicle could still provide an alternative to reinsurance and accordingly we would continue to encourage insurers to use the concessions that are provided.

It is our view that the formation of segregated cell captive companies under the Insurance Act, 1996-32, will allow for the retention of a greater proportion of the premiums now remitted to international reinsurance companies, and will significantly expand the range of insurance business that is undertaken in Barbados.

Sir, recently the International Business Companies Act was reviewed and amended to allow local investors to own up to 100 per cent interest in such companies. I now propose to allow a similar provision in relation to our international insurance business.

We propose to amend the Exempt Insurance Act, Cap 308A, to allow Barbadians to now own international

captive insurance companies offering business in the offshore sector.

Commerce, Science and Technology

Mr. Speaker, I said that we must paid some attention to Science and Technology.

Research and Development Fund

Barbados needs to especially strengthen its capacity

in the area of research and development in order to better support the country's economic development processes.

It is accordingly proposed that a National Research and Development Fund will be established to finance Research and Development projects which are capable of supporting and facilitating economic development.

18.20 p.m.

Thursday, November 25, 2003

Rt. Hon. O.S. ARTHUR: The resources of the Fund will be available to both public sector and private sector agencies, and will be allocated on a competitive basis.

The financial resources needed for the Fund will be provided initially by Government. The initial capitalization will be \$5.0 million. The private sector will however be encouraged to participate in the facility and to contribute to it.

Science and Technology Centre

Both developed and developing countries the world over have long recognized the importance of Science and Technology in promoting and facilitating social, economic and cultural development. In this connection, many of these countries have established interactive Science and Technology Centres for the purpose of educating their populations concerning the use and application of science and technology in various aspects of life.

The time has come when Barbados needs to follow suit to create a much greater awareness among its population, especially the younger members of society, about the benefits of science and technology.

The National Science and Technology Council will therefore establish a National Science and Technology Centre. This Centre will house a range of exhibits which will be based on various scientific principles. It will also serve to demonstrate various scientific phenomena such as

the effects of things like motion, sound, and heat, the behaviour of weather systems and the effect and nature of Information and Communication Technologies.

The exhibits at the Centre will show how scientific principles can be applied through technology to produce products and services which can spur development and facilitate wealth creation. Further, visitors to the Centre will be able to touch and feel, and indeed interact with the exhibits. This will allow them to gain what should be a lasting experience concerning the properties and characteristics of the exhibits.

It is our expectation that the end result of this initiative would be to create a greater interest in science and technology that will foster increased participation by students, academics and professionals in the field, that science and technology research would become a part of the business culture of Barbados and that innovation and entrepreneurial pursuit would become a sustainable feature of the Barbados Economic Landscape.

The establishment of the Centre is estimated at \$3.5 million which includes the cost of constructing, furnishing and equipping the building and securing the initial exhibits. It is expected that another \$1.0 million will be needed to operate the Centre annually.

Standardisation and Legal Metrology

As a consequence of globalisation and trade liberalization, standard setting monitoring and enforcement will become increasingly important as facets of our national economic policies.

Barbados, as a signatory to the World Trade Organization Agreement on Technical Barriers to Trade, has committed itself to using international standards in avoiding unnecessary technical barriers to trade.

In addition the Protocol on Industrial Policy amending the Treaty of Chaguaramas commits signatories to the use of international and regional standards in trade, and to the establishment and maintenance of a regional standard body. Such a body, the CARICOM Regional Organisation for Standards and Quality (CROSQ) has been established with headquarters in Barbados.

Given the prevailing environment, Barbados has no choice but to give careful attention to the implementation of measures to provide adequate protection to consumers against unsafe, unhealthy or sub-standard products. Further, Barbadian consumers must be able to make informed decisions when purchasing goods and services. Care will also be needed to ensure that domestic producers are not exposed to any unfair competition, which may be

occasioned by the importation of sub-standard goods and services.

The Government has established the Fair Trading Commission and the Office of Public Counsel to meet some of these challenges.

However, a new phase of development is needed to cushion the domestic economy against any adverse impact which may emanate from the developments taking place in the regional, hemispheric and international markets. As a consequence, the Government of Barbados has reviewed its policy on standardisation, and is now in a position to implement a National Quality Assurance System, in keeping with international standards and guidelines.

Over the next 3 to 5 years, a reform programme will be implemented focusing on the following areas:

9. infrastructure improvement;
10. institutional strengthening;
11. reform of the legislative framework;
12. public education; and
13. more effective enforcement of legislative provisions.

Specific actions to be undertaken will include:

14. in response to the continuing inflow of products and services from non-traditional sources, additional standards will be formulated and implemented to ensure that the domestic market is not unduly exposed to sub-standard products and services;
15. the administrative and laboratory facilities of the Barbados National Standards Institution(BNSI) will be upgraded and expanded. The Institution will also be properly furnished and equipped to ensure that it can undertake its mandate effectively;
16. the institutional capability of the BNSI will be strengthened through the provision of additional manpower. Additionally, a comprehensive training programme will be provided for staff to help upgrade their skills and competence. Also, the machinery for the administration of standardisation will be overhauled to improve efficiency and effectiveness;
17. A Special Unit, to be known as the Trading Standards Unit, will be established under the Ministry of Commerce and Consumer Affairs to ensure that all products and services being marketed on the Barbadian market comply with national and regional standards, especially those

standards which are mandatory. standards. The Unit will also ensure that the provisions of legislation relating to legal metrology are honoured by persons involved in commercial activities. Action here will serve to protect the interest of consumers on the one hand and to ensure fairness in the marketplace on the other. Initially, the Unit will have a compliment of thirteen persons.

v a properly furnished and equipped Legal Metrology Laboratory will be established under the Trading Standards Unit of the Department of Commerce and Consumer Affairs, to assist the officers charged with administering the provisions of the legal metrology legislation in carrying out their duties. In particular, it will ensure that measuring instruments in use in business can be certified with the required degree of accuracy. vi legislation relating to standardization and legal metrology will be revamped. Specifically, the control of Standards Act, Cap.326A, the Weights and Measures Act, Cap. 331, and the BNSI (Certification Marks) Act, Cap. 325A, will be amended with a view to strengthening them to better facilitate their administration, to provide stronger support to the local commercial sector and better protection for consumers. The Weights and Measures Act will be replaced by a new Act, to be known as the Legal Metrology Act. vii The BNSI and the Department of Commerce and Consumer Affairs will formulate and implement a comprehensive educational programme to help inform the general public as well as the business community concerning their rights and their responsibilities in respect of standardisation and legal metrology. Particular attention will be given to explaining the provisions of the World Trade Organisation Agreements, the CARICOM Single Market and Economy and the likely requirements and provisions of the Free Trade Area of the Americas Agreement. viii Steps will be taken to ensure that the BNSI laboratory and the Legal Metrology Laboratory are internationally accredited. This will ensure that any work undertaken by these Laboratories and the goods and services they certify are able to command international recognition and respect.

Preliminary estimates put the cost of this project at \$6.0 million.

NEW SECTORAL INITIATIVES

The Creative Economy and Cultural Industries:

I indicated earlier that I propose to stimulate a new area of activity in support of the achievement of an annual average growth rate of 3 per cent. One such area will be the development of cultural industries, which we hope will be a catalyst for growth and transformation of the Barbadian economy in the 21st century in much the same way that the tourism sector did in the 20th.

