
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 2003 – 2008

HOUSE OF ASSEMBLY

Tuesday, May 25, 2004

Pursuant to the adjournment, the House of Assembly met at 10. 00 a.m. on Tuesday, May 25, 2004.

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

Hon. Dame Billie MILLER, D.A., B.C.H. (Senior Minister of Foreign Affairs and Foreign Trade)

Mr. D. J. H. THOMPSON, LL.B. (Hons.)

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

Mr. G. W. PAYNE

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

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

Mr. R. D. MARSHALL (Chairman of Committees)

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

Mr. R. St. C. TOPPIN, LL.B.

Mr. D. St. E. KELLMAN

Hon. Miss H. E. 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. T. A. PRESCOD, B.A.

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

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

Hon. A. P. WOOD, B.Sc., M.Sc. M.Phil., J.P. (Minister of Energy and Public Utilities)

Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Education, Youth Affairs and Sports)

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

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

Dr. D.C. ESTWICK, B.Sc., M.B., 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. (Hons.)

Hon. K. D. SYMMONDS, B.A., LL.B. (Minister 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, B.Sc., M.B.A.

Prayers were taken by Reverend Canon Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, May 18, 2004.

Hon. R. C. EASTMOND: I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, May 18, 2004, which Minutes have been circulated, be taken as read.

Hon. R. R. FARLEY: I beg to second that, Sir.

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

PAPERS

Hon. R. C. EASTMOND: Mr. Speaker, on behalf of the Honourable Member for St. Peter I am commanded to lay the following:

1. The Value Added Tax (Refund) (Perry Edwards) Order, 2004.
2. The Value Added Tax (Refund) (Barbados Children's Trust Inc.) Order, 2004.

Hon. R. C. EASTMOND: Mr. Speaker, on behalf of the Honourable Member for St. Michael North East, I am commanded to lay the following:

Annual Report of the Agricultural Management Company Limited for the year ended June 30, 2003.

SUSPENSION OF STANDING ORDERS

Hon. R. C. EASTMOND: Mr. Speaker, I beg to move, Sir, that Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the remainder of today's Sitting.

Hon. R. R. FARLEY: I beg to second that.

GOVERNMENT BUSINESS

ORDER NO. 3 – SECURITIES (VALIDATION OF FUNCTIONS) BILL, 2004

Hon. Miss M. A. MOTTLEY: Sir, this amendment before the House is a simple one but it is perhaps an opportune time to occasion a general debate on the functioning of the Securities Commission and the general development of capital markets of Barbados. I speak to you as part of a Government that is engaged continuously in the design and implementation of the architecture for a new economy which is intended to move this country forward in the challenging times we face in respect of our functioning domestically, regionally and internationally.

Mr. Speaker, it is fair to say that we live in times where we are seeing an economy and society in transition. We do this as effectively as a second generation can since our declaration of sovereignty at Independence and in circumstances where those things which would have informed our economic activity at the time of our settlement of our sovereign status have become far more complex today than there were in 1966.
10.20 a.m.

The structure of the economy, those participating actively on a day-to-day basis in the economy, the extent to which we have trading relations with a wider range of countries and the extent to which we must rely on trading and the creation of wealth to sustain the quality of life we have in our country.

Mr. Speaker, we live in a world where the word "globalisation" and the actions related to globalisation inform almost every discussion that takes place in respect of the economic and social activity of the lives of nations and nation states.

Mr. Speaker, these continue to be interesting times and in clear recognition of what was demanded of us, this Government over the course of almost a decade has sought to develop a framework to establish this new architecture for the new economy. Already much has been said in this Honourable House about the implications of our decisions to pass legislation establishing a Fair Trading Commission, Anti-Money Laundering Authority, passed legislation to act as a fillip to the development of small businesses in this country, passed legislation in relation to restructuring how we treat to the issue of bankruptcy and insolvency in a hope not only to bring relief to those companies that may have challenges but, indeed, in a desire to bring about a change in the culture of the society as it relates to how it views persons who have been involved in failed business activity and removing the stigma which has been attached to those persons.

Sir, part of the difficulty we face as we seek to establish this new architecture is that we come to it with all of the biases and the baggage of our history. We come to it equally with all the positive values that have brought us safely thus far.

Mr. Speaker, one of the immediate characteristics that comes to mind is the fact that this country has had an unfortunate history of placing a greater degree of emphasis and prestige on non commercial activity and, hence, the majority of its citizens have thus far tried to involve themselves where they have had the opportunity to benefit from areas related to the professional class areas such as education, rather than understanding that one of the imperatives of being responsible for your own sovereign status, is that you must be able to earn that which is necessary in order to improve your quality of life and, indeed, to build on the legacies of previous generations.

Mr. Speaker, that capacity to earn is an inextricable link to the attainment of sovereign status. In spite of that, we have not necessarily treated it as normative reference to which all Barbadians aspire on the global level, rather than seeing them continue to assume the limited definition of

earning in respect of employer/employee relations rather than the broader perspective of the creation of wealth not just for themselves but ultimately for the benefit of their community and country.

Mr. Speaker, first, I speak from the perspective of coming to this juncture with the baggage and values, positive and negative, that are associated with our people. I also speak from the perspective of recognising that challenge may well turn out to be the greatest challenge that we as a country, not just this Government, will have to overcome as we move into the second generation of Independence. However, the reality is that the opportunities for getting it right are becoming more and more limited largely because of the constraining of policy options, the difficulty of ensuring that we can earn enough to sustain the quality of life and build upon it.

In these circumstances, I believe that Barbados as a whole has benefitted from a philosophical perspective on the part of those who have come to govern in post-Independence, that this is an imperative to which all parties and all citizens in Barbados feel is critical in the building of this country.

Sir, therefore, we have, over time, to accept and recognise that the changing of these intangibles does not happen overnight. Sir, that which we are seeking to replace has, in fact, been an index of our character for over 300 years as a nation in respect of the issuing of commercial and business activity as something for those who are living on the edge rather than seeing it as a wholesome and holistic activity to create wealth and rather than seeing it as one which must be done according to a set of guidelines that are transparent, such that none are disadvantaged or such that we do not bring about a greater level of social and economic inequity in so doing.

Mr. Speaker, that is the challenge of this generation as we enter into the second phase of our Independence. Independence can only mean something if we are prepared to accept that we not only have the outward vestiges of Independence, the flag, the pledge and the capacity to pass legislation on our own but if we are able to sustain ourselves economically without falling into the hands of others to determine and direct our fortune.

Therefore, I start this debate from this perspective. In understanding that, we then understand why this Government has been committed to creating that framework for a new economy, to be able to create and expand opportunities for the creation of wealth but to do so in a way that reflects the best commitment to social and economic justice, recognising that the limited participation of our citizens in those areas meant that some with an abundance of

knowledge and capital while others come simply with a burning desire to participate and to earn.

Therefore, how do we remove that inequity and create a level playing field such that as far as possible, those wishing to create wealth for themselves and to benefit from the opportunities can so do while, at the same time, recognising that to the extent that more Barbadians can do so? It means that the general economic condition can be stronger, allowing the Government the flexibility to do the things to be able to help those who are most vulnerable and unable to step up to the plate in respect of preparing for themselves and ensuring that they can, indeed, provide for themselves and their families.

Therefore, the Fair Trading Commission Act, in terms of its commitment to be able to create a virtual market economy largely in recognition of the smallest of our size and those historical factors that have led, perhaps, to a larger degree of anti competitive practices than we would otherwise wish to maintain, the insolvency legislation, for the reasons that I adverted to earlier, the Securities Commission Act.

We recognise that to the extent that while Barbados may have a large number of players with individual levels of savings, that may not be sufficient to do the kind of boosting of our productive sector that is necessary. We have to have instruments that allow the mobilisation of this capital in circumstances where they can inure to the benefit of the wider society and those productive enterprises that are prepared to take the chance of broadening their base in ownership.

Mr. Speaker, in that context, I believe that the Securities Exchange of Barbados was established in 1987, in circumstances where we were acting more out of an abundance of faith than a capacity to know that there would be real substantial activity upon its establishment.

Asides.

Hon. Miss M. A. MOTTLEY: Sir, that is why I say that there is no real divide on the role that must be played in terms of the deepening of our capital markets. It is true to say that for the first seven years of its existence it was not given the resource base, nor was it given the profile necessary to be able to expand at a rapid pace and I think that all persons accept that.

Mr. Speaker, one of the things this Government did upon becoming the Government in 1994 was to establish a subvention to the Securities Exchange of Barbados to allow it to be able to do some of the things that were developmental in nature, both for the Securities Exchange as well as its general public education, in order to be able to

play the kind of role we are demanding of it in Barbados' modern economic development.
10.30 a.m.

Mr. Speaker, we therefore would have seen the gradual expansion and strengthening of that embryonic securities exchange. We would have seen the support by the State in terms of subvention. We would also have seen come to this Honourable Member in 2001, the Bill which now governs and establishes the Securities Commission, which separated the Securities Commission from the Stock Exchange of Barbados.

The Securities Exchange of Barbados was renamed the Stock Exchange of Barbados, in circumstances where we felt it was critical for inspiring of public confidence, and proper and orderly development of our capital markets.

What do I mean by that, Mr. Speaker? Previously, the Securities Exchange of Barbados was its own regulator, so not only was it the entity responsible for allowing trades in public companies in various ranges of instruments, but it was regulating itself.

All of us in here know that there is no desire to perpetuate a situation where the person in charge of a situation, is also responsible for judging the fairness of the activities related to that. There is a fundamental breach of natural justice and, indeed, it is an action that would not normally be allowed, even in a Cabinet or in a Parliament, or in other entities, and to that extent, that transition to the establishment of a separate independent regulator marked a serious commitment to the orderly and transparent development of the securities market in Barbados.

Mr. Speaker, we start from that perspective. We start from the perspective as well that the establishment of that independent regulatory authority would also inspire confidence on the part of those who would wish to invest, whether domestically or from extra-regional sources in the companies, entities or instruments that would be listed or managed by the Stock Exchange of Barbados.

Sir, we also broaden the powers of that Commission to ensure that misconduct, as it relates to public companies, was not limited to those listed on the Stock Exchange but to any public company, which by way of issuance of some form of debt instruments to the public would require a level of confidence to be instilled into the market.

Sir, these companies, even though not listed on the Stock Exchange of Barbados, should have the ability to treat to the public, on whom they are relying for support, in respect of any debt instruments in a transparent manner and one that reflects accountability.

Sir, the legislative framework that we have established in Barbados is broad. Indeed, it has been assessed by the International Monetary Fund, in their Financial Sector Assessment Programme in October 2002 as strong, and a model to be followed by other small developing States. We believe, Mr. Speaker, that this is the first step.

The reality, however, is that, as we all know, the establishment of a legislative framework does not in and of itself, prescribe change in the behaviour or the conduct of actors within an economy. To that extent, therefore, the institutional and the policy framework become absolutely critical after the establishment of the legislative framework.

Mr. Speaker, I speak in these broad terms at the opening of this debate because I think it is important for Barbadians to appreciate how we have gotten where we have gotten, and what is the necessity of our being here. Indeed, this is at what is required of this economy at this juncture:

1. To broaden the production base.
2. To ensure a higher degree of competitiveness on the part of firms conducting business, particularly in the context of the opening up of markets to the region.
3. The establishment of the Caribbean Single Market and Economy (CSME).
4. The possible establishment in the future of the Free Trade Area of the Americas (FTAA).

Therefore, it is imperative that Barbados, both from the point of view of being able to ensure a higher degree of activity in our tradeable sectors as well as our readiness to enter these liberalised markets, has the capacity to have instruments that can allow our companies to broaden their base of ownership, at the same time, accessing wider and larger amounts of capital such that they are not deemed to be uncompetitive, because of the high level of debt sustained by those entities.

It is a problem, without doubt that companies have traditionally preferred to use loan finance and debt finance as a means of expanding their operations, rather than expanding their base of ownership and raising capital through equity. In those circumstances, many of these companies that have traditionally operated in this way may find themselves not being as competitive in liberalised markets as they ought to be, had they chosen the way of equity financing.

Therefore, this stands to be one of the major means by which we can allow the amassing of savings in this country to be used towards the building of the productive sectors, and not to be used for the purpose of consumable items to the large extent to which they are being done as we speak.

Mr. Speaker, we have some changes. We have seen the establishment of mutual funds and pension funds investing more in publicly listed companies which will help to build those companies, and by extension, the productive capacity of Barbados. It is not yet at the stage, I believe, where we are seeing sufficient reliance and sufficient use of amassing of funds of individuals in this country, being used as the basis for building wealth for Barbados in the future.

Credit Unions, Social Security funds like National Insurance, Pension Funds, as I said, must be used without compromising the rules that govern their conduct and therefore leaving them exposed improperly, but they must be used in a deeper way to be able to build the productive capacity of this country for the future.