Some elements of such a "Creative Economy" already exists. However we need to organize this activity in much the same way and using the same policy instruments used to develop other sectors.

I anticipate that the full development of our cultural industries will have a major beneficial impact on the quality of our tourism and manufacturing products. It will also provide significant opportunities for young people who count themselves among the now marginalised.

Cultural industries encompass a wide range of cultural goods and services. In this regard, cultural goods refer to those consumer goods which convey ideas, symbols, and ways of life and are the result of individual or collective creativity. For this reason they are copyright-based. Included are books, magazines, multimedia products, software, records, films, videos, audio-visual programmes, crafts and fashion design.

18.30 p.m.

Sequence 15

Rt. Hon. O.S. ARTHUR: Cultural services, are traditionally understood to be those activities aimed at satisfying cultural interests or needs. Such activities typically consist of the overall set of measures and supporting facilities for cultural practices that government, private and semi-public institutions or companies make available to the community. Examples of such services include the promotion of performances and cultural events as well as cultural information and preservation whether in libraries, documentation centres or museums.

Government proposes to promote the development of cultural industries through a programme of infrastructure building, institutional strengthening, focused expenditure, and tax incentives, supported by the necessary legislation.

We must begin by creating a strong design culture, which is currently undeveloped in Barbados. Within our educational system there must now be formal accommodation for the pursuit of activities related to the development of culture and the arts, and a capacity for creativity and design must be infused in our education system at all levels.

Within this context:-

8. Business and Entrepreneurship will be integrated into the school curriculum as a separate subject.
9. A minimum of two scholarships per year will be dedicated totally to study within the cultural sphere; and

10. Specialty training courses for persons practicing in any aspect of these same areas will be increased, enhanced and fully funded.

The infrastructure to support the generation of a design capacity will be supplemented by the establishment of a number of institutions. In this regard:-

8. A National Performing Arts School, as an extension of the proposed University College of Barbados will be set up. The estimated cost of this for the first year is \$ 650,000;
9. The corporate structure, and the Board, of the National Art Gallery will also be established by the end of 2004.
10. A new Festival and Events Bureau will be established as a limited liability company incorporated in Barbados but also to be registered in several countries in the region.

A joint public-private sector company will also be established with a mandate to promote, market and distribute cultural products, regionally and internationally cultural products, primarily music and the visual arts.

8. Government will establish a Creative Centre, focusing on the creation of innovative and practical designs for souvenir, and other craft items and facilitating collaboration between craftsmen and trained designers, researchers, trainers and technicians.

We also propose to develop Barbados as a location for film and video production and in this regard will seek to establish a Film and Media Commission by the end of 2004. Government will also support the Barbados Arts Council and the Barbados Craft Council which play a critical in the development of the visual and the performing arts and in craft, under challenging circumstances, by equipping them with a suitable secretariat.

We propose also to institute measures to reintroduce apprenticeship programmes whereby students are attached to master craftsmen for a fixed period during which both trainer and trainee are remunerated for their efforts.

Government also proposes a range of funding mechanisms to finance the new sector. These measures include:-

8. The establishment of a Sports and Cultural Endowment Fund for the Arts to focus particularly on funding the Performing Arts within the area of culture. The Legislation is now ready for introduction into Parliament.
8. The allocation of 1 percent of the total cost of new government buildings to the acquisition of local

artwork in a programme which will be coordinated by the National Art Gallery Committee, and the adoption of a policy to dramatically increase the presence of Barbadian Art in all public buildings.

9. Effective immediately, resident entertainers who operate as small business persons will not be required to pre-pay 5 percent of the value of tickets printed to the VAT Office, as is presently the case, to their cash flow distress. Payment of the VAT will be made within 7 days of the staging of the activity.

The above programme will be phased in over a five year period and in the first two years we will focus on infrastructure building and associated institutional strengthening.

We propose to introduce a number of fiscal incentives to allow registered cultural industries and practitioners to have access to their inputs and tools of trade on terms equivalent to that obtaining in any other productive sector. The full details of the goods to benefit from duty relief will be settled after consultation with stakeholders.

In addition, we will provide for the following fiscal incentives:

10. Corporate investors in the Sports and Cultural Endowment Fund will be allowed to deduct an amount equal to 150 percent of the actual amount contributed in that income year in calculating the assessable income commencing in income year 2004.
11. Additionally, where persons invest in any approved projects within cultural industries, other than those set out in the Tourism Development Act or the Special Areas Development Act, there shall be deducted from the assessable income of that person the contributions to the approved project up to a total amount not exceeding \$10,000.00. The approval of the project is to be granted by the Minister of Finance.
12. Tax incentives will be provided for software development in the area of cultural industries, in particular computer games.

Finally, the Intellectual Property of Barbadians in respect of the production of compact discs which have to be pressed overseas will no longer be subject to Import Duties as is the case at present.

The measures which I have just proposed will require certain legislative changes which shall be implemented over time. In addition the process of

enactment of the Antiquities and Relics Bill and the National Art Gallery Bill will also be expedited.

It is possible that many of the proposals which I have outlined would require Government's implementing strategies which might be contrary to the terms and conditions of existing international trade agreements. The matter of how cultural goods and services should be dealt with in international trade negotiations is critical to the development of cultural industries in the region. It is in this context, therefore, that government will continue to work with UNESCO in support of the proposal to implement an International Instrument on Cultural Diversity.

It is proposed that this Instrument will effectively articulate the ground rules for cultural policies and trade. It will seek to preserve the right of States to maintain or adopt the measures considered appropriate for the development of cultural expression and for the promotion and enhancement of cultural diversity in the pursuit of good governance. It also ensures that cultural diversity is promoted and preserved in the face of the changes introduced by globalization, trade liberalization and technology.

Mr. Speaker, Sir, all of these measures will come to naught if there is not the clear and purposeful resolve on the part of this Parliament and the entire society to wipe out piracy of intellectual property rights.

It is, without doubt, the cancer which threatens to undermine and destroy the creative economy and decimate the numbers of those willing to invest and take risks in this new and emerging sector.

It is our judgment that the penalties contained in the Copyright Act of 1998 must now be further increased to combat the destructive effect which piracy has on legitimate investment and to reflect the seriousness with which these offences must be treated. Pirating people's intellectual property is as reprehensible as stealing from their homes or from their offices.

Indeed, Mr Speaker, were it not against the Standing Orders of this Honourable Chamber to use other than the English Language, I would be tempted to say simply "tiefing is tiefing"

18.40 p.m.

Sequence 16

Tuesday, November 25, 2003

6.40 p.m.

Rt. Hon. O.S. ARTHUR: To this end, the Government proposes to double the existing maximum penalty under the Copyright Act such that upon conviction or indictment, the maximum penalty for piracy will be a fine of a half million dollars and/ or a period of ten years in prison.

Clearly, Mr. Speaker, laws are only ever as effective as the will to enforce them. It is recognised that to date, the fight against piracy has not been as focussed as it might otherwise have been. In recognition of this, as of January 1, 2004, the Government will establish a new dedicated AntiPiracy Unit within the Royal Barbados Police Force, with the attendant resources and training for enhanced surveillance and detection of all intellectual property related offences. These measures, Sir, must be matched by a similar effort on the part of the rights of holders within the Civil Law Courts and the soon to be established Copyrights Tribunal.

Sir, I deal next with retirement villages. For the tourism industry to continue to develop to optimum levels, we must diversify our product offerings and in recent times there has been much interest in the establishment of retirement villages in Barbados.

The economic benefits of the retirement industry has been recognised in territories with similar characteristics to Barbados, such as Florida where retirees living full time spent nearly \$37 billion in 1997, second in the state only to the \$42 billion spent in the tourism industry.

The retirement industry will also lead to the development of non-coastal land to provide sustainable direct and indirect employment opportunities. Indeed, Sir, approximately 20 per cent of total employment in Florida is generated through the retirement industry. The retirement villages we are seeking to attract, Sir, in addition to residential, make provision for medical, leisure and recreational facilities in one compound.

We have today received proposals from foreign investors, to locate such compounds at Black Bess and Mount Brevitor, in St. Peter, and one as well from the Barbados Association of Retired Persons.

We now propose that retirement villages will be considered as tourism projects under section 3 sub-section 2 of the Tourism Development Act, and consequently granted all of the concessions contained there-under. These villages will cater predominantly to non Barbadians

wishing to retire here or to returning nationals. These projects are estimated to stimulate over \$100 million in the foreseeable future.

Mr. Speaker, I deal next with the matter of the financial sector. The effective regulation of the financial sector is critical as has been shown by the severity of the financial crises in those jurisdictions where it is lacking.

The non-bank financial sector is very important to the Barbadian economy and has been one of the fastest growing areas of the domestic economy. At the end of 2001, credit unions assets represented 10 per cent of the GDP insurance premiums on the domestic sector 7.7 per cent and investment assets 6.2 per cent. There is however, Sir, now the danger that the growth of the sector can outstrip its regulatory capacity.

Currently, the supervision of the financial sector is split among the agencies: commercial banks, merchant banks, finance houses and trust companies are regulated by the Central Bank, the insurance companies by the supervisor of insurance, credit unions by the Registrar of Cooperatives and securities by the Securities Commission.

Pensions are currently under the control of the inland revenue but will soon be under the supervision of the Supervisor of Pensions who is also the Supervisor of Insurance. This state of affairs has resulted in the skills to regulate the financial sector being scattered over too many institutions.

Mr. Speaker, it would be impossible for us with our limited resources to fully equip all of these agencies to the level required. The time is therefore appropriate for the Government to look at alternative measures for delivering these regulatory services.

In this respect, a number of countries have already

consolidated the regulation of their financial sector under one or two agencies. In Jamaica for example, the Financial Services Commission is responsible for the regulation of the insurance, pensions and security sectors, while the Central Bank is responsible for all deposit institutions. In Canada, and the United Kingdom, (UK) the Central Bank does not regulate commercial banks, as there is a superintendent of Financial Institutions, in the case of Canada, and a Financial Services Authority in the case of the UK which regulates the financial sector. We have decided to explore the options as to whether Barbados should have a single or multiple agencies regulating the financial sector.

Mr. Speaker, the Government favours a consolidation of regulation, with the Central Bank responsible for banks supervision and a new Financial Services Commission responsible for the regulation of all other financial services. Accordingly, the Government has approached the Caribbean Development Bank to provide a technical assistance loan to assist with a study to determine

the best ways for strengthening and restructuring the supervision of the financial sector, with particular emphasis on the non bank sector.

Mr. Speaker, I deal next with a new business facilitation charter for Barbados. The cost of doing business and the level of investments in our country depends on the existence of best practices in Government, the private sector and the trade unions. The Government remains committed to creating and maintaining an environment, which facilitates and expedites legitimate business. There are too many archaic bureaucratic and burdensome business practices in Barbados and they must all be removed, if we are to proceed successfully.

Mr. Speaker, to begin with, new flexible work arrangements are necessary if Barbados is to be competitive in the arena of a modern global economy. For example the Customs Department must adopt the best and the most flexible working arrangements. It is unacceptable that some aspects of the Port are closed during lunch and this is an archaic practice that cannot continue.

Asides.

Rt. Hon. O.S. ARTHUR: I therefore propose, that after appropriate consultation, the Port and Airport and Customs will introduce new flexible work arrangements and offer office hours to meet the needs of the general public and the private economy.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, I will next deal with a matter to assist the rum industry, but as you would appreciate, Sir, I have to be careful as to how far I go in such initiatives, because there is a general perspective that I am one of those few people who, without being a lawyer, has been called to Bar.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, I now turn to the situation pertaining to the administration of the Excise Tax.

The excise system in Barbados has hitherto operated under a rigidly controlled environment whereby the process has been controlled by the Customs Department from the beginning (to the end) on the sale of the product.

The rum producers have made representation that this system, which also includes the payment, by them, of the salaries and the fees of the officers who supervise this product when technology can do it, is burdensome and counterproductive.

After consultation, the Customs Department whilst remaining ever mindful of the need to protect and safeguard the revenue, as well as preserving the integrity of Barbados' rum has recently instituted some administrative procedures to bring relief to the producers.

The Customs Department has decentralised now the supervisory practices with regard to the excise operations, and this has resulted in permission to initiate various processes in the production of rum being granted by the officer on site, rather than having to refer the matter back to Customs headquarters.

The rum industry now is in control of the keys to their facilities warehouses and in addition, where the warehouses are owned by the same company, greater flexibility is now allowed in the transfer of product from one storage to the other.

The Customs Department while cognizant of the need to operate within the existing legal parameters has in the short term treated to those matters that lend to administrative adjustments. I am informed, Sir, that the rum industry is happy with these administrative changes.

A study was commissioned on the rum industry on a system of administering the excise tax. The study was intended to establish how we can move from a fully customised-controlled system to one involving the auditing of inputs and outputs. The Ministry of Finance will implement their recommendations shortly to facilitate the better management of the rum industry.

House 13, sequence 17, 19:50:14

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: The appropriate amendments to the legislation, the Spirits Act of 1982, the Spirits Regulation 1984 Act and the Excise Tax Act of 1996 will be made in the future.

Mr. Speaker, the value-added tax, as it is administered, can have a negative effect on bona fide applicants. I will deal shortly with those proposed amendments. For some time however, importers have expressed concern over the length of time taken to clear their containerised goods from the seaport and the adverse effect this has had on their trade and operations.

Last year, in my presentation, I indicated that a central container examination facility would be established. A consultative committee has been meeting on the matter and a recommendation would be made shortly to the Ministry of the Finance. The proposed facility will further assist in enhancing business facilitation as only those containers meeting predetermined risk profiles will be

delivered to the facility. Other non-risk containers will be permitted direct delivery to importers. The Government is of the view that in keeping with its thrust towards public sector/private sector partnership, this facility should be a joint-venture operation.

I turn next, Mr. Speaker, to the Town and Country Planning Development Office. The actions of the Town and Country Planning Development Office can affect the levels of investment in the country. I am aware of the concerns of the developers about the length of time taken to process applications and the Government is sensitive to their need to improve the efficiency and the effectiveness of the Town and Country Planning Development Office. This Department has seen the level of applications increase from an average level of 300 in the 1960s to 3 150 to date. Many of these new applications required multiple consultations with other departments.