Much has been said, Mr. Speaker, by the Prime Minister already in his speech at the Estimates as to the Government's concern, in relation to ensuring that over the next few years, we continue to build the capacity in the productive sectors such that our reliance on tourism is not to the extent to which it is today, and the challenges that are faced within the manufacturing and agricultural sectors, largely as a result of the trade liberalisation can be overcome.

We recognise that only the very careful discipline in relation to investment, in relation to the identification of niche markets and in relation to being able to be competitive and hence, perhaps relying less and less on debt financing, will allow entities in these sectors, to be able to emerge and to go back to the strength which we expect them to be, or need them to be, in relation to ensuring the health of this economy.

I believe, Mr. Speaker, that there has to be a recognition as well on the part of all Barbadians, that one of the consequences of trade liberalisation is that we will have a corporate effect, in respect of what is necessary for your firms to be able to do and make transition.

At the end of the day, Mr. Speaker, when we agree to a form of trade liberalisation to open up our markets, it means that those companies which are on the front line have to be able to compete with others from outside. If the structure of their expenditure and hence, their profitability is constrained by high levels of debt, then they are unable to compete in as effective a way as they should.

By the same token, in 1995 and 1996 the Rt. Honourable Member for St. Peter would have issued in his

Budgetary Statements, a desire for Barbados to increase its level of domestic savings because ultimately, we must be able to finance our own development.

It is fair to say, Mr. Speaker, that the people of Barbados have responded, over the course of this time. It does not mean that we cannot continue to build that level of domestic savings, but it has increased considerably. Now, how are we going to therefore ensure that those savings are made available for the use of productive capacity in this country, and not just financing large amounts of the purchase of consumable and personal items?

Indeed, Mr. Speaker, we have been working assiduously towards being able to create that opportunity.
10.40 a.m.

One of the other things that also comes to mind is that as we established the Stock Exchange of Barbados, we did so in recognition that Trinidad and Tobago and Jamaica had previously embarked on those steps. Equally, The Bahamas has since followed.

Mr. Speaker, over the course of the last decade, there has been a project to ensure the harmonisation of these Stock Exchanges such that the capacity for cross-border trading and further cooperative efforts can be increased substantially. This was done with the view that the establishment of a regional stock exchange would be largely desired because of its ability to have the critical mass to ensure that it became a true, strong and viable instrument for economic democracy.

Mr. Speaker, the question of a regional stock exchange has been arising again and again with a greater degree of fervour and with the understanding that it would be a natural corollary to the establishment of the Caribbean Single Market and Economy, such that we should have a single regional stock exchange rather than three or four stock exchanges in three or four jurisdictions whose volume of trading has not been remarkably high and where the cost of establishing and running those four separate entities would be far greater than if we were to have one single entity particularly as we established the Caribbean Single Market and Economy.

Mr. Speaker, there have been discussions recently with a view to moving with a greater degree of energy toward the establishment of this regional stock exchange which is desired for a number of reasons. One of the things that is very clear on the establishment of the Caribbean Single Market and Economy is that countries and economies come to this arrangement at different junctures of their economic development.

Indeed, as has happened with the European Union, there is a recognition that there must be a fund to allow for the development of those who are not as strong economically to come to a certain level such that we remove any distortions in the establishment of that Caribbean Single Market and Economy.

The European Union would have established a similar fund to treat to the development of Ireland, Spain and Portugal to ensure that any inequities that may have arisen in the functioning of the Caribbean Single Market and Economy as a result of their relatively lesser development as compared to the other countries be mitigated.

Equally, in the Caribbean Single Market and Economy, we have been discussing the necessity for the establishment of a regional development fund. Mr. Speaker, those discussions have been taking place within the context of the parameters of being able to approach primarily governments within the region and large institutional investors of donor countries.

I do believe that with the establishment of a regional stock exchange it would broaden the range of people who may be prepared to invest in instruments issued by a regional development fund such that the resources belonging to the people of the region are capable of building the productive capacity and the economies of the region. Apart from that, the recognition that the ability of investors across the region to participate in Caribbean firms with the ease with which we would want them to do so in terms of our domestic economy and our domestic security exchange, is a desirable question. Mr. Speaker, these are the broader issues we would wish to treat to.

Mr. Speaker, the reality is that strong financial sectors are a *sine quo non* for economic growth. It is a fundamental that is accepted globally. Indeed, in recent times we have tried, in respect of our macroeconomic health, to ensure that we consolidate our fiscal position by bringing it into lines that we consider to be acceptable, having made a conscious decision to run a counter-cyclical fiscal deficit in the post 9/11 environment to stabilise the economy against the loss of jobs and the human tragedy that would ensue therefrom. We have made a gargantuan effort to ensure, in a shorter period of time than was originally projected, that we bring the fiscal deficit into line with what we consider to be acceptable.

Mr. Speaker, at the beginning of the last financial year we projected that our deficit would be 4.7 per cent. At the end of the financial year, it was 2.7 per cent. This House has approved Estimates with a projected deficit of 2.5 per cent this year.

Mr. Speaker, I say this in the context that as we do so, there is a genuine recognition that there are a series of fiscal

crises across the world where countries have been unable to consolidate their fiscal position, particularly with the global recession that flowed from the year 2001 onwards. Mr. Speaker, it is therefore no mean accomplishment to have ensured that we would have done so in a shorter period of time as we have done.

Equally, Mr. Speaker, we continue to see inflation at relatively low levels and to have a monetary policy that has been reasonably flexible to reflect the needs at this time. The one major point we continue to assert is that we are not prepared to move on our fixed exchange rate. However, we do recognise the need for some liberalisation of the capital accounts, particularly as we enter into a Caribbean Single Market and Economy.

Therefore, the Central Bank of Barbados has been carefully making preparation for those steps that would have to be taken to facilitate the movement of capital within the region for the effective functioning of the Caribbean Single Market and Economy.

Mr. Speaker, once these macroeconomic fundamentals are completed, it would be clear that greater structural and institutional reform would be critical. That structural and institutional reform relates to things such as the effective functioning of the financial sector, the functioning of the banking sector, the functioning of the capital markets and the functioning of the insurance industry.

Mr. Speaker, over the last five years, Barbados has assiduously put in place a legislative and regulatory framework to ensure that those deeper structural reforms can strengthen the economy such that in times of crisis, there would not be the kind of wholesale economic implosion that we would have seen in the Asian crisis. Mr. Speaker, even as we speak today, there are calls from the International Monetary Fund for countries in Asia to participate in a programme that would see those deeper structural reforms such as the changing of their bankruptcy and insolvency laws, and the greater prudential norms necessary for the effective functioning of their capital markets.

Mr. Speaker, when we speak in this country and in this Chamber, we have to speak understanding the progress which this Government and this country has made in relation to strengthening the financial sector of this country as compared to where other countries are, particularly in the emerging economy, in respect of their own reforms.

Mr. Speaker, I am not speaking in terms of this Government's judgement on its own sector, but it is significant that the International Monetary Fund and the

World Bank have established something known as “financial sector assessment programmes” under which Barbados, like many other countries across the world, would have been assessed. Barbados was assessed in October of 2002. The result of that assessment as it relates to our financial sector was largely a very positive one which shows that in almost every area of the financial sector Barbados was largely compliant with best forms of international standards.

Mr. Speaker, we must not get tied up in a lot of irrelevancies because there are those who would want to continue to attack our financial sector for what it has not been doing without recognising that the first task of any entity upon establishment is to ensure that its institutional capacity and its commitment to transparency and accountability is strong. Mr. Speaker, the recent establishment of the broadening and the deepening of this sector is a judgement that has been made by international agencies, not just by the Government of Barbados.

Mr. Speaker, we recognise that there is a time line and a cycle in the growth and development of institutions.
10.50 a.m.

Mr. Speaker, if I may come specifically to the capital markets in relation to the guidelines in the International Organisation of Securities Commissions (IOSCO), the assessments effectively show that Barbados was largely compliant with the majority of those guidelines, and that there are only two areas in which there need to be further work done.

Sir, at that time, the Financial Sector Assessment Report spoke to the fact that we needed to have ensured the other legislative arrangements in relation to securities regulations and that mutual funds and mutual regulations were put in place as soon as possible.

Mr. Speaker, fortunately before the end of 2002, as Your Honour would recall, those arrangements for the securities regulation, the Mutual Funds Act, and the regulations thereto, were all put in place. There is a recognition that there will need to be an expansion of the numbers working at the Securities Commission and in the Barbados Stock Exchange.

Sir, I am happy to report that they are, in fact, working towards the expansion of the human resource base, in recognition that if it is to do all of the things that the legislation requires of it, then it needs a greater degree of human capacity for that to be implemented.

Mr. Speaker, the one key area in which the report indicated that Barbados needed to do more, was in relation to the question of enforcement. Therefore, the Securities

Commission has recognised that it was not sufficient for them to rely only on annual reports, or on statements from companies, but that there had to be a greater degree of vigour in relation to enforcement and on-site inspection in matters such as these.

Mr. Speaker, the Securities Commission’s General Manager would have assured me that they are, in fact, now pursuing that level of enforcement in relation to the functioning of the Commission and that the Central Securities Depository, which was established by the same securities legislation in 2001, is one of the first areas that would be inspected.

Mr. Speaker, if I may remind Honourable Members of the House, the Central Securities Depository is the entity which holds the Share Certificates of persons in the country and, therefore, allows for giving a more effective system, a clear and clean title on the sale, or the disposition, or otherwise the securitisation of shares in this country.

Mr. Speaker, we have done a number of things which people have taken for granted, but since July, 2001, we have been able to move to an electronic platform in relation to trading. We have been able to ensure that risks that would normally be associated with the manual custody of Share Certificates such as the sale and transactions relating to the disposal of Sales Certificates or the securitisation of Sales Certificates, can be mitigated in our system because of the establishment of an independent central entity that can give clear and clean title to the securitisation of Sales Certificates, as was done with land title.

Mr. Speaker, the reality is that one of the reasons for deepening a capital market is to be able to allow a wider range of instruments to be used as collateral for the raising of funds, as well as to ensure that persons can embark on other wider economic activity, and in the building of productive capacity. Sir, these are perhaps some of the “unsex” things that are absolutely critical for the strengthening and for the economic sustainability of this country.

Mr. Speaker, as I have said, rapid economic growth is necessary to be able to reduce poverty and to be able to move the country forward, but the sustainability of that economic growth depends more and more on these types of structural reforms that ensure that within the society or economy, there are institutions that are well regulated, transparent and are capable of withstanding economic shocks that come about, particularly those from outside.

Mr. Speaker, I have indicated to Your Honour the comments made by the International Monetary Fund (IMF) in relation to the Financial Sector Assessment Programme,

what is necessary in relation to the capital markets. Indeed, their specific words were:

“The licensing and submission of annual reports are insufficient to ensure the protection of investors and the proper functioning of the markets. Inspections, investigation and enforcement actions are required.”

Mr. Speaker, I have said that the Central Securities Depository will be one of the first ones that would be inspected and/or investigated but there will also be other companies listed on the Barbados Stock Exchange that will be the subject of these types of investigations, in order to ensure that which they represent to persons, in terms of a well-functioning public entity, is, in fact, true.

The Commission will also ensure that the interest of shareholders and small investors are not compromised by the whittling away of assets through improper actions, for example, payments to its Executives that are disproportionate to what is required and, therefore, the company would be unable to declare a profit or pay out dividends.

Mr. Speaker, the question of having public confidence in companies that are well-regulated and are functioning with clear dividend policies can be something to which we aspire, rather than the foisted atmosphere in which the conduct of commerce in Barbados has traditionally taken place. Sir, these are issues that we will face.

Mr. Speaker, I must say to you that even though the legislative framework was passed in 2001 that as we see it functioning, there has been a recognition that there are elements that might need to be strengthened. Therefore, to that extent, earlier this year the Securities Commission has established an Advisory Committee under the chairmanship of Sir Henry Forde, along with a number of professionals, to review the Securities Commission Act and the Take-Over Bid Code Regulation which, while related to the Companies Act, in fact, relates to the functioning more so of the Barbados Stock Exchange. The Committee will also review the Mutual Funds legislation, particularly its applicability to offshore mutual funds.

Sir, the Advisory Committee has committed to report by October, 2004, to ensure that the Government can continue to keep ahead of the game, in respect of bringing to Parliament amendments that will allow for the more effective functioning of the Barbados Stock Exchange and for the building of a greater degree of public confidence, which we will wish.

Mr. Speaker, I have said, as was said in the initial debate, that one of the hindrances of all of the Stock

Exchanges in the region, is the low turnover ratio and the low volume of trading within the Stock Exchanges.

Asides.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I am anxious that we can continue seeing these things change over the course of the next decade. In fact, we have seen a strengthening since 2001 in the volume of trades and we have seen a wider class of Barbadians becoming shareholders.

Sir, let us recognise that while there may be issues whether the Barbados Mutual should have become SAGICOR, and stop being a Mutual Fund company but that of a publicly-listed company, one of the clear benefits of it so doing was the immediate creation of a class of Barbadians who might not otherwise have become owners of shares in that time frame.