Mr. Speaker, the Town and Country Planning Development Office has now been upgraded to deal with this increase in volume by a recent provision of a 25 per cent increase in its staff at the professional, technical and administrative level. Indeed, for the first time, the department has reached its full staff complement in 2003. Having now been fully equipped with staff, we must now see an improvement in the processing time of applications. At present, only 70 per cent of applicants required to be processed within 90 days is attained, with 32 per cent of those applicants being processed within a 62 days period.

Mr. Speaker, it is the intention now that in the first instance for the department to have 90 per cent of applications processed within 90 days as a consequence of its technological upgrade and institutional strengthening. It must be understood that the processing of large complex projects will, at times, take longer than 90 days. On the other hand, housing projects in approved developments - I must stress housing projects in already approved developments - must now be completed within a two weeks period.

Mr. Speaker, under the new arrangements, public sector agencies, the Ministry of Public Works and Transport, Ministry of Agriculture and Rural Development, the Barbados Water Authority and the Coastal Conservation Unit, which interface with the Town and Country Planning Development Office in the processing of applications, must respond to the department within 21 days.

Mr. Speaker, I deal next with a regime for Pan Caribbean Companies and multinational companies in Barbados. Barbados has a very good infrastructure for companies that wish to locate their headquarters here. However, despite these good conditions, Barbados has not as yet attracted as many Pan-Caribbean companies as we

would like to locate in Barbados. We will, however, continue to focus our efforts at bringing the skill levels of our labour force in all areas up to international standards and implementing programmes to create international competitiveness in all areas of business and in Government. We will continue to upgrade and expand our physical infrastructure, and we will continue to improve the quality of life here.

In addition to these measures, Mr. Speaker, we will design within the next year, a fiscal and an exchange control regime, particularly as it relates to capital transactions and treasury management by non-IBC countries registered and located in Barbados. This regime will address:

(1) management of surplus funds from operations in different countries through accounts held in Barbados;

(2) making portfolio and direct investments in companies outside Barbados;

(3) raising capital in Barbados for local and foreign operations of those companies;

(4) setting rules regarding these companies and their staff owning property in Barbados;

(5) rules regarding borrowing in Barbados by the staff of these companies;

(6) the holding of foreign currency accounts by staff of these companies; and

(7) remittances of dividends to Barbados by these companies.

Finally, Sir, a new unit of investment facilitation has been established in the Ministry of the Finance and Economic Affairs under the direct oversight of the Director of Finance and Planning to supervise the fast-tracking of the planning process and to coordinate the grant of concessions for investment projects.

It is also proposed that by March 2004 new best practices guidelines will be set and put in place and must be followed by the Government Electrical Department. The computerisation of the Land Registry Department, the Corporate Registry and the Registration Department is now being undertaken and these critical departments whose activities directly affect the conduct of business will also apply the provisions set out in new best practices charters from the year 2004.

Mr. Speaker, we will each year introduce into this Parliament new best practices charters pertaining to the conduct of our principal Government institutions until we

are satisfied that all of the unnecessary and the costly encumbrances of doing business in this country have been satisfactorily eliminated.

Sir, I deal next with the charter for small and medium size businesses. Fund Access and Enterprise Growth Fund have been providing capital and credit and risk capital to small and medium size enterprises sector over the last five years. Fund Access was established to provide loans up to a maximum of \$50 000 to the micro sector while the Enterprise Growth Fund sought to provide venture capital financing in the range of \$50 000 to \$500 000 to foster the growth of young, dynamic, export-oriented firms with a strong profit making potential.

Since its inception, Fund Access has disbursed loans totalling \$5.6 million to 413 clients and in the process has created 440 new jobs. It should be highlighted that 174 loans were approved to clients establishing a new business. The Enterprise Growth Fund has distributed \$2 million in venture investments to assist the expansion of 10 small and medium size companies and in so doing has supported the creation of over 120 jobs.

Mr. Speaker, it was Government's intention, as stated in the Financial Statement and Budgetary Proposals of 1977 to capitalise Fund Access at \$7.5 million with the Government providing \$2.5 million and the remaining \$5 million is to be raised from the private sector. It was also proposed that the Enterprise Growth Fund be capitalised at a level of \$12 million, \$3 million from the Government, \$2 million from the Inter-American Investment Corporation and \$7 million from the private sector. Unfortunately, Mr. Speaker, the level of private sector investment envisioned in these two institutions did not materialise rendering both of them undercapitalised.

However, new trading and economic arrangements within the Caribbean Single Market and Economy and the Free Trade Area of the Americas will present new opportunities for small and medium size enterprises over the medium term. Government, therefore, will ensure that these funding institutions have access to adequate capital resources to fund the expansion so as to enable us to exploit the many opportunities that will become available. Mr. Speaker, the Government has therefore agreed to capitalise Fund Access and Enterprise Growth Fund as follows.

(a) In the case of Fund Access, the capital will be increased from the present \$5.8 million by an amount of \$1.5 million per year over the course of the next four years; and

(b) With respect to the Enterprise Growth Fund, the present capital of \$4.7 million will be increased to \$10 million over the next four years.

Mr. Speaker, if these institutions are to fulfil their respective roles of being a catalyst for the development of the new platform of dynamic export driven enterprises, their lending policies must also be consistent, flexible and reflective of the economic realities and needs of their client class.

House 13 Sequence 18

7.00 p.m.

Tuesday, November 25, 2003

Rt. Hon. O. S. ARTHUR: To achieve this objective, these institutions will be

required to take risk in their loan underwriting that are much higher than those of the traditional commercial banking system.

My Government has, therefore, agreed that the lending policies of the two institutions shall be revised as follows:

(a) The maximum loan at FundAccess is to be increased from \$50 000, to an average loan size of \$100 000, and the repayment period extended from the present five years to a maximum of 10 years.

(b) Enterprise Growth Fund, in addition to providing venture capital, will now also provide loans starting from \$100 000.

(c) The interest rates at FundAccess will be reduced from the present 11 per cent to 6 per cent, which is currently 80 per cent of the prime lending rate. Government will cover any short falls between the cost of these funds and the interest rate charged by way of an annual subvention.

Furthermore, there will be standardised procedures for the evaluation of application such as would ensure consistency, fairness and objectivity. These initiatives must be fully implemented by January 01, 2004.

Mr. Speaker, emerging businesses in search of funding to exploit new opportunities in the export of goods and services often have great difficulty in the provision of adequate collateral to cover their loans. In order to correct this deficiency, we now propose to fund the capitalisation of a small business guarantee fund specifically to underwrite the loan portfolios of FundAccess and the Enterprise Growth Fund. The Central Bank of Barbados would be encouraged to create a fund for the guarantee of all small business loans, using existing resources to the extent possible. The Government will act as the ultimate guarantor of the new funds.

In order to realise the above proposals, the Government will provide the initial capital of \$3.0 million for the guarantee of this small business fund.

Mr. Speaker, there currently exist a number of Government sponsored lending agencies for the purpose of providing financial assistance within the various productive sub-sectors. FundAccess and the Enterprise Growth Fund were created out of the demise of the Barbados Development Bank and their roles have been expanded to be the Fund Manager of a number of sectoral funds. It is Government's intention to rationalise the role of these institutions to assist in the transformation of the economy.

It is, therefore, now proposed that a new institution, the Barbados Development Finance Incorporated, will be established by January 01, 2007. It will amalgamate and build upon all of the functions now being performed by the Enterprise Growth Fund, FundAccess and the special sectoral investment vehicles that have been created by the Government.

TAXATION MATTERS

Mr. Speaker, last year during my presentation, I stated that the approach to tax reform should be driven by considerations that are greater than fiscal issues. I indicated then that our tax reforms must take cognisance of our functioning as part of the Caribbean Single Market and Economy, be used to stimulate economic activity, should be guided by principles of simplicity and equity, and above all, to be meaningful that the relief has to be substantial.

The tax reform measures which have already been legislated such as the reduction of the basic tax beginning income year 2003 from 25 per cent to 22.5 per cent and 20 per cent in 2004 and the reduction in the marginal rate beginning income year 2005 from 40 per cent to 37.5 per cent and then to 35 per cent in 2006, are an integral part of our medium-term economic strategy to reduce the level of taxation.

In addition to the change in the rates, the adjustments to the tax-free threshold, raising the allowance from \$15 000 each year beginning 2004 to

\$25 000 in 2007, have already been incorporated into the Law. These adjustments to the allowances have provided relief and will remove from the tax net some 26 000 persons as follows:

YEAR INCREASE NO. OF INDIVIDUAL

2004 from \$15 000 - \$17 500 8 000

2005 from \$17 500 - \$20 000 7 000

2006 from 20 000 - \$22 500 6 000

2007 from 22 500 - \$25 000 5 000

TAX SAVINGS (2003-2007)

Mr. Speaker, furthermore as a consequence of the reduction in tax rates and increased personal allowance for the income years 2003-2007, persons will be able to realise increases in their disposable income. For example, two individuals earning annual salaries of

\$25 000 and \$75 000, will realise savings over the period of \$2 500 and \$6 500 respectively.

Mr. Speaker, we have already also incorporated into the Law the policy to reduce the Corporation Tax from 40 per cent to 25 per cent by 2007. We need now to go further.

The pursuit of tax harmonisation is one of the key facilitating mechanisms and requirements for the smooth operation of a Caribbean Single Market and Economy since it creates an equivalent similar environment across territories within which businesses and consumer could operated.

Barbados, in keeping with its Caribbean Single Market and Economy obligations, is supportive of the efforts at harmonisation of corporate taxation. The proposals for harmonisation so far do not present major challenges for Barbados and Cabinet has agreed to a draft text submitted. The implication of these proposals, once agreed at the regional level, will require some changes to our legislation and will be implemented after discussion with our stakeholders.

The areas of corporate taxation on which some agreement has been reached are, for example, the implementation of a system of capital cost allowance with the placing of assets in a pool, as against the existing method of calculating depreciation based on individual assets and the deductibility of pensions contributions where the CARICOM position is similar to that which exists in Barbados at the present. The full list of the areas of corporate tax harmonisation where there has been agreement at the regional level is attached to Appendix II, along with a comparisons of the existing situation in Barbados.

Leases

Mr. Speaker, there are still, however, areas of our

tax system which need adjustment in the interest of creating a more favourable climate for economic growth.

Leases are subject to property transfer tax. This provision was implemented to deal with situations where persons transferred property via long-term leases and avoided the payment of tax on the transfer of property.

It has been represented that the property transfer tax is being charged on short-term leases and this was not the intention. The intention was to apply the tax on leases which transferred the benefit of ownership to the lessee.

I have, therefore, agreed that effective April 01, 2004, the property transfer tax will apply only to leases of 25 years or more and to those short-term leases that are continuously being renewed for a period equal to 25 years or more.

Property Transfer Tax

Mr. Speaker, in addition, consistent with our objectives to bring our tax rates in line with the best rates now obtaining in CARICOM, I now propose to reduce the rate of the property transfer tax from its current 10 per cent to 7.5 per cent, effective April 01, 2004. The tax will remain to be paid only by the vendor.

Land Tax

Mr. Speaker, the recent changes to the rates of tax on residential property for the tax year 2003-2004 have resulted in substantial benefits for most of those taxpayers who own property, which is used exclusively for residential purposes. The main change resulted in exemption from tax of any property with an Improved Value of \$125 000 or less, and used exclusively for residential purposes, whether it is owner-occupied or tenanted.

Mr. Speaker, this change has resulted in the removal of 18 736 properties from the property tax roll and a total of 50 544, inclusive of 18 736, benefiting from the reduction in the last taxes. When one considers that the number of parcels on the tax roll for 2003-2004 equal 100,447, it means that over 50 per cent of taxpayers on the roll have benefited from this change.

In addition to these benefits, the Government continues to provide relief through the Land Tax Relief Board on the grounds of hardship. Relief granted in the last tax year 2002-2003 amounted to \$1.2 million.

H:No.13(19)19:10 p.m.

Thursday, November 25, 2003

Rt. Hon. O.S. ARTHUR: Mr. Speaker, representation has been made for consideration to be given to the placing of a cap on the tax payable on residential and villa properties. There is a cap on Residential or Domestic

Property Tax in Great Britain, computed on a maximum property value of £320,000.

Barbados depends more on the villa market and repeat visitors in the high end of the tourism industry than any other competing destination.

There are a number of existing new projects, especially in the high end section of the market involving potential new investment of about \$3 billion which is sensitive to our having a properly tax regime which bears a relationship to the features of that which obtains in our principal market for tourism related investment -- the United Kingdom.

I therefore propose to implement a cap on land tax, after determination of the appropriate value at which to set the cap in 2004.

Value Added Tax

Mr. Speaker the Government has received a report from the Fiscal Affairs Division of the International Monetary Fund on the further reform of the indirect taxation system of Barbados.

It makes a number of recommendations including the proposal to increase the VAT to 17.5 per cent. This report presumes that we will have to make the adjustment for the loss in revenue from customs duties as a consequence of FTAA by the end of 2005. However, as I have indicated earlier, this adjustment will be phased in. I have therefore not accepted the advice contained in this IMF Report. The basic rate of the VAT will remain at 15 per cent.

Today, I wish to make one adjustment to the rate, and to treat to those measures that will contribute to the effective administration of the tax.

From the outset there have been complaints from the business community that the refunds process is unacceptably slow. Currently, the system treats each reporting period as a distinct and separate transaction. The tax payer may have a refund due to him but is required to pay over to the Comptroller of Customs the Tax due in respect of subsequent periods. This has at times adversely affected the cash flow of some businesses.

I, therefore, propose that with effect from April 1 2004 those registrants whose accounts are in credit will be allowed to carry forward their credit balance to the next period. Exporters will be refunded on a regular basis as is the process currently.

The arrears of VAT due to the department are at an unacceptable level. At November 20, 2003 the arrears

stood at \$103.3 million. Penalties and interest account for some 41 per cent. of the outstanding arrears, of which interest alone accounts for 34 per cent. The imposition of penalties and interest serves to signal to would be tax defaulters that their tax liability is not something that is to be treated lightly. The VAT imposes penalties that are higher than what obtains in the other tax systems land tax and income tax.

In an effort to bring about standardization of penalties across the tax system I now propose that effective April 1, 2004 the monthly rate of interest on unpaid balances in respect of Value Added Tax will be reduced from 1.5 per cent to 1 per cent the same as applies to income tax and NIS outstanding balances. By the same token, interest paid on outstanding refunds in excess of 6 months will be paid at the rate of 1 per cent.