The challenge is for us to be able to build upon that and to allow a public education programme to develop so that persons could begin to recognise the benefits of owning shares and to be able to involve themselves in a wider level of transactions, rather than the shares they would have received from the transfer of the property rights they had in their policies, in a mutual fund company.

Mr. Speaker, we have also seen the activity that has taken place in relation to the taking-over of Life of Barbados, where a greater volume of trading has ensued from that. We have also seen a general growing awareness on the part of Barbadians that more and more, the ownership of shares can facilitate the expansion of one's portfolio of assets.

Ultimately we hope that the commercial banks and other lending institutions would take a more liberal approach to the use of these forms of assets as appropriate security in this country, and not just ask a person for a mortgage to a piece of real property.

Mr. Speaker, when this debate first took place in 2001, led by the Honourable Member for Christ Church East, I would have spoken at length in terms of the need for the high propitiation of shares, and I dealt with that effectively. It is simply a form of mortgage on shares and that is why the Central Securities Depository becomes so critical because it allows for the transparent framework to know whether there are any charges in relation to those shares, and whether one can effectively get, lend or deal with transactions in relation to those shares without them being compromised.

11.00 a.m.

It would allow for a greater degree of confidence in the broadening of those property assets used for collateral of

additional funds by large companies and other ordinary Barbadians.

Mr. Speaker, we are cognisant of the tremendous role the Securities Commission and the Stock Exchange of Barbados must play. I speak in those general terms, but also indicate that in the context of the Caribbean Single Market and Economy, we would wish in future to see a regional Stock Exchange that can truly take its rightful place in allowing for capital to be mobilised in a transparent way and in a manner in which accountability is reflected to build this region instead of us having to rely as much as we do on the outside resources of investors whose commitment to the development of this region can, in no way, match that of ourselves.

Sir, the Credit Union Movement is a perfect example in Barbados of an entity that has amassed a considerable amount of funds and where the index of its activities reflects a greater commitment to personal and consumer loans rather than participation in the productive sector and building of this sector.

I know that the Leader of the Opposition has been an active member of that movement and one would like to think that he would speak in this debate to the necessity for ordinary Barbadians to be able to participate in the building of this country through the mobilisation of those funds in a proper, structured, transparent regulatory framework without affecting the viability of the credit union itself because of the extent to which they can invest aspects of their portfolio in building firms and companies in this country.

Sir, one of the reasons for the low participation in the Securities Exchange of Barbados has been that a number of companies in this country that have amassed large capital bases, do not want to become public companies because of the perceived loss of control, as well as the question of the need to adhere to higher forms of corporate governance in respect of their activities.

Mr. Speaker, it is an unfortunate thing which I think will take some time to develop, but the reality is that many of these private firms that appear to be big in the context of the Barbadian economy, will be dwarfed even in the context of the Caribbean Single Market and Economy far less in the Free Trade Areas of the Americas.

I do believe that there must be the positioning of these countries to be able to restructure, broaden the base of ownership and adhere to higher standards of corporate governance which is critical if they are to be able to withstand economic recession in our economy. Therefore, this reluctance to want to adhere to higher standards of corporate governance must be a historical fact and must not

be an index of their operations in a modern Barbadian economy.

Mr. Speaker, it is the intention of my Ministry, through the Law Reform Committee, to supplement the work of the Advisory Committee which the Securities Commission has established to treat to the issue of commercial law reform. We do so cognisant that in the Caribbean Single Market and Economy, we need to ensure that not only our tax rates are competitive and that there is a well functioning financial sector, but that we have laws that are modern and appropriate to the times in relation to the functioning of commercial entities.

Sir, Barbados' Companies Law is now 24 years old. The framework of law for companies has not always reflected the most comprehensive set of laws in relation to the conduct of activities within corporate entities. Therefore, we are now about to set up a committee to treat to the issue of commercial law reform.

We have given them nine months in which to report back so that we can start the process of reforming our commercial laws to keep Barbados as one of the most competitive entities within this region and ultimately this hemisphere.

Mr. Speaker, when this debate came to Parliament in 2001, it was an amazing thing that the then Leader of the Opposition sought to completely steer clear from the framework which was being established by the Securities Commission. He gave a political speech that was heard before and paid a greater degree of service to the political and cultural methodology rather than treating to a number of the fundamental issues.

I have every confidence that this Leader of the Opposition sees himself as treating to matters such as these in a more substantive framework such that we can truly have the kind of debate that the then Leader of the Opposition said as recently as Sunday is no longer a hallmark of this Parliament.

Mr. Speaker, I do not know if he feels that way because he is never here, but the reality is that this Parliament has engaged in serious debate, some of which enjoyed bipartisan support and some of which has been truly adversarial over the course of the last year. Indeed, I will say that the current Leader of the Opposition usually treats to these matters in a substantive manner such that there are issues which are articulated for the general development of the country. I can only hope that we, as a Parliament, could move away from the glib references of the need to empower persons in a vacuum and treat to how we can truly substantively ensure that Barbadians can own a greater degree of property in this country.

We speak about the role of Government, but many people have not commented on the fact that as Government has sought to liberalise the telecommunications sector, one of the key hallmarks of the issuance of licences for cellular operations in this country was that there be 25 per cent local ownership.

I may feel that this needs ultimately to become broader and deeper for a number of reasons but the reality was that participation in those licences were constrained by the 25 per cent local ownership in respect of persons participating in the economy.

I also strongly feel that when we come to the issuance of other licences, whether telecommunications, television or whatever, that we would wish to see a broader degree of local ownership in relation to entities that benefit from the decision-making of Government. Mr. Speaker, we have been working slowly in that direction recognising that these things are necessary.

For example, we do not hear the fact that there must be a commitment on the part of the entity making a put-through on the Stock Exchange to make available to investors 20 per cent of the put-through. This is not a rule that is a hallmark of all Stock Exchanges and, in fact, it has been removed from a number of other Stock Exchanges. Sir, this reflects the philosophical commitment of a Government and people that are prepared to take action to ensure that the ownership base in the country is widened.

Sir, at the same time that we deprecate the fact that more private entities which are large corporations in this country are not coming forward to be publicly listed for fears that they have legitimately or otherwise lost control, or need to adhere to higher forms of corporate governance, we also have to make sure that there is a wider degree of sensitivity on the part of the average Barbadians why investment in the range of instruments available on the Stock Exchange of Barbados is necessary to preserve their own well being and quality of life in the long term.

Mr. Speaker, traditionally, we felt that if we had money, we should put it in a bank, but the reality is that more and more Barbadians, as has been shown with the experience of SAGICOR, need to participate in the ownership of a wider degree of instruments, shares and bonds if we are to be able to ensure that we are responsible for our own development at the end of the day.
11.10 a.m.

Mr. Speaker, I have tried to speak broadly on these issues. The Property Transfer Tax (Amendment) Bill that is on the Order Paper is a related amendment and would seek to have a single debate on this issue. I should have said this earlier and I must apologise for not doing so.

Sir, what effectively happened was that the Securities legislation before vested the power of adjudication in the Securities Commission in relation to the determination to transfer taxes, *et cetera*, but the Transfer Tax Act effectively still left it in the Securities Exchange of Barbados.

Now, the Securities Commission, under the belief that the amendments had been made to the Property Transfer Tax Act, was, in fact, adjudicating matters. Therefore, the Securities amendment here seeks to validate the actions of the Securities Commission, in relation to those adjudications which were done over the period of time.

The Property Transfer Tax Act that is also before us today, seeks to amend Section 3 of the Property Transfer Tax Act making it clear that it is the Securities Commission and not the Securities Exchange that has the responsibility for doing these adjudications.

Sir, we are changing the Law for the future in terms of the Property Transfer Tax Act and out of an abundance of caution, should there be any legal actions arising from anything, we are validating the Act of the Securities Commission so that there is regularity in their functioning, and it does not become its own issue of controversy in relation to the well-ordered functioning of the Commission.

Sir, I want to say that we are happy with the functioning of the Securities Commission thus far. We are happy with it because we believe we have chosen persons who have a commitment to transparency and accountability and whose integrity is unquestionable. Indeed, the assessment to which I referred in relation to the International Monetary Fund in October 2002 validates our own perspective how this form of development within the financial sector has been proceeding during the last few years.

If we have disappointments, it relates to the volume of trading. It relates to the fact that we would like to see companies like the *Nation* newspaper, a large well functioning company, start to broaden its base and ownership, or like the Williams Group of Industries, who have traditionally remained as private companies in this country, or R. L. Seale, and I can go on and on.

Sir, the truth is, in effect we are caught in a generational framework that will have to change because some of these entities will only survive in the liberalising of trade if they deepen and strengthen their corporate entities and expand into new areas of activity while strengthening their involvement in existing areas. Some of this cannot only be as a result of lone financing, as I said, but broadening the base of ownership and allowing for other elements of domestic savings to participate.

There is possibly legitimate comment in the need for the Ministry of Finance to examine elements of its taxation to ensure that its taxation policy does not act as a disincentive to the broader and deeper participation in the capital markets, particularly in the involvement of equities, *et cetera*.

These things are under constant review and I trust and hope that with the very clear and deliberate policies we have put in place but with the active participation of not just the traditional private sector, but all players within commerce in Barbados, that there will be a greater degree of use and emphasis placed in relation to the Stock Exchange of Barbados.

I also want to say that we must come to the point where new entrepreneurs with innovative ideas can feel confident that they can place those innovative ideas in the form of a structure of a company and then seek to go public to be able to raise capital, largely because – every time I speak in this Parliament, I speak very harshly in relation to the role that commercial banks have played in this country in terms of being able to finance new productive enterprises on the part of the non traditional private sector.

I repeat those comments because I believe that when you are dealing with a society such as Barbados, and an economy where the vast majority of people have not come from a base of capital or large ownership of assets, that there is need for a greater sensitivity in one's borrowing policy, while at the same time not compromising the bank, not ensuring a higher degree of non-performing loans, but a greater level of sensitivity and openness in relation to the non traditional private sector.

Mr. Speaker, unless this is done we will continue to have persons harbouring strong feelings of injustice in this country because they do not have the same perceived access that the traditional private sector had.

Mr. Speaker, I feel that the Stock Exchange of Barbados can act as a counterfoil to the largely conservative approaches that the commercial banks have taken in relation to the development of the productive sectors and those persons participating in the productive sectors in this country.

I look forward to the day when new entrepreneurs, with the technical assistance being provided in the economy by government entities where necessary, can feel that they can have an initial share offering to be able to raise the level of capital to ensure that which is a dream can become a reality. In many respects, we already know that 80 per cent of the commercial activity in this hemisphere is conducted by small and medium-sized enterprises. Therefore, there must be the

encouragement for people who have that talent and discipline to be able to translate those things into commercial activity.

Sir, one of the consequences of Independence and the wider democracy is that there is a wider range of players making money in this country that do not see themselves as members of the traditional private sector. Sir, when you look at the leisure time activities that are embarked upon across the wider society, they are no longer the preserve of a few.

When you look at the buying patterns of the wider society, you will see people making time to be able to sell goods and services to the wider mass of Barbadians who have a higher degree of disposable income than they had at the time of Independence.

Therefore, we have seen new people who come forward in terms of their capacity to make money in this country but for some reason when you ask them and treat to them, they do not refer to themselves as members of the private sector, as if in so doing one has to be from a certain class and hue to be so referred, and that their level of involvement in the private sector entities of this country is limited.

Sir, we have to change that, especially if we are prepared to embed the social partnership in the Constitution of this country. We need to ensure that those who speak on behalf of the private sector speak so out of the legitimacy of understanding the difficulties, challenges and the wide range of experiences of all entities within the private sector and not just the traditional large commercial players we would have known in pre-Independence days, or just a small representative few within the productive sectors who have emerged within recent times.

Sir, the concept of who constitutes the private sector from the broader perspective as well as from the concept of those commercial actors whether they are members legitimately of the private sector and, hence, the need to speak and work with one goal needs to change if we are to benefit fully from the levels of the deepening of a participatory democracy that we would wish to continue to build in this country.

Mr. Speaker, we are anxiously awaiting the report of the Committee chaired by Sir Henry. There will be another amendment that will come before this Honourable House in short order to treat to the issue of unclaimed dividends and unclaimed share certificates because we must have a legislative framework for dealing with that.
11.20 a.m.

Mr. Speaker, I am aware, for example, that on the conversion of Mutual to SAGICOR, there would have been many shares, owned or entitled to, on the part of the number

of entities some of whom no longer exist, and some of whom exist but are in the form of trust. Therefore, the ability to find who should act and who should come forward is not straightforward.

The Law must also ensure that there is as much certainty as possible in the conduct of these matters and, hence, an amendment would come shortly to this House to treat to the issue of unclaimed shares and dividends.