Concession On Computers

Mr. Speaker, I said earlier that there is one area in which I propose to adjust the VAT. The Government recognizes that access to information technology will play the decisive, integral role in the development of the new creative and competitive economy of which I earlier spoke. Only by training our people in the use of such technology can we hope to effectively compete. The import duty on computers and the peripherals was removed in an effort to make these items affordable.

I now propose to remove the VAT on computers with effect from 2004 and that on peripherals and computer accessories from 2005 in an effort to make this technology more accessible to the average Barbadian.

[SPECIAL DEVELOPMENT AREAS]{.smallcaps}

Today, I propose to extend the scope of application of the Special Development Areas Act. It is very evident that the legislation has been serving its intended purpose as can be seen in the major investments taking place to rehabilitate Speightstown, St. Lawrence Gap and the Carlisle Bay area.

Indeed, this incentive regime has been so effective that certain Opposition spokesmen while condemning it, have asked that at the same time it be extended to their constituencies.

At the start of this presentation, I drew attention to the need for us to revisit how some of our national assets are used; to look again at our inner city and to see the real advantage of its strategic location and the possibilities for urban renewal.

In this year in which we celebrate the 375th Anniversary of the founding of Bridgetown as our capital,

it would be appropriate for us to add to the already substantial effort being made to restore its commercial luster, and to make it a place where our citizens wish to live and to spend more of their time, and their money.

Accordingly, I propose to extend the scope of coverage of the Special Development Area Legislation to confer its incentives and concessions on developers who carry out housing developments in the Greater Bridgetown Area on their own accord, or in joint venture arrangements with the National Housing Corporation and the Urban Development Commission.

The Government has recently made a considerable investment to improve the physical conditions of Roebuck Street and Baxters Road. To stimulate further private sector interest in these areas, which are ideally suited for further commercial and housing development, I now declare Baxters Road and Roebuck Street as Special Development Zones and extend the provision of the incentive schemes for approved Special Development to investments in these areas.

Finally, Mr. Speaker, I would suppose that neither you, nor any other Member of Parliament would had had cause recently to frequent Nelson Street and its general environs.

It used to be a place of great commercial and historic significance. Now it stands there, a stone's throw away from the centre of our capital and within sight of this Parliament, as a major national symbol of physical decline.

I propose therefore also to extend the status and the concessions attaching to a Special Development Zone to the Nelson Street Environs.

PROJECT OASIS

Barbados' most precious asset is our young people. They are our future. My Government has made significant strides in the design and implementation of major programmes targeting the segment of our population 30 years and under. We are greatly transforming the education system through EduTech and we will continue to expand access to tertiary institutions through the establishment of the University College of Barbados in pursuit of our ultimate objective of at least one university graduate per household by 2020.

In 1994 this Administration established the Division of Youth Affairs. Through three major programmes, i.e. the Barbados Youth Service, the Youth Entrepreneurship Scheme and the Youth Development Programme, the Government has made great strides in channeling the energies of young people in the process of nation building, encouraging entrepreneurship among young people and

redirecting the lives of those young people who may have manifested negative attitudes and dysfunctional social, emotional and behavioural trends.

H13/19:20

Sequence 20

Tuesday, November 25, 2003

Continuation of: Rt. Hon. O.S. ARTHUR:

Though we are proud of our success thus far, we are also aware that there remains in our society a vulnerable group of young persons who on leaving school are neither enrolled in post-secondary education nor training, nor have entered the world of work. It is estimated that some 10 to 15 percent of our school leavers annually fall into this category.

This group constitutes a reservoir of untapped talent much of which is adrift on the various blocks across Barbados.

In our pursuit of national development we cannot afford to have such a substantial proportion of our human resource capacity disengaged from the process through alienation, disaffection and social apathy. Nor can national development be fully realised if so many of our young people do not feel that they have a responsibility for its attainment and a stake in its benefits.

Mr. Speaker, to address this concern, my Government will provide initial funding of \$1 million to execute Project Oasis designed to meet the needs of unattached young people and those who 'lime on the blocks' across Barbados. The Project which has been designed, based on the expressed needs of the young people on blocks themselves will provide the technical and vocational skills that are required to generate self-employment or to access employment opportunities.

Sir, extensive consultations among young people by the Block Committee have identified sports training, auto mechanics, leather craft, horticulture and landscaping, a digital media film project and community based and organic agricultural programmes as being of primary interest, for which seed capital and funding for special training programmes will be provided.

These therefore will constitute the core of Project Oasis and will be augmented by a programme of social and life skills training including conflict resolution, anger management and HIV/AIDS sensitisation.

This Project Oasis which will be funded by the Government is open from the very start to financial and

institutional inputs and supports from the private sector and the other institutions of the civil society.

Mr. Speaker, through Project Oasis we hope to begin to stop the drift of that 10 -- 15% of young people away from mainstream processes of personal and national development. We intend to ensure that they are technically and financially empowered as to reach their fullest potential and thereby become fully engaged in the building of Barbados.

IMPLEMENTATION ISSUES Mr. Speaker, for the first time in such a presentation I will treat to the

implementation of our economic and financial policies in the conviction that the effectiveness of implementation matters as much as the soundness of the policies themselves.

First, there are some areas for which policies have already been announced, which are in place and where we need to proceed to full implementation.

Pride of place in this respect is our Hospitality Industry. The new Tourism Development Act was put in place in 2001 and to date has stimulated some \$400 million in new investment. We need now to follow through on the aggressive implementation of all of the provisions of the Act.

Similarly, the expanded programme of tourism product development being executed by the BTII is on track and has now only to be fully implemented. We have also agreed to the programme for the development of Kensington Oval and related hospitality and services capacity in time for the 2007 World Cup. Parliament also recently approved a Bond Issue to support an expanded marketing programme for the Tourism Authority. No new major initiatives are therefore needed in this sphere.

The programme for the reform of the Social Security Scheme, as announced, is in place, and full implementation is to be effected.

Mr. Speaker, on this matter, an increase in non-contributory pensions was granted effective October 2001. The policy with regard to the non-contributory pension, as announced last year is that it should not be more than 80 percent of the minimum contributory pension.

The reform of social security introduced last year indicated that the National Insurance Scheme would make provision for increases in pensions based on the lower of the Consumer Price Index and the average national wage increase over a three year period and subject to actuarial advice so as to maintain a reserve ratio of 5 to 1 and that sets the non-contributory pension at 80 percent of the

minimum contributory. The next increase in contributory pension is due around the middle of 2004 and the non-contributory pension will be adjusted accordingly.

In relation to the development of our Human Resources, the EduTech programme and the proposal for the development of the University College of Barbados, as previously announced, are continuing and fall within the category of those major policy initiatives requiring full implementation.

We similarly propose over the shortest possible period to fully implement the Community Technology Programme to bring the internet and the computer to the widest possible cross section of our society.

There are, however, a number of major policy initiatives for which new implementation schedules are now in order.

Telecommunications

A programme for the implementation of the liberalization of the telecommunications sector was announced in the 2000 Economic Statement and was expected to be completed by August 2003. There have, however, been a number of challenges and there is need for a revised schedule. I wish to state today that full liberalization of the telecoms sector will be effected by July 31, 2004. All measures pertaining to rate rebalancing, the issuing of licences, inter-connectivity and numbering will be resolved by that date.

Privatisation

In the 2002 presentation I announced that the privatisation of BNB and the Insurance Corporation of Barbados

would be undertaken. BNB's privatization has been completed and ICB is on schedule to be privatised during 2004.

Mr. Speaker, at the time of the Estimates Debate 2004, I will outline firm proposals in relation to the Gems of Barbados, the CBC and the other commercial enterprises owned by the State.

Development of a Public Private Sector Marketing Company

It was announced in 2002 that there would be established a public private sector

trading and marketing company to be responsible for selling Barbadian manufactured products abroad. The initial effort to implement this proposal has been seriously

flawed and during 2004, a new arrangement to bring this new entity into existence will be carried out.

Housing

Work is ongoing for the acquisition by the Central Bank of the activities of the Housing Credit Fund as announced in the 2002 presentation. The process will be completed in 2004.

The Central Bank is also working on a secondary mortgage market institution to improve capital flows into housing. The draft legislation is currently being prepared and the new institution should become operational in 2004.

Insurance

The legislation to effect the increase in the deduction for contributions to Catastrophe reserves has been passed. The legislation for the establishment of the Deposit Insurance Scheme is scheduled for completion by the end of 2003 and the Deposit Insurance Facility should be operational in 2004.

Agriculture

As part of the Economic Statement of 2002, I announced that a Sustainable Agricultural Development Bill would be formulated to place agriculture on a similar legislative footing to other sectors of the economy such as tourism. The National Agricultural Commission has considered the proposal and has agreed on the pertinent issues that should be addressed by the Bill.

The Ministry is of the view that the implementation of this proposal will take another year to come to fruition.

Mr. Speaker, there is an urgent need for us to introduce new institutional and legislative arrangements to ensure the effective implementation of our national economic policies.

At the start of this third term, Government has already put in place a new arrangement for a National Economic Council, made of representatives of the Central Bank, Ministries with economic portfolios, the private sector and CTUSAB to meet each quarter to oversee the implementation of our economic policies and programme.

Our Constitution and the Financial Administration and Audit Act vest in Parliament considerable powers in relation to the authorization and control of taxation and expenditure (Budgetary Matters).

19.30 p.m.

Sequence 21

Tuesday, November 25, 2003

7.30 p.m.

Rt. Hon. O.S. ARTHUR: The Standing Orders of this Parliament make provision for a debate on Budgetary Proposals, should a Minister of Finance, at his discretion but under no lawful compunction, feel the need to introduce such proposals to meet Government's financial requirements.

There clearly is a need for new legislative arrangements to facilitate and to make mandatory the presentation of the Economic Policies of the Government, insofar as such policies extend beyond the Budgetary Proposals for which there is provision in our Standing Orders.

We also need, Mr. Speaker, to create new institutional arrangements to vest this Parliament with responsibility for the authorisation and monitoring of our economic policies, in a manner similar to the oversight it now enjoys over taxation and expenditure.

A commission to make recommendations on the reform of Parliament is soon to begin its functioning and we await its explicit proposals on this issue.

Mr. Speaker, it is significant that the measure which I have just presented to this Parliament have been announced at the start of an administration and not at the end.

They are not about electioneering. Rather, they are intended to bring about fundamental and far-reaching economic re-engineering in Barbados.

This Parliament, the first of the Twenty-first Century has the opportunity to fully justify the confidence that the people have invested in each and every one of us by accepting the responsibility to harmoniously preside over the most comprehensive reform ever of the Barbadians economy.

Let us, Sir, make the people's confidence in us count for something.

For, it must not be presumed that, when faced with the need for radical change, Barbadian Parliaments of the past have always been equal to the challenge, far from it.

At the turn of the last century, the Parliament of the day rejected the Royal Commission's Report of 1897 which proposed to reform agriculture by extending the peasantry.

In 1905 this House of Assembly stymied the impact of Friendly Societies which had started to mobilise the savings of the masses by enacting a Friendly Societies Act which prohibited individual Friendly Societies from holding land exceeding an acre.

It would be good, Mr. Speaker, if one hundred years hence historians could look back on the work of this historic Parliament and see the fullest evidence that we were more than equal to the challenges of the time, and left indelible marks which it was impossible for anyone to erase from the economic landscape of Barbados.

The policy measures which I have presented to this House have evolved out of the widest possible consultation with the social partners and the institutions of our civil society, and have been brought here with their knowledge and support.

I thank them, and I express the gratitude of the Government to all of the public officials who had a hand in preparing the presentation of Government's Economic and Financial Policies for 2003.

In the end, Sir, it is all up to us, the people's representatives.

I once again, on behalf of the Government's side extend the hand of cooperation to the members of Her Majesty's Loyal Opposition, as together, we carry out the mandate given to us by the people to successfully chart this country's economic destiny through these tumultuous and challenging times.

Let us build.

And if you would allow me, Sir, to cite the words of Ruskin which I would have had cause to use on other occasions, but find so very appropriate today.

"When we build, let us build such a work as our descendants will thank us for. And let us think, as we lay stone on stone, that a time is to come when these

stones will be held sacred because our hands have

touched them, and that men will say as they look upon them: "See, this our fathers did for us".

I am obliged to you, Sir.

Asides.

Rt. Hon. O.S. ARTHUR: Mr. Speaker, I beg to move the following Resolution:

WHEREAS Barbados is confronted by the most far-reaching economic challenges in our modern history;

AND WHEREAS there is a need for a great economic transformation causing us to ready ourselves to function as part of the global economy on terms that bear no resemblance to those that are hitherto conditioned our relationship with our regional and global economic partners;

AND WHEREAS Barbados must become fully ready for participation in the CARICOM Single Market and Economy by 2004, the Free Trade Areas of the Americas by 2005 and a liberalised global economy by 2007;

AND WHEREAS the economy has experienced a full year's growth of over 2 per cent after a short bout of recession;

AND WHEREAS the Statement of Economic and Financial Policies of the Government delivered by the Minister of Finance and Economic Affairs reflects the framework for macro-economic policies for the medium term and the required sectoral adjustments necessary to achieve this economic transformation;

BE IT RESOLVED THAT the House take note of the financial statement delivered by the Minister of Finance and Economic Affairs;

AND BE IT FURTHER RESOLVED THAT the House strongly endorse the comprehensive proposals enunciated to position Barbados to meet these far-reaching challenges and to fully take advantages of the many opportunities available in the new regional and global economy.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I beg to second that, Sir, and reserve my right to speak.

SUSPENSION

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I beg to move at this stage that this House be suspended until 3.58 p.m. tomorrow afternoon, Wednesday, November 26, 2003. The Honourable Leader of the Opposition has indicated that he will be responding on behalf of the Opposition tomorrow afternoon at 4.00 p.m.

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

The question that the House do now suspend until tomorrow afternoon, Wednesday, November 26, 2003 at 3.58 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.

House 13, sequence 22: 19:38:00

CONTENTS

MINUTES

Hon. Miss M.A. MOTTLEY.....1

Rt. Hon. O.S. Arthur, 2.