We would also, Mr. Speaker, look forward to the treatment of other things that continue to develop. Only in recent times, we are recognising that entities are trying to use the establishment of trust as a means to avoid the Property Transfer Tax or as a means to avoid dealing with Put-Throughs on the Stock Exchange. While there is nothing legally preventing them at this stage, we believe that there are policy concerns which require us to legitimately address these issues, possibly in the context of amendments to the legislation and the amendments to the policy framework. Mr. Speaker, we look forward to being able to treat to these issues.

I want, Mr. Speaker, to say that I trust this debate will be one that would allow us to speak constructively to the further development of Barbados' capital markets. There is no doubt that we have signalled, as a Government the need for a deeper range of instruments available to the members of the public, particularly given the level of increases within our domestic savings that has taken place within the context of the last decade.

There is no doubt that there is a need for the expansion of sources of capital for firms which effectively will be the front line soldiers to ensure our economic health and prosperity, in the context of a liberalised market and a liberalised trade environment. There is no doubt that the imperative for a wider degree of ownership on the part of Barbadians, as we are seeing now as shareholders of SAGICOR and Life of Barbados which has been subsumed into SAGICOR, and as shareholders of other corporate entities in Barbados that in this generation, there is a larger number of people taking and making use of shares.

Indeed, the Government's incentives in relation to employee share ownership schemes, need to be utilised to a larger extent than has been thus far because, as I said, once you move to a stage where you can use all forms of property as collateral, and not just real property, the average citizen, whether he is an electrician, a lawyer, journalist, baker or whatever, should be able to collateralise their property to be able to expand their base.

This is the significant difference, Mr. Speaker, between the Caribbean and countries in Africa and Latin America. That is, too many countries in Africa and Latin America

have not yet found effective systems to be able to allow their citizens, who are in possession of property, to collateralise that property to secure capital, to be able to modernise their participation in farming, cottage industries or whatever.

It is a premise that those like Hernando De Soto have advocated. It is something that we in Barbados are at least lucky to have, slow as it has been, still allowed people to collateralise their property. I say all the time, Mr. Speaker, the legal mechanism of foreclosure suits and title suits have been one of the most innovative things in the context of this country's social development, because it has allowed people who were the recipients of land passed down, seed to seed, to be able to get clean and good title for that land, such that they can borrow funds.

Mr. Speaker, the fact that the process now takes long, in the context of our economy, is a judgment that we agree with, because it can take two to three years. I am happy to report to this House that the truth is we have a set of recommendations from the Bar Association and the Judicial Council which will come to me shortly for amendments to streamline that process.

The point I am making is that at the time at which that legal mechanism was developed, there would have been no other hope for thousands of Barbadians to be able to have access to capital in this country, to be able to build for themselves and their families. What we did was to find an instrument that was able to collateralise that property in which they were in possession of, and to give them a mechanism by which to enter the formal system of legal ownership. Sir, too many countries in Africa and Latin America have not been able to put similar provisions in place.

Sir, the reality is that in our generation, shares and other instruments will be to us what real property was to those of our fathers, forefathers, *et cetera*, in terms of being an engine for the creation of wealth, and that is all we are seeing. When I started this debate by defining that this was part and parcel of a framework for the architecture of the establishment of the new modern economy to carry us into the 21st Century, it was that to which I was referring.

Mr. Speaker, I say to you that we believe there cannot be strong economic growth without healthy financial sectors. We believe that the financial sector has a critical role to play in the building of this economy and the building of social and economic justice in this country.

We feel, Mr. Speaker, that this will come to be like the Fair Trading Commission, one of the key institutions that will determine the character of the Barbadian economy and

the Barbadian society, and its ability to survive in a regional single market and economy and a wider hemispheric economy.

Mr. Speaker, it will also be critical in terms of our ability to bring justice to a country which has only known injustice, in respect of the conduct of its commercial and economic affairs, to the majority of its history.

Mr. Speaker, I commend these amendments to this House. They are simple, as I said, but they are necessary. We feel that rather than just winking an eye at the fact that there was a difficulty in the Law, that the functioning of the Commission must always adhere to the highest standards of legality, and the enforcement of the rule of the Law because if you are to guard others, you must ensure that your actions are completely beyond reproach, hence, the validation and not just the changing of the Law for the future.

I believe, Mr. Speaker, that we will come to recognise that the collective effort, and the building of trust and confidence in institutions such as this, can only enure to the benefit of Barbados. If institutions such as this can only become the subject of political controversy, *et cetera*, the only body that is going to suffer is the country, because it has too pivotal a role to play in the building of the country's wealth, in the building of the wealth of individual firms, and in the repositioning of Barbados and its economy for economic sustainability, and not simply economic growth.

Mr. Speaker, as I said at the beginning, you cannot truly assert a status of sovereignty and independence if it is only in the form of form, and you cannot effectively pay and sustain your economic livelihood. This is a critical component for us to give true meaning to Barbados' sovereignty and independence, as we move to build economic sustainability and as we go forward as a nation.

I commend these amendments to this House, Mr. Speaker.

Mr. SPEAKER: Before the Honourable Member for St. Michael North West speaks, may I indicate to this Honourable House that the Honourable Leader of the House has indicated that Order No. 4 be taken along with Order No. 3.

Mr. C. A. MASCOLL: Mr. Speaker, the evidence is clear that the Government of Barbados has not practised what it has preached, in relation to the broadening of the ownership of assets in Barbados. Sir, all this talk about the development of the capital market, when we look clearly at the evidence, there has been failure to broaden such a base.

In fact, while the Government speaks of broadening the base of ownership, the Government engaged in the sale of

the Barbados National Bank to RBTT. While the Government spoke about the broadening of ownership of assets in Barbados by average Barbadians, it engaged in the sale of the Insurance Corporation of Barbados. 11.30 a.m.

While the Government spoke about broadening the base of ownership of assets in Barbados, instead of using the proceeds from privatisation to allow average Barbadians access to such things as housing and land, the Government engaged in squandering those proceeds by investing in several projects which, when we evaluate, have not redounded to the benefit of the average Barbadian.

Mr. Speaker, the Leader of Government Business spoke to the question of the marriage between knowledge and capital, but there is clear evidence in Barbados that that marriage has not worked to the benefit of the average Barbadian. There is clear evidence that the average Barbadian has not been able to participate in such assets as land where prices have gone beyond their reach. There is clear evidence that the average Barbadian has not been able to participate fully in the ownership of adequate housing and that housing remains, perhaps, the most critical social need for the average Barbadian.

Mr. Speaker, when we look at it, we see that the actual creation of this so-called capital market, the new architecture, has not really redounded to the benefit of the average Barbadian. Therefore, when one looks at the question of the creation of a framework for a new economy, clearly the evidence, since 1994, would indicate that this new economy is characterised by high fiscal deficits; by high national debt; by externally high deficits; by a one-legged economy in the form of tourism; by wages not matching increases in prices over the last ten years; by housing that is out of the reach of the average Barbadian; by land prices that have gone way beyond the reach of the average Barbadian and by the availability of low-end jobs in the form of call centres where we were supposed to move on a path in the international business sector that would have inspired Barbadians to earn between \$3 000 to \$4 000 per month. Sir, we are now employing people in Call Centres at an hourly rate of \$6.00 down the Harbour Road.

Mr. Speaker, when I look at it, even as presented by the Leader for Government Business, there is clearly no evidence that this so-called development of the capital market has translated into anything meaningful for the average Barbadian.

Mr. Speaker, one needs to listen quite clearly to this thing called "politics" because only last week, in an attempt to justify how the international business sector has developed in Barbados, we were told that 40 per cent of the corporate

taxes collected in Barbados came from the international business sector, and the corporate tax take in Barbados is almost \$250 million.

Mr. Speaker, if it is that this economy has generated so much wealth over the last 10 years, then the usual argument is that the wealth has been created in the business end among the so-called traditional companies of Barbados. If, indeed, we are now saying that the corporate tax take is a direct consequence of the so-called growth in the international business sector, how does one explain why it is that the corporate tax take does not reflect the performance of businesses in Barbados since any creation of wealth over the last ten years, we can argue, would have gone into the hands of the capitalist class rather than the labour class.

Mr. Speaker, we were told last week that the international business sector is now responsible for 40 per cent of the corporate tax take in Barbados. Now we are being told that there has been substantial creation of wealth in Barbados. Mr. Speaker, I would think that wealth has gone into the hands of the business class and not the average Barbadian, so there seems to me to be some degree of inconsistency.

Mr. Speaker, let us look at this so-called empowering framework that has been created. In a recent debate we amended legislation to permit insurance companies to invest 25 per cent of their assets in real estate.

Mr. Speaker, it is being suggested that the Credit Union Movement has a grand opportunity to be involved in the wider creation of wealth in Barbados but yet the Credit Union Movement is restricted in its capacity to invest according to the legislation. How can we find all kinds of reasons to permit insurance companies a broader base of ownership of assets, but cannot see the wisdom in allowing the credit unions to engage in even greater levels of investment in real estates and in other properties across Barbados?

Mr. Speaker, while the Government is preaching a philosophy of broadening the base of ownership, it is not actually practising that philosophy by encouraging and allowing these sectors to participate fully in the so-called creation of wealth.

Mr. Speaker, let us look at this in more detail, because I accept that in order for any economy or society to grow, there needs to be the creation of wealth, but how do we do it? We have not done it and we have not encouraged, even in the financial systems, that creation of wealth to the benefit of the average Barbadian.

Mr. Speaker, there is clear evidence, not now by the Democratic Labour Party, but being presented by international institutions, that Barbados has not gone along

the correct path. It amazed me to read and hear the International Monetary Fund indicating that our sacred fixed exchange rate may be under threat as a consequence of the high fiscal and unsustainable deficits we have been running and, as a consequence of the high national debt that we have incurred over the last ten years, compounded by the fact that the very productive base to which the Leader of Government Business referred, has not occurred in Barbados. The clearest evidence of the lack of that base being expanded is the performance of what we call the external current account of the country.

Mr. Speaker, we have seen a situation in which Barbados, prior to 1996, incurred surpluses on its so-called current external account. For the benefit of the people listening, that is simply the difference between what we spend abroad and what we get from abroad whether it comes by way of goods or services.

Mr. Speaker, after a successful stabilisation programme in the early 1990s, this Administration inherited an economy that was already on a growth path, that had already secured unprecedented levels of foreign exchange reserves, that had already been growing by 3 per cent or more, and that had reduced the unemployment rate from the very high levels down to the mid-teens by 1994. Mr. Speaker, this Administration was supposed to embark on a process of restructuring to allow for the development of the manufacturing sector of Barbados, which has not happened, to allow for the development of the agricultural sector, which has not happened, to allow for the emergence of the international business and financial sector in Barbados, which has not happened.

Ten years later, we have a situation in Barbados where we are even more dependant on tourism than we were in the early 1980s. It, therefore, constitutes a major failing on the part of the Owen Arthur administration not to have restructured the Barbados economy to make it capable of earning foreign exchange.

11.40 a.m.

Mr. Speaker, rather than earn foreign exchange, as was supposed to be the path that we should have followed, we followed a path of engaging in high levels of foreign borrowing. Therefore, it did not surprise me to read the International Monetary Fund's (IMF) Report which said clearly that the exchange rate is under threat.

Asides.

Mr. C. A. MASCOLL: You do not follow? In fact, we were told that the International Monetary Fund (IMF) was a thing of the past in Barbados and the Opposition had sent home individuals who were supposed to be working.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Speaker, the Honourable Leader of the Opposition is engaging in a form of political deception that is not usually allowed by this Honourable Chamber.

Sir, because of the Honourable Leader of the Opposition's inextricable linkage to the person from the International Monetary Fund (IMF), who was located at the Government Headquarters where the Honourable Leader of the Opposition was as well, he knows that there is no person from the International Monetary Fund who is engaged in any fixed place of residence or office in Barbados.

The Honourable Leader of the Opposition knows that the International Monetary Fund Reports that we get on an annual basis relate to the question of the annual reports which must be done in relation to the Articles of the International Monetary Fund. Therefore, to speak in a glib fashion as if this Government having disavowed any desires, has anybody from the International Monetary Fund (IMF) in Barbados...

Sir, suddenly to have International Monetary Fund Reports in our midst, again is to suggest for the unsophisticated, that the Government has brought back someone to put them in residence, as the Honourable Member was put in residence, to be tutored by an International Monetary Fund representative, up to September 1994.

Mr. Speaker, perhaps the Honourable Leader of the Opposition should thank us for his professional development and for ensuring that he was no longer a victim of economic servitude in a way that will allow him to think for himself.

Mr. SPEAKER: Please, you have made your point.

Asides.

Mr. C. A. MASCOLL: Mr. Speaker, it is certainly because people were classified as being unsophisticated that we could have used the departure of Fritz Proco at the time, as an indication that we had, in fact, cut our ties with the International Monetary Fund.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Speaker, I am not going to sit in here and allow this Honourable Member to mislead this Honourable Chamber when there was never a circumstance where this Government had indicated that it was cutting all relations with the International Monetary Fund (IMF).