ANNOUNCEMENTS

PAPERS

Rt. Hon. O.S. ARTHUR.....2

GOVERNMENT NOTICES

Hon. Miss M.A. MOTTLEY.....2

1. The St. John Ambulance Association of Barbados
Incorporation Bill, 2003.

FIRST READING OF BILLS

Hon. Miss M.A. MOTTLEY.....2

Hon. Miss B.A. Miller, 2.

SUSPENSION OF STANDING ORDERS

Hon. Miss M.A. MOTTLEY.....2

Hon. Miss B.A. Miller, 2.

ORDER NO. 7 – ANNUAL FINANCIAL STATEMENT
AND BUDGETARY PROPOSALS FOR THE YEAR
2003 – INTRODUCTION.....2

Rt. Hon. O.S. Arthur, 2, 3, 4, 6.

FINANCIAL STATEMENT AND FISCAL POLICY

Rt. Hon. O.S. ARTHUR.....7

MAKING BARBADOS CSME READY

LIBERALISATION OF EXCHANGE CONTROL

Rt. Hon. O.S. ARTHUR.....11

SECTORAL POLICIES

Rt. Hon. O.S. ARTHUR.....16

NEW SECTORAL INITIATIVES

Rt. Hon. O.S. ARTHUR.....27

TAXATION MATTERS

YEAR INCREASE NO. OF INDIVIDUAL

TAX SAVINGS (2003-2007)

Rt. Hon. O.S. ARTHUR.....34

PROJECT OASIS

Rt. Hon. O.S. ARTHUR.....38

Hon. Miss M.A. Mottley, 39.

SPEAKERS IN THIS ISSUE

ARTHUR, Rt. Hon. O.S.**MILLER, Hon. Miss B.A.****MOTTLEY, Hon. Miss M.A.**

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EDITORIAL NOTES — NOT PART OF THE REPORT

Prepared with the transcript; for checking against the recording and the Minutes.

EDITORIAL QUERIES

Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.

Q1. Masthead. The session is not stated in the source, so no session line is printed.

Q2. Order No. 7, Agriculture, Policy Framework (take-slip H:No.13(9) about 5.30 p.m.). The source carries two reporters' versions of the same passage, from 'We intend, as our policy objective, to transform and reposition the sector' to item (d) on targeted financial assistance, either side of the take-slip. The fuller version after the take-slip is printed and the earlier version (about 220 words) has been left out. Please confirm.

Q3. Order No. 7, Cultural industries (take-slip H13, Sequence 16, about 6.40 p.m.). The sentence on doubling the maximum penalty under the Copyright Act appears twice in the source, once before and once after the take-slip, in different wording. The version after the take-slip is printed and the earlier one (about 40 words) has been left out. Please confirm.

Q4. Minutes. Mr. Speaker refers to 'The Minutes of Tuesday, November 18, 2003', but the motion to take them as read refers to the meeting of 'Tuesday, November 28, 2003', a date after this sitting. Printed as in the source.

Q5. Take-slips, about 4.40, 5.30, 6.20 and 7.10 p.m.. Several take-slips read 'Thursday, November 25, 2003'; the sitting was on Tuesday, 25th November, 2003, as the other take-slips state. Printed as in the source.

Q6. Take-slip, about 6.50 p.m.. One take-slip reads 'House 13, sequence 17, 19:50:14', but it falls between the 6.40 p.m. and 7.00 p.m. slips; presumably 18:50. Printed as in the source.

Q7. Order No. 7, Land Tax (about 7.10 p.m.). The take-slip 'H:No.13(19)19:10 p.m.' is typed in the source as a line of the speech and is printed as such.

Q8. PRESENT. Hon. R. C. Eastmond is listed twice in the PRESENT list, and one entry reads 'Mr. G.W. GEORGE W. PAYNE'. Printed as in the source.

Q9. Order No. 7, Small and medium-sized businesses. The Prime Minister refers to 'the Financial Statement and Budgetary Proposals of 1977' in connection with Fund Access, which he says has been operating 'over the last five years'; possibly 1997. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met at 4.00 p.m. on Tuesday, 25th November, 2003, with His Honour I. A. Roett, Speaker, presiding; prayers were taken by Reverend Canon Ivan Harewood. The Speaker reported receipt from the Accountant-General of the accounts and statements for August and September 2003, and the Prime Minister, Rt. Hon. O. S. Arthur, laid the Report of the Accountant General for the Financial Year 2002/2003. Hon. Miss M. A. Mottley gave notice of the St. John Ambulance Association of Barbados Incorporation Bill, 2003, which was read a first time, and Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 were suspended for the rest of the Sitting.

Under Order No. 7 the Prime Minister presented the Annual Financial Statement and Budgetary Proposals. He set the economy against trade liberalisation, noting that in 2002 Barbados exported goods worth \$333 million, \$177 million of them to CARICOM, and that 80 per cent of extra-regional exports moved under preferential arrangements now at risk. After a short recession the economy had recorded a full year's growth of over two per cent, and unemployment had been held between 10 and 11 per cent. The fiscal outturn for 2002-2003 was a deficit of 5.4 per cent of GDP, incurred partly as a counter-cyclical stimulus and through a \$324.9 million capital programme; the Government intended to bring it down to 2.5 per cent. For the first half of 2003-2004 current revenue had risen 8.2 per cent, with VAT up 19 per cent and Excise Tax up 26.0 per cent.

Much of the statement dealt with making Barbados ready for the CARICOM Single Market and Economy by 2004. The Prime Minister proposed that within three years Barbados would remove all exchange controls on capital accounts within the CSME, and announced a Trade Investigations and Compliance Unit in the Ministry of Foreign Affairs and Foreign Trade to act against dumping and subsidised imports. On agriculture he set the aim of raising the sector's share of GDP from 3.2 to 6.4 per cent, described the sugar industry in its present form as 'doomed' and outlined trials of high fibre cane for electricity and research with Michigan State University.

Among new sectoral initiatives he proposed a programme for cultural industries, a doubling of the maximum penalty for piracy under the Copyright Act, treatment of retirement villages as tourism projects under the Tourism Development Act, administrative relief for rum producers on the Excise Tax, and a cut in the FundAccess interest rate from 11 to 6 per cent, with a

Barbados Development Finance Incorporated to be set up by January 2007.

On taxation he recalled the legislated cuts in the basic rate to 22.5 and then 20 per cent and in the marginal rate to 37.5 and then 35 per cent, the rise in the tax-free allowance to \$25 000 by 2007 removing some 26 000 persons from the tax net, and the reduction of Corporation Tax to 25 per cent by 2007. He proposed that from April 1, 2004 property transfer tax apply only to leases of 25 years or more and fall from 10 to 7.5 per cent; a cap on land tax; carry-forward of VAT credits; a cut in VAT interest from 1.5 to 1 per cent a month, with VAT arrears at \$103.3 million; removal of VAT on computers from 2004; and

extension of the Special Development Areas legislation to the Greater Bridgetown Area and Nelson Street. He announced \$1 million for Project Oasis for unattached young people.

The Prime Minister closed by calling for legislation to make the presentation of the Government's economic policies mandatory, cited Ruskin, and moved a Resolution that the House take note of the financial statement and endorse the proposals. Hon. Miss Mottley seconded and reserved her right to speak, and on her motion, seconded by Hon. Miss B. A. Miller, the House was suspended until 3.58 p.m. on Wednesday, November 26, 2003, when the Leader of the Opposition was to reply.