We had indicated that we were not prepared to have a representative of the International Monetary Fund in residence at Government Headquarters, or in the Ministry of

Finance. We indicated that we were not prepared to have someone from the International Monetary Fund giving instructions, not only to the Minister of Finance, but also to his advisor, who happens to be the current Leader of the Opposition.

Mr. Speaker, we had also indicated that we were not prepared to have a representative of the International Monetary Fund coming into this Honourable Chamber to watch, while his tutelage was reflected in the personality of the now Honourable Member for St. John, who was at that time, Minister of Finance.

Mr. Speaker, we had also indicated that we were not prepared to subject Barbados to a form of economic servitude and slavery that the Democratic Labour Party had willingly subscribed to with the International Monetary Fund. Sir, at no stage was there an indication that we were breaking off relations with the International Monetary Fund.

Mr. Speaker, that assertion must be taken in the same light as the secret deal with the International Monetary Fund mentioned by the Leader of the Opposition. There seems to be something about being Leader of the Democratic Labour Party that allows these allegations to be made with such ease.

Mr. SPEAKER: Please.

Mr. C. A. MASCOLL: Mr. Speaker, notwithstanding all that was said, the Government of the day could not have prevented the International Monetary Fund (IMF) from writing its most recent Article, which is an annual consultation, and I read from Article 4, page 2:

"These factors, including high Government deficits, national debt and the external current deficits, could pose a risk to the fixed exchange rate anchor, the central pillar of Barbados' policy framework, especially in the event of a turnaround in the private capital flows."

Mr. Speaker, I need to put this into context. I am now going to tie this comment into the debate.

Hon. Miss M. A. MOTTLEY: On a point of order. If the Honourable Member is going to quote from the document, let him quote it in its entirety. While the International Monetary Fund said that about the Barbados economy, its judgment also was that there was a strengthening of the international reserves position; that there was a recognition that Government's focus on expenditure control was welcomed, that the Government's commitment to wage restraints was welcomed; and that the Government's projected reduction in extra-budgetary spending was welcomed.

Sir, therefore, let the Honourable Leader of the Opposition not quote from the Report as if this was the singular judgment of the International Monetary Fund (IMF) in relation to the Barbados Government.

Mr. C. A. MASCOLL: Mr. Speaker, that is precisely the point, that this Government had a honeymoon almost, in borrowing from international sources of significant amounts over the last 10 years. In fact, between 1998 and 2004, this Government has borrowed almost \$1 billion. That is, in fact, the reason why the International Monetary Fund (IMF) is now in a position to say that in the absence of capital inflows, that our exchange rate is under threat.

Mr. Speaker, let me explain. A country's external accounts can be divided into two, the current account and the capital account.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Speaker, it really does well for the Honourable Leader of the Opposition not to mislead because he is an economist and he knows more.

Sir, the Honourable Leader of the Opposition knows that it is only since 1999-2000 that the International Monetary Fund has redefined its definition of economic sustainability.

The Honourable Member knows that the International Monetary Fund, in recent times, has been speaking to the issue of the level of public debts in a way that it was not speaking to before. The Honourable Leader of the Opposition also knows that this Government has made a deliberate judgment in the last three years to raise capital on the market because of the economic uncertainty provided for by the 11th September, 2001, terrorist attack, the combination with the global recession, and to the fact that we have said that those were funds that we would not have otherwise have borrowed, had there not been that global recession. We did not know what would have happened in the future, neither did we want a repeat of the human tragedy that befell the Barbadian populace between 1991 and 1994.

Sir, the evidence has proven that we were correct in so doing because we have not seen the level of job losses, or the level of recession. Therefore, the Honourable Member is seeking to speak to the unsophisticated in a way that as a professional, he should know better.

Mr. C. A. MASCOLL: Mr. Speaker, I still rise to my point. What is being said here is that having not restructured the Barbadian economy, it means that this economy does not now have the capacity to earn foreign exchange and that the current account on the external side is going to be in a persistent deficit for years to come.

Sir, to earn foreign exchange in Barbados, outside of tourism, there is need to earn foreign exchange by way of agriculture, from the international business sector, and from the manufacturing sector on either the current side or the capital side. One can borrow money or can get an inflow of money for one's real estate or property for investment.

Sir, what is being said here is that since over the last four to five years, we have had an influx of capital for our real estate or property that is unsustainable, therefore, since it is unsustainable, it means that it is more prudent to have the economy being restructured in a way that would permit it to earn foreign exchange.

Mr. Speaker, in fact, the Leader of Government Business has said that one of the major objectives in the future would be to broaden the productive base of Barbados. If that is true, then the Honourable Member must then agree that there has been a tardiness.
11.50 a.m.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, on a point of elucidation. I indicated that and went further and also indicated this Government on the laying of the Estimates of Expenditure for this year admitted that there were difficulties in relation to the external current account deficit and that this period of time had to be used to retool and restructure the productive sector to ensure a more balanced earning of foreign exchange.

The Government went further and indicated that lack of activity in the restructuring of the productive sector, particularly by the last Government as it sought to stabilise the economy, has led to us being in this position. We have an aged tourism sector, a manufacturing sector and agriculture sector that have been comprised substantially by commitments given by the Democratic Labour Party in a trade liberalised market. In those circumstances, we pointed out that this Government is committed to the restructuring of the productive sectors to deal with the current account deficit.

Sir, for the Honourable Member to suggest that this is something only he is prescribing is nonsense because this Government has been committed in that regard.

Mr. C. A. MASCOLL: Mr. Speaker, this Government is so committed that some years ago in 1999/2000 when we raised the point that the economy was going into recession, there were all kinds of discussions in Barbados about the doom and gloom being preached by the Democratic Labour Party and that there was no recession. In fact, it went so far that a daily newspaper had to seek to define what a recession was and it said that in the United States of America, a recession is two consecutive quarters of economic decline.

We said that if there were three consecutive quarters of decline, that the Barbados economy was in recession and there was retort from the Governor of the Central Bank of Barbados seeking to suggest that the Barbados economy never entered into recession. Sir, we then read in the IMF Report that the economy shifted into a recession in 2001. We tried to raise the issue of recession but everybody denied that the Barbados economy was in recession.

Sir, we redefined and relaxed the definition for recession and...

Hon. Miss M. A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member knows that the discussion and debate at that time was not about whether Barbados was in a recession or not. The Honourable Member knows that he made allegations about the foreign reserves which the Governor had to come out and treat to with him and for him to restructure this entire debate in terms of saying that he was alleging recession when in truth he was speaking about the growth in the foreign reserves and the Governor had to correct him on that point, is to mislead this House. Sir, the Honourable Member must remember that some of us have long memories too.

Mr. C. A. MASCOLL: It did not have anything to do with any fall in the foreign reserves. The point that was being made is that the Barbados economy was not restructured. In fact, my middle name must be "restructure" because I have been speaking to this question of restructuring the Barbados economy since 1994. Mr. Speaker, in 1999 and 2001 we had clearly identified that the Barbados economy has not yet been restructured.

Sir, I do not engage in innuendos. I am a straight talker. Here is the compelling evidence that all that we have been saying for the last seven years in Barbados has now resulted in the conclusion by an international organisation that conforms with what the Democratic Labour Party has been preaching over the last seven to eight years.

Mr. Speaker, we understand the need to empower Barbadians, but it cannot be done with the existing Stock Exchange or Securities Commission because we know the limits. I do not have to go into the details because they can be found in the Annual Reports of the Central Bank of Barbados. There are about 13 companies that participate in that process and they cannot cause any reallocation or creation of wealth.

In fact, we have to be careful that there is no insider trading where people sit as directors and make decisions because of the privilege they have and, in fact, in Barbados certain names are repeated in most directorships. Sir, Barbados is a little place in which a few people gather in

order to make major decisions about the advancement of this country.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member is clearly relating the experience of the Democratic Labour Party where a few people gather to make decisions about the future and the future leadership of the Democratic Labour Party. Sir, clearly, he cannot be imputing against the Government.

Indeed, Mr. Speaker, the Honourable Member for St. John had said that the way to deal with Government's problems is to meet over a bowl of soup in St. John. This is clearly the approach of the Democratic Labour Party, but the Honourable Member must not impute those things in respect of this Government because we have seen to it that we have put a transparent and independent framework in place to deal with the issues of the possibility of insider trading that the Honourable Member adverted to. The Honourable Member is referring to his own Party and his difficulty in raising capital.

Mr. C. A. MASCOLL: Mr. Speaker, I want to get to the substance whether or not capital markets can create wealth in Barbados because we know it will not happen, given the existing state of affairs. In the Minister's presentation she did not advance small businesses becoming involved in the Stock Exchange...

Hon. Miss M. A. MOTTLEY: Mr. Speaker, on a point of elucidation. The Honourable Member from St. Michael South Central would do well to know that companies that are involved in nepotism cannot be allowed to participate without impunity in the Stock Exchange of Barbados. Having said that, I spoke clearly in my presentation both in respect of a domestic stock exchange as well as a regional stock, to the use of it for small and new companies.

I spoke about young and new entrepreneurs and small companies participating in order to be able to access capital where they have good ideas in order to ensure that they too can grow because of the conservative and reactionary policies of the commercial banking sector in Barbados. Sir, the Honourable Member is misleading this Chamber.

Mr. C. A. MASCOLL: Mr. Speaker, I want to deal with this matter in detail because I hear a lot of discussion about how savings have increased and that there is a lot of liquidity in the commercial banking system. Mr. Speaker, I wish to say that even if there is savings in the banking system, it may not be of any direct consequence of local activity but by the influx of foreign dollars for capital investment, so there has not been a major creation of wealth. Indeed, if you do a proper analysis of the deposits in Barbados, you would recognise that individuals have not been saving substantially, but that the savings have been occurring among companies.

Mr. Speaker, even in the face of liquidity in the commercial banking system, the Government of Barbados needs to restructure and correct the economy in such a way as to offer opportunities in tourism, the manufacturing sector as well as to permit persons to feel confident about investing in agriculture and to participate in the international business sector which we have tentatively addressed.

12.00 noon

If that does not happen, we could have as much liquidity as possible in the banking system because people invest to make money. People do not invest because they see money. The same way that you do not borrow money because you have a good credit rating, you invest because you see an opportunity to earn. It is known that the Honourable Minister said that we borrowed funds because of our good credit rating in anticipation of...

Hon. Miss M. A. MOTTLEY: On a point of order. Sir, once again the Leader of the Opposition is taking all the bad attributes of the former Leader and engaging in the form of half truths and that does not fit him well. Sir, he does not wear it well largely because he does not have the same sense of guile.

Mr. Speaker, I am saying that this Government never indicated that we borrowed only because we had a good credit rating. We made the point that the economic uncertainty of the times required us to ensure that we had a buffer and that Barbados was not exposed in the way that the Democratic Labour Party exposed us in 1991 to less than two weeks of import cover.

Mr. C. A. MASCOLL: It was also stated in the Resolution that we were borrowing \$300 million to assist the private sector in repositioning itself to the challenges of globalisation. There is no evidence at all since 1999 that this Government has used any such funds to assist the private sector in being repositioned in a struggle against incoming competition over the period. It has not happened.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, once again the Honourable Member is misleading this Chamber. The Honourable Member knows full well that this Honourable House, since he has been here, has debated using some of those funds to retool and rebuild part of the tourism sector in the form of Needham's Point Development Limited and other areas of the tourism industry. The money has also assisted in the airport and, I believe, the agriculture sector. The Honourable Member knows better and I undertake that when I respond to him to provide the details of how those funds have been used.

Sir, the Prime Minister, in his Economic and Financial Statement in November last year, was very clear to say that he did not believe that the money should be put in a sterilised

account but should be used to build the productive capacity of Barbados such that we can ensure a better balance in the earning of foreign exchange in this country.

Mr. C. A. MASCOLL: If you have the Hilton Hotel standing and you pushed it down to replace it, then for me, that is not wise investment and that is what has occurred. The other thing is, we know that the discussion surrounding what monies have gone into the Hilton really talked about the Public Enterprise Investment Fund. The Public Enterprise Investment Fund would be proceeds that come out of the privatisation of Government's assets.

Sir, am I now hearing that we had a programme to invest funds into the Hilton Hotel out of the proceeds from the borrowings of the late 1990s and the early 2000 period? Sir, that is not true.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, the Honourable Member is speaking with a vagueness that does not befit a person who is either a professional or Leader of the Opposition. We are speaking specifically of US\$150 million that was borrowed post-September 11. Let us, therefore, be specific and stop talking about loans from the early or late 1990s and trying to be general in making a speech that, in fact, does not have any impact.

Mr. C. A. MASCOLL: I am aware of all of the loans that were borrowed by the Government. I am also aware that the allocation to the Hilton Hotel came expressly out of the Public Enterprise Investment Fund. In fact, we were told that the proceeds were used to offset some of the indebtedness we have incurred in previous years. Sir, to hear now that we have allocated so much to the private sector, I am amazed to hear that because I would like to see the evidence when the Minister winds up because there is no clear evidence that those funds were, in fact, allocated to such.

Sir, we know that in Barbados the major thing confronting us is mergers. There is a belief, and rightly so, that in order to be able to compete more effectively that we have to merge. Out of that we are going to see a tremendous challenge for small enterprises to be maintained and sustained. Therefore, the relevance of the information before us can be understood.

Sir, the adjustment to property transfer tax, is such that we do not permit through large entities like CIBC and Barclays Bank to merge and we become something and we do not see the corresponding benefits of property transfer taxes which should arise as a move of the assets to the new company. Similarly, when people sell property they have to pay it because they are changing ownership.

Mr. Speaker, there are two entities that have merged together in the interest of Barbados' financial system and, therefore, there can be some justification for not having to pay a property transfer tax of the magnitude that would have arisen because of the size of the assets of two major commercial banks coming together as one. I can understand that.

Sir, I would also like small businesses being permitted to have the flexibility in this new global economy to be able to invest in other areas outside of their current sphere of activity. For example, a travel agency may see an opportunity to get involved in some tourism entity and may, therefore, wish to transfer assets in order to form a separate company that is distinct from the existing company.

Sir, why should a small business be penalised by having to pay property transfer tax and stamp duties if it sees an opportunity to adjust its portfolio in a way so that it can take advantage of the prevailing investment climate? Why is it that small companies should have to go through such difficulties?

I am saying that there is need for a more comprehensive look at the property transfer tax as it relates to the flexibility of small businesses in making the adjustments in this new investment climate to take opportunity of anything that may come, that is what has to be done.

Sir, you know that I can speak to these issues with comfort. I can be sophisticated or not to be sophisticated and you are aware that I am so privy. Let me go on to speak to some of these matters.

In an attempt to broaden the base of the inclusion, we must understand that the productive base of Barbados can only be broadened if people make for the small players in the market to get involved. That is, we cannot rely only on persons or businesses coming into to Barbados to form companies. We have to also position our small businesses in Barbados in such a way so that we can take advantage of any opportunities that may result from this new global reality. Therefore, I am for initiative that permits such.

Therefore, in that context, there has to be an opportunity for the Credit Union Movement, which was identified, to be able to participate more fully in the economic arena of Barbados rather than to be restricted the way in which it is as is currently the case. We have to have a situation like that.

Asides.

Mr. C. A. MASCOLL: The Credit Union Movement is well-run by a number of outstanding young black

Barbadians. If you want evidence of this, you can visit the Barbados Public Workers' Credit Union which is located at Belmont Road.

Asides.

Mr. C. A. MASCOLL: Let us not believe that because we do not have persons who have Knighthoods or people who have been in business for 20 years and have a family history in business, that the Credit Union Movement is not well-run.

In fact, what happened is that as a result of the democracy that exists, there is a situation in which a wide cross section of young Barbadians who are lawyers, accountants, marketing and insurance representative who can get involved in the membership of the Boards and bring that kind of expertise to the management of the Credit Union Movement.

Therefore, that is the way forward. To have a restricted environment in which credit unions cannot access property or real estate on Broad Street because somebody is concerned about the exporter, is not the way to go.

Asides.

Hon. Miss M. A. MOTTLEY: On a point of order. The Honourable Member knows full well that this Government is in the process of seeking to strengthen the prudential norms in relation to the Credit Union Movement. That is a precondition to being able to broaden its ability to participate in wider investment opportunities. The Honourable Member knows that there is no division in relation to the need to use the Credit Union Movement to help build the productive capacity in this country rather than only to finance consumables.

I believe the Honourable Member was part and parcel of the consultative process in relation to looking at a policy framework for strengthening the regulation of the Credit Union Movement as we have done with the traditional financial sector.

12.10 p.m.

Mr. C. A. MASCOLL: Mr. Speaker, there are some other issues that have to be addressed about equity versus debt financing. Our tax system does not favour equity financing. Therefore, we have to find a way to encourage persons to get involved in equity financing of businesses, but it is not sufficient because the way the tax system functions, it actually penalises an individual. Whereas, when you borrow money, you do not have that threat.

When you borrow money, you just look to pay the interest rate but you do not have to be concerned about a dividend and the withholding tax and then reporting it as income, then for it to incur further Income Tax and the like. Therefore, we have to look at encouraging or removing the bias against equity financing, in order to broaden the base of ownership of assets in Barbados. It cannot be done by a simple manipulation of the Securities Commission.

This is a major issue that has to be dealt with and particularly, if we understand the partnership between knowledge and capital – because it is the knowledge that we bring – other people bring capital and that is where the fear is with respect to Barbados. Sir, in this new environment, we have to be careful not to compromise the persons who bring knowledge to the table, and who may not have the necessary capital to partner those who already have and that is where our major challenge is. Sir, that is why I have been making a repeated call for a debate on the way in which certain people are being marginalised.

Asides.

Mr. C. A. MASCOLL: It has nothing to do with feminine or masculine. It has to do with utilising the human potential and capital in Barbados.

If we do not allow our males to participate in the process more fully into the future, then we compromise the very base of the human capital that we are seeking to advance and explore. It is not happening in the way it should, and this is why we need to analyse the whole question of knowledge base that is being brought to bear to the economic and social arenas of Barbados.

Mr. Speaker, I speak of the enrollment and I have to repeat, there is a three to one enrollment of females ahead of males, at tertiary institutions in Barbados. In actual fact, below the age of 25, there are more males than females in Barbados, and the enrollment at secondary and primary schools reflects that there are 100 boys, to 98 girls. By the time you get to tertiary level institutions, there are three females to one male.

I think it is time to remove the discrimination that occurs at 11 Plus. There should not be any situation in which girls are asked to get higher marks to go into the same school. It immediately presents the female with an advantage, in terms of discipline and esteem.

Do you know what it is for a young lady to sit beside a boy at Combermere knowing that she had to get a little more marks? She already feels superior and, therefore, the boy in some sense feels inferior and that should not be the case. Let it be the case that they both struggle and fight.

Hon. Miss M. A. MOTTLEY: I am glad that the Honourable Member has just conceded that women are required to work twice as hard in this country to be considered half as good. I hope that will also lead to a change in policy, in relation to the Democratic Labour Party and its women. I am happy to hear him.

Mr. C. A. MASCOLL: Mr. Speaker, women are twice as sweet.

Asides.

Mr. C. A. MASCOLL: My mother and my wife are perfect examples.

I have no difficulty with anything to advance the cause of women in Barbados because I am a product of a home dominated by females and feel extremely proud to say it.

Asides.

Mr. C. A. MASCOLL: The most substantive issue is that in the absence of marrying the knowledge and the capital, we are going to fail. Therefore, we have to understand that Barbados, while people do not like to hear it, is still fairly close to that 1960s experience, where education is still the basis upon which we are going to develop this society. What is required is a different kind of education and an understanding that we need to revisit the educational system to find out why, especially our boys, seem to get bored at school.

They do not want to pursue the academic line but are still equally inclined to go in other areas like sports and culture. There is a need for a redefinition of what we are doing. Our human capital base has to be looked at in such a way to understand that the marriage is very critical.

Sir, I want to caution the Attorney General that there is not a direct correlation between savings and investment in societies like the Caribbean, because we are never quite so sure why people are saving. People save for different reasons. I think that Caribbean people save mainly for precautionary reasons, not to speculate into getting any real interest rate, because if you had to look at it, there is no reason really to put your money in a commercial bank to get 2 per cent.

They put it down in the event that they want to convert that financial asset into a real asset in the future, such as putting it into a house. You can put it down because you are not sure what life may hold ahead. Therefore, people in the Caribbean tend not to save because of any speculative motive. Therefore, we cannot fool ourselves that there is any major relationship between growing savings and the capacity to invest.

This economy has not been able to provide investment opportunities for Barbadians for a long time and particularly in certain areas. What is happening is that even during that difficult period of the early 1990s, Barbadians invested in transportation. We saw the emergence of ZRs and taxis.

Even during that difficult period, we saw the emergence of people selling food in Suzuki vans. Even during that difficult period we saw the emergence of people getting involved in agriculture, growing and selling, so that in Barbados, in response of the so-called difficulties of the 1990s, a new class of entrepreneurs started to emerge.

Barbadians are strange beings. While the young men do not want to work in established businesses from 8.00 a.m. to 4.00 p.m. because they do not seem to have the discipline, and they need a certain sense of independence, the young men are prepared to sell ackees, coconuts, grapes, oranges and the like, bareback in the sun.

The other thing is that these young men, in fact, do not want to have a situation in which they have to wait a month for any salary. They want quick cash and they want it now. It therefore is going to be very difficult to be able to translate or transfer that kind of thinking into one of creating capital markets.

The Government has to get involved in the provision of certain social and economic goods in the interest of the average Barbadians. It has reached that stage in Barbados. Let us not fool ourselves that young men do not want to get involved in business, or young men do not want to work. They do but they do not want to work in traditional businesses and companies.

Therefore, Mr. Speaker, the real thing we have to look at is not the establishment of these large entities to provide large financial resources for Barbadians, but how could we effectively allow young women and men to get access to small sums of capital to set up small businesses.

Mr. Speaker, the establishment of these large entities to provide large financial resources for Barbados is not what we need to look at. The real thing we have to look at is how effectively we could allow young women and men to get access to small sums of capital – I am not talking about hundreds of dollars, I am talking about \$10 000 or \$20 000 – at maybe interest free rates or concessionary rates in order to get involved in painting, landscaping or some other business.
12.20 p.m.

Asides.

Mr. SPEAKER: Order, please!

Mr. C. A. MASCOLL: Mr. Speaker, we have to give opportunities to those kinds of businesses. We cannot have a situation in which we are only targeting the upper end. This so-called capital market development is for the 13 existing companies, which I could read out from page 135 of the Annual Statistical Digest of the Central Bank of Barbados. Mr. Speaker, these are a bunch of companies that perhaps understand the need to be involved in the wider dynamics of investment which over the years, might have had a culture.

Mr. Speaker, let us go on because this debate is far-reaching. It is very evident that we have not been able to capture the spirit of developing a true capital market in Barbados and that over the last couple of years we have made some fundamental errors. We were told about the new architecture, about the Fair Trading Act and about insolvency legislation. Mr. Speaker, I am saying that in spite of all of this legislation, small businesses have not been able to get access even as it relates to special development areas.

Mr. Speaker, Baxters Road is now a special development area but almost every business on Baxters Road owes money to the Land Tax Department. Therefore, they cannot access any benefits from the Special Development Area because they are in arrears, so all of this discussion about small business associations and small businesses on Baxters Road not having access to concessions, we are not going to go anywhere because they owe somebody some money.

Mr. Speaker, the Barbados Water Authority suddenly sees the need to cut off everybody's water supply because they got some new fellows up there who were in the business of public relations for a long time who feels that they need to get aggressive. They are even going around cutting off people's water who do not owe them. That cannot be fair to the people of Barbados and it cannot be fair to several small businesses in Barbados.

A recent example of that is Mall Internationale. Trimart, which has an entity in Bridgetown, gave them more money than they should actually get, but they still cut off the water services at Mall Internationale because of this new found aggression. Mr. Speaker, it is one thing to speak about aggression, but it is another thing to understand that we have to be cautious as it relates to the payment of arrears, because in those special development areas, many of those businesses still cannot access the so-called concessions.

Mr. Speaker, if we want to have Barbadians in a position where they can invest in shares, they have to have access. Over the last 10 years in Barbados, even in the arena of growth and boom, workers have not been able to see any substantial increases in their income because of the income protocols we have put in place. In fact, I am surprised to hear the Leader of Government Business suggesting that

Government has agreed to a wage restraint in this document, because we were told that should not happen.

Mr. Speaker, if wage restraint is unreasonable to the extent that businesses are doing well, the Government is doing well but the workers are not doing well, then overtime wage restraint really means a wage cut because if you were supposed to get a 10 per cent increase and only got 5 per cent, it means that some time up ahead you have been effectively reduced.

Mr. Speaker, the Retail Price Index of Barbados is inadequate as a measure of inflation and prices in Barbados today. The Retail Price Index does not capture the impact of the Value Added Tax on services and therefore cannot adequately measure how prices have moved in Barbados over the last seven years since the introduction of the Value Added Tax.

In order to understand it, let us simply cast our minds into an arena, in which prior to the Value Added Tax, all of the services that we previously engaged in did not attract taxes but after the introduction of the Value Added Tax in 1997, all kinds of services, pedicure, manicure, hair stylist and legal attract VAT.

Mr. Speaker, the Retail Price Index was not designed to capture the impact of the Value Added Tax on services and therefore grossly underestimates the increases in prices in Barbados. I am therefore, saying, Mr. Speaker, that before we can talk about wage restraint we need to adequately measure the increases in prices.

Mr. Speaker, there is no way that there has been only a 2 per cent increase or less in inflation over the last year. We live in Barbados and we know what it is when we get a salary and we go and visit the supermarket.

Asides.

Mr. C. A. MASCOLL: Are you telling me that we are convinced and we accept that the official consumer price index is measuring inflation at less than 2 per cent in Barbados over the last five years, and we should feel happy? The workers are being ripped off.

Mr. Speaker, I will come back after lunch.

SUSPENSION OF SITTING

Hon. R. R. FARLEY: Mr. Speaker, I beg to move that this Sitting be suspended until 2.00 p.m. today.

Hon. A. P. WOOD: I beg to second that.

Mr. SPEAKER: Before I move the Suspension, I just want to remind Members of the Management Commission that we have a very important meeting at 1.00 p.m. and we really need them to attend this meeting, please.

The question that the Sitting do now suspend until 2.00 p.m. today was put and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.
12.30 p.m.

RESUMPTION

Mr. DEPUTY SPEAKER: This House is now in Session. The Honourable Member for St. Michael East.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, earlier in the day we were speaking to the issue of partnership between knowledge and capital and I wish to suggest that while we have been putting all kinds of measures in place to assist in the allocation of capital in Barbados, that given the very limited market which we have, the coming together of capital and labour market developments would, in fact, give rise to the creation of output and consequently wealth.

Sir, it would be unwise to put so much emphasis on the capital market development of Barbados, while respecting that we also need to boost our labour market and not be concerned with a number of issues which would have been raised in the past.

In fact, for there to be a real coming together of these two markets to the benefit of the wider society, we need to take into consideration issues such as minimum wage legislation, in order to enhance the labour market. We also need to look at the question of unfair dismissal laws because there is no sense in which one could only cater to the market and not be cognizant of the fact that the labour market has to be protected as well. Therefore, unfair dismissal laws have to be a must in this environment.

Mr. Deputy Speaker, the question of occupational health and safety laws would also be critical in assisting the labour component of this new thrust and in understanding that the labour market is a critical part of the process of the integration of capital markets and the consequent output effects it would have.

We also have to be conscious that in this very flexible environment in which we are, with the realisation of globalisation and the coming together of regional markets and economies, that trade union recognition is also going to be very vital. There has been a recent analysis of the trade unions suggesting that they are not as strong and that, perhaps, they are more bureaucratic than they used to be.

Therefore, we have to be very careful that we do not marginalise the Trade Union Movement in Barbados to the extent that it no longer carries the kind of weight that it has in the past. Therefore, if we are to have a proper coming together of the capital and labour relationships, then trade union recognition is also an important part of that process.

Mr. Deputy Speaker, in short, therefore, for us to get the best out of the relationship between labour and capital, we need not only to bring legislation that allows for the allocation of capital across the various sectors but would also allow for the effective use and security of our labour resources in Barbados.

2.00 p.m.

The natural extension of a relationship between capital and labour is the Social Partnership. We have seen in Barbados when labour and capital come together under the guidance of Government that it creates a so-called Social Partnership.

While there is a natural extension of the relationship, we are all concerned that over the last 10 to 12 years in Barbados the Social Partnership has not given rise to the kinds of benefits that ought to have been derived by the labour component of that partnership. If anything, the employers and the Government have benefitted more from that relationship than the workers.

Sir, as we look ahead, our Social Partnership has to be redefined within the context of the new global realities we will confront. It has to be redefined in the sense that we have to guard against constraining and restraining the wages of workers to the extent that we do not create the working-poor which is becoming very much a reality.

While we understood the need to have a Social Partnership in the early 1990s because of the social circumstances, all would agree that the boast of growth and economic expansion has not really resulted in substantial benefits to the majority of workers to the extent where a strange phenomenon has occurred and we now have working-poor in Barbados. Sir, these are the ones who work from one pay package to the next merely existing and not being able to save. Sir, they have to struggle to survive from month to month.

Mr. Deputy Speaker, I was suggesting in the pre-lunch session that companies should be allowed some degree of flexibility to transfer assets in an attempt to make use of opportunities that would result from this new economy and that the same flexibility is going to be part of the process of the labour market in which employers are going to be asking Government to agree with greater flexibility as it relates to labour policy to cope with this new environment.

Sir, if that is so, we have to understand the need not only to introduce policies that cater to the capital markets but policies that would offer increasing levels of protection to our workers in a market that would become flexible as employers move from one area of opportunity to the other in search of greater rates of return on their capital investment.

Sir, we cannot simply confine our focus to allocating resources through the market mechanism and not understand the implications that this new global reality will also have for labour.

Sir, while Government has agreed in the most recent IMF document to the restraint of wages, it has to understand that in such an environment, workers' capacity to purchase and acquire will diminish once incomes do not move commensurate with rising prices. This phenomenon has occurred over the last 12 years in Barbados.

Sir, if we accept there must be flexibility, we need to look at putting legislation in place that would allow workers to have a greater degree of flexibility in earning.

Mr. Deputy Speaker, the whole concept of a minimum wage has to be looked at as it relates to work effort. It is not simply a question of giving a worker a minimum wage to satisfy him but how much flexibility is permitted within the employment to allow a worker to work extra hours for more pay. The time has come not only to set a minimum wage but to allow workers to have greater access to income by way of work effort.

Sir, we will never find an adequate wage that would satisfy all tiers of the low income workers in Barbados because it varies from sector to sector. It seems to me to be more instructive to have a philosophy where you permit workers to have access to more hours of work and be paid in accordance with that flexibility. Sir, this is just a suggestion being put forward in terms of the way forward for minimum wage.

Mr. Deputy Speaker, it is similar to the concept of giving so-called poor people in Barbados a house from the Urban Development Commission or Rural Development Commission. If you offer an individual the comfort of a house but do not provide other sources of income, you have not taken that person out of poverty. You have actually put shelter over their heads but not the opportunity to earn their way out of poverty and simply installing a minimum wage cannot deliver the kinds of goods required for workers.

Therefore, I am suggesting that another component of the minimum wage must be to offer greater flexibility of earning so that workers can have greater access to income to catapult them out of poverty. I understand the work and

appreciate the mission of the Urban Development Commission but, Sir, a house cannot take a person out of poverty. I use this analogy with respect to the concept of minimum wage.

Sir, there are several issues which we have to grapple within this new reality. We have to grapple with the issue of the working poor, flexible labour policy and how do we cope, in terms of making Barbados more competitive with a growing wage bill. The worker must still have a chance to earn be the one to make the sacrifice as happened in the Social Partnership agreement that was signed in the early 1990s. Therefore, we must provide an environment in which workers have an opportunity to participate not only in delivering output but to participate in the creation of wealth.

Sir, if we accept that low-income workers will never have the income to investment in capital in the way in which we are suggesting today, then there must be other provisions to allow workers to move beyond the bottom of the income scale. Sir, opportunity, therefore, is the method by which we would create or engineer our way out of poverty and it cannot be simply legislating minimum wage or the provision of a house but by way of granting such opportunity.

Mr. Deputy Speaker, when all is said and done the question of national leadership that focus on the development of our human capital has to be the basis for the way forward in any new Barbados.
2.10 p.m.

Sir, that constitutes for me the relationship that has to be tied together with respect to the way in which labour and capital will come together in the future for the benefit of Barbados, not just for the benefit of the capital-ruling class in Barbados.

There is sufficient to show that since the early 1990s, whereas people can speak of the creation of wealth, the creation of wealth has been consolidated further in the hands of a few. In fact, over the period of difficulty and boom, the class that has benefitted most has been the owning capitalist-class in Barbados. Sir, this is a direct result of the fact that it has been particularly difficult, given the lack of policy on the part of this Administration to reposition the economy and the small business sector to get things off the ground to allow small people to participate in the process which resulted in the further consolidation of wealth in the hands of a few.

I know that this Administration has to take responsibility for not having provided the environment over the last 10 to 12 years, in spite of having the resources to do so. They failed to allocate those resources adequately. They now cannot expect that the capital market is going to cause the allocation of resources to bring about the kind of creation of wealth they are requesting of the economy.

Government had an opportunity to lead the way. Government had an opportunity to allocate the very resources that it had for the privatisation of the Barbados National Bank and the Insurance Corporation of Barbados to provide that environment.

Government still has an opportunity to give the broad-based class an opportunity to own more resources in this society and economy but they have not done the necessary infrastructural work in order to be able to allow that to happen. Sir, that has been the major failing of the Owen Arthur Administration and will continue to be.

I have said before that since they failed to restructure the Barbados economy, since they failed to reposition it to give greater levels of opportunities to a wider cross section of people in Barbados, especially underprivileged people, since they failed to provide the social needs in terms of housing, health care delivery and our educational system that has not been revised with respect to the requirements of today's age, this Administration...

Dr. W. F. DUGUID: On a point of order. I hate to interrupt the Honourable Member when he is using such great flow but he is seeking to mislead this Honourable House. The record is clear. It is unmatched, the number of houses that this Administration has provided for people over the last 10 years. Sir, compare it to the previous Administration, which only provided approximately 200 housing solutions.

Under this Administration we have provided several hundred housing solutions. Sir, for the Honourable Member to say that we have failed the people of Barbados is untrue and misleading this Honourable House and I ask that it be struck from the record.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, to respond to that interruption would be tantamount to responding to a statement that is loaded with intent and never delivered the intent.

Sir, if there is an increased demand for bicycles in an economy when compared to an increased demand for cars and we get the feeling that the increase in demand for bicycles is an indication of how well we have done, when, in fact, the people need cars, we are confusing ourselves that we are delivering the requirements of the people and this is precisely what has happened. If you feel that having built 400 houses and you have satisfied the demands and desires of the people of Barbados, then you can rest in your own belief but the reality is, Barbadians are demanding even more housing than they are demanding jobs.

I can speak to you like that because the reason why that is so is because the very people that are employed, who are part of the working poor and may wish to have access to housing, even though there is a desire, the effective demand is not there because they recognise their inability to be able to acquire the house of their dreams. This is a direct consequence of the failure on the part of this Administration to adequately manage the land and property markets in Barbados.

Sir, having done so, they would recognise, and the Minister of Housing has recently recognised, that there is going to be an almost an incredible task to deliver houses to low income Barbadians. It is not because people are not working but because people who are working are finding it difficult to get that level of income so that they can invest in low income housing. Do not beat yourself on the chest that what people are demanding you are not delivering but still you can find a way to justify how well you are doing. That was the contribution of the Honourable Member for Christ Church West.

Sir, it is for me to recognise that there is merit in this debate and it was deliberately cast in a very wide net by the Leader of Government Business to allow for a fuller debate rather than to confine it to securities and the whole question of capital market development.

What is being fully recognised by the Government's side is that, notwithstanding the so-called capacity building that was supposed to have occurred, there is no evidence that even in the capital market that there has been an adequate reallocation of resources in the interest of the people that we are here to serve. Sir, rather than being so, we have had complete consolidation of wealth in the hands of a few.

Mr. Deputy Speaker, this has occurred because historically in Barbados the land-owning class would have taken care of the majority of our 106 000 acres of land which we have available in Barbados. If they had been the traditional owners of that land and if, as happened over the last 12 years, land and real estate have been allowed to skyrocketed the way which they have, then the beneficiaries of any development over the last 12 years would have been to the property-owning class of Barbados.

This is a direct consequence of the measures that the Owen Arthur Administration put in place in order to encourage the land to find its real economic value. This is a direct consequence of the failure of the Owen Arthur Administration to adequately deal with the property transfer tax and, in fact, allowed for foreigners to have a similar playing field as locals, in terms of property transfer tax and thereby encouraging the ownership of lands by foreigners in Barbados as a consequence of the 1999 amendment.

Sir, therefore, you cannot help but say that in many senses the Barbados Labour Party has failed the people of Barbados in not creating an environment that would have allowed for the creation of wealth among the majority of people but might have created wealth in the hands of a few who have already been the privileged class and the owning-class in Barbados.

Sir, this is why this debate is major. It is major that in spite of the so-called liquidity in the banking system, we do not have opportunities for investment even among those who have capital. This is why they have been crying out for areas of opportunity for investment. In fact, rather than seek to utilise the existing excess capital in the banking system, we have seen a desire on the part of the property-owning class in Barbados to merge and even sell existing assets to foreign persons.

If it is that there is so much capital and the economy is generating so much wealth, why would those who have the capital not wish to invest in Barbados? The investment levels, when compared to other countries in the region, is the lowest when expressed in a percentage of GDP?

I have already presented this information to this Honourable Member that notwithstanding the boast of Barbados that Barbados' record in terms of investment as a ratio of the entire economy is the lowest throughout CARICOM and that was contained in a document presented here not too long ago.
2.20 p.m.

We have to be concerned, Mr. Deputy Speaker, because we had a situation in Barbados where, although the grass appears to be growing, not many persons have access to the green grass, and only a few cows, as I have said before, had been able to graze on this grass.

This should be a concern of all and, in spite of the opportunities that the Government would have had over the last several years to reposition the Barbados economy, in spite of the opportunities they would have had to use the excess resources which they had to help in the process of repositioning the economy and giving greater opportunities to average Barbadians, they have certainly squandered such opportunities, and now cannot be appearing to be manipulating a capital market in the interest of creating wealth, when the wealth creation that occurred so far has not redound to the benefit of the average Barbadian.

Therefore, when tested, this Administration will certainly be found wanting, with respect to having administered an environment that was conducive to growth, an environment that was conducive to the allocation of resources among all the people in this country, an

environment that could have offered opportunities to a wider cross section of the Barbadian public, an environment that could have given Barbadians an even greater opportunity to participate in the wealth creation of this country, and would have failed in such pursuits over the last 10 to 12 years.

It is no wonder therefore, Mr. Deputy Speaker, that the Prime Minister is now convinced that his place really is in the creation of the Caribbean Single Market and Economy, and has basically in some sense, abandoned the effort to give even greater opportunity and expression to the concept of economic enfranchisement, to the concept of the empowerment of the poor, and to the elevation of average Barbadians to the lofty heights of the economy. Therefore, we should let the market determine how we allocate resources and how resources in Barbados are owned and, by extension, the assets of Barbados.

We have an opportunity, as I said before, where our National Bank could have been effectively spread around a wider cross section of ownership in Barbados, but we sought, instead, to sell it to foreign sources.

We had an opportunity where our best public sector asset, the ICB was operating in the interest of profit that could have been derived for the benefit of average Barbadians, instead we have sold it.

We had an opportunity where the proceeds from the privatisation programme could have been used to give further expression to the broad ownership of assets and resources in Barbados instead, we squandered the resources.

We have seen now, Mr. Deputy Speaker, that even the International Monetary Fund (IMF) has come to the conclusion that Barbados high fiscal deficits, Barbados high national debt, Barbados high deficits on its external accounts, and current accounts are all putting the sacred fixed exchange rate of Barbados under threat. This must be a concern for the Government of Barbados that would have been privileged to have the most revenue of any Government in the history of Barbados; that would have been privileged to have borrowed the most money of any Government of Barbados; that would have been privileged to have a private sector that was in its favour from its start; that would have been privileged to have a labour union that accommodated its expectations from the start, that would have been privileged to have a social partnership in place where the employing class would have been already in bed with the Government, and yet still with all those conditions in place, the Owen Arthur Administration would have failed the good people of Barbados.

I thank you, Mr. Deputy Speaker.

Hon. G. A. CLARKE: Mr. Deputy Speaker, I rise in this debate to compliment the Minister for bringing this particular legislation to Parliament. I am indeed heartened by the fact that over the last 12 years, there has been tremendous investment in the capital market of this country. No doubt, Sir, we have seen that Barbadians have been encouraged to invest into ordinary things. Sir, the Leader of the Opposition would have us believe that there has been no investment in this country, and we have wasted the people's money but it is far from the truth.

Mr. Deputy Speaker, when one looks at the reality of what has taken place in this country over the last ten years, one would see that a Government that is not only trying to look at good opportunities for people, but its social programme, remains intact.

Mr. Deputy Speaker, I want to speak on some of the small things which the Opposition seem not to be in tune with. The historical facts are clear. When we came to power in 1994, unemployment was the highest in living memory. We have reduced unemployment to single digits, between 9 per cent and 10 per cent almost.

The Leader of the Opposition talked about the high liquidity in the banking system. How did the high liquidity get into the banking system? The banking system is flushed with money because the ordinary people are saving. The credit unions that he spoke of have lots of money to invest. Many of the persons of the credit unions are investing their money and we have to speak about these things.

Mr. Deputy Speaker, the Honourable Member for Christ Church West was right when he pointed out that we have created in this country, the atmosphere for investment in housing. Never before have we seen so many houses constructed between the period 1994 and 2004. People are having more disposable income.

Mr. Deputy Speaker, the Leader of the Opposition would have us believe that people are poorer than they were at any time in history, but this is not true. Let us look at a simple example. We have a situation now where the single most investment is a house. Everybody wants a home but you can only demand a home in Barbados, based on your family size and your ability to pay. Many persons are working for high wages and they can afford to pay mortgages.

Sir, under the Democratic Labour Party, the demand for housing was not as great as it is today because people were not working. The unemployment rate was 23 per cent, and once the unemployment is that high, a person could not demand a home. Every Member of Parliament today, Mr. Deputy Speaker, will tell you that most of the people

they see in their constituencies need a home. The reason for this is that they are working and they have money to pay for a home.

The people did not have any confidence in the Democratic Labour Party up to 1994. There was no hope and therefore people did not demand houses as they are today because they did not want to take any chances. Today, under the Barbados Labour Party, people have hope and confidence and they are investing.

Mr. Deputy Speaker, we have to face the facts that we have created more loans for poor people, in the Government, through the private sector, the Urban Development Commission, and the Rural Development Commission. All these institutions were put in place to provide loans for ordinary people.

Sir, when we came to office, the average lending rate at the Barbados Mortgage Finance Company was 9 per cent for poor people and we reduced it to 6 per cent. We have also encouraged the ownership of homes through 100 per cent mortgages, where people are able for the very first time to get a home without a down payment. All they needed was the ability to repay the loan.
2.30 p.m.

Mr. Deputy Speaker, we know that the Opposition would cry out, but it is a waste of time for them to come to the House crying foul. They must take their lashes. We on This Side sat and did not say a word when the Opposition was speaking. They must hear the truth. We made the provisions for the 100 per cent mortgages. We empowered Barbadians as they were never empowered before. Mr. Deputy Speaker, that is why the demand is so great today, not only for housing. Mr. Deputy Speaker, ordinary Barbadians today want to invest their money in other things.

Mr. Deputy Speaker, I want to remind the Leader of the Opposition that there are hundreds of Barbadians today who want to invest in small things like taxis to take advantage of the influx of tourists in this country. Mr. Deputy Speaker, the Opposition says that the economy is on one bootstrap. However, Mr. Deputy Speaker, we have a situation today where persons are investing their money in taxis, minibuses and ZM vans. Mr. Deputy Speaker, hundreds of persons are interested in these small investments because they have the money to pay and they know that the earning capacity is there.

Mr. Deputy Speaker, we not only have investments in housing, we also have investments in agriculture and in other types of areas across the country. More people today are taking advantage of non-sugar agriculture. More people are involved in cotton and in the rearing of animals. Therefore, the Opposition needs to be aware of what is going on.

Mr. Deputy Speaker, investments are taking place all across Barbados. We have seen it not only in my constituency. I am sure the Honourable Member for St. John could tell us that people in his constituency are involved in agriculture once again.

Mr. D. J. H. THOMPSON: On a point of order. Mr. Deputy Speaker, I left the Chamber, so I do not know if we moved on to another item. If it is that the Securities Exchange is now regulating sheep farming, pig farming and so on, I would like to know. I thought this debate was about the Securities Exchange of Barbados and about investments in shares.

Sir, if the Honourable Member is going to call me to be involved to be in the debate, I would assume that he would call me to be involved in what is on the Order Paper.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. G. A. CLARKE: Mr. Deputy Speaker, the Honourable Member would know that any investment in the economy, whether it is investment in stocks or in shares, is investment and it gives opportunities to our people. Mr. Deputy Speaker, I am saying that investment in agriculture as well as investment in tourism and in the Stock Exchange would help the economy. We are saying all this and he knows what we are speaking of.

Asides.

Hon. G. A. CLARKE: Mr. Deputy Speaker, it was the Leader of the Opposition who widened this debate to speak about investment in housing. It was the Leader of the Opposition who spoke about the fact that we are not providing opportunities for young Barbadians. Mr. Deputy Speaker, the Leader of the Opposition spoke about the working poor, but we will always have the working poor with us. We have an opportunity now to put a case, not only for the working poor but to help people to understand that through education and training they can rise above poverty.

Mr. Deputy Speaker, there are great opportunities today for persons to be trained at the Samuel Jackman Prescod Polytechnic and at the Hotel School which would help them to get work to better themselves. Mr. Deputy Speaker, when the Leader of the Opposition spoke about the working poor, he never suggested how the working poor can rise above poverty.

Sir, we know that persons with capital can invest their money to help the working-class. The Opposition must understand that we must have investment and we must have

a class in our society who has money that they are willing to invest in order to provide employment for ordinary Barbadians. It is important for us to do so.

Mr. Deputy Speaker, in terms of working longer hours, we have a situation today where people are not intent on working longer hours. People do not work more than 40 hours as a rule in this country. The reason for this is that the disposable income is so high that persons would purpose to spend their leisure time doing other things. However, the Leader of the Opposition has been calling for longer working hours for ordinary Barbadians. I am saying that we do not need longer working hours and that persons are working less because of their disposable income. Mr. Deputy Speaker, people are earning and as they earn more, there is a demand for things like going to football and cricket matches.

Asides.

Hon. G. A. CLARKE: Mr. Deputy Speaker, more people are now attending shows than ever before because they have the money to pay. You could put on any show in Barbados today and people are going to go to them because they have the disposable income. Under the Democratic Labour Party people were scared to come out of their houses as there was more crime in the country. Today people have confidence.

Mr. Deputy Speaker, we have more than plenty in this country. This country is doing exceptionally well. Mr. Deputy Speaker, can you imagine the Leader of the Opposition is saying that Barbados has the least investment throughout the Caribbean, I cannot believe this.

Asides.

Hon. G. A. CLARKE: People are flocking to invest in Barbados. I have never seen it written down anywhere that Barbados is reckoned to be one of the few countries that people would want to invest in. Barbados has always been a stable economy. People from outside want to come here. We see what has happened in the last four or five months of this year when we received the greatest tourism arrivals ever and a number of persons are coming back here not only for two or three weeks.

Mr. Deputy Speaker, people are asking to buy property in Barbados, that is a fact. We have built a lot and we continue to build more and we will build more. We know the Leader of the Opposition would want to tell the House the number of roads he is getting, and we will continue to build more. Investment, Mr. Deputy Speaker, is what we are talking about.

Mr. Deputy Speaker, we will continue as a Government to provide opportunities for ordinary Barbadians. Mr. Deputy Speaker, the Leader of the Opposition did not expand the

point when he talked about the development of the human capital.
2.40 p.m.

Mr. Deputy Speaker, the development of the human capital is a very important point which must be looked at very seriously because it can only take place through training, education, and resources that the Government would have put in place.

Mr. Deputy Speaker, this Government is on record for putting more money into education, health and poverty alleviation, in order to reposition the economy.

Mr. Deputy Speaker, I have always wondered why the the Honourable Leader of the Opposition has always been saying that the Owen Arthur Administration has not repositioned this economy but has never yet suggested what he meant by repositioning the economy. The Honourable Member has never said what he would have done to reposition employment in this country, or to create further employment.

Sir, I believe we are on the course to keeping this economy stable and that we will, among other things, continue investing in the small things in which ordinary persons could invest. Sir, I do not believe that the Honourable Leader of the Opposition would not want us to borrow more. The Honourable Member has said that we have borrowed money and he has quoted statistics from the International Monetary Fund (IMF) indicating that this Government has borrowed more than any previous Governments.

Mr. Deputy Speaker, it might be true that this Government has borrowed money, but we have borrowed money to put into investments, in order to create employment in this country, and to provide other opportunities to help with the development of this country. Sir, for example, we can speak to the Road Rehabilitation Project, which has cost more than \$50 million, along with other World Bank projects which cost more than \$50 million.

Sir, over the next 10 years, Government would have to borrow money to put into the development of the ABC Highway, where that road has to be widened, and where other roads across this country would have to be repaired. When Government borrows money and uses it to develop the economy in order to provide opportunities for poor people, I believe that is important. I do not have any fear in a Government that borrows money to help uplift investments in a country. When the Democratic Labour Party was in power, they borrowed money to help prop up the Balance of Payments.

Asides.

Hon. G. A. CLARKE: Mr. Deputy Speaker, a Government must put money into an economy to help investment.

I thank you, Mr. Deputy Speaker.

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, I am not surprised that the Honourable Member for St. George North seems to be a bit confused about what this debate is about. I was not here this morning and I was listening to the radio.

Asides.

Mr. D. J. H. THOMPSON: But I rather not be here and still contribute when I come, than to be here and not contribute anything.

Mr. Deputy Speaker, I sat and listened to the Honourable Member for St. Michael North East for that entire speech and at no point was I able, when I looked at my Order Paper, to determine what was being debated in the Honourable House.

Mr. Deputy Speaker, I felt that the presentation by the Honourable Member for St. Michael North East was a major departure from the original debate which took place in this Honourable Chamber in 2001, over two days in relation to the Securities Act.

Sir, at that time I think the Honourable House came to an important consensus about the difference between the regulation functions which the Securities Commission would perform and then in a subsidiary debate, people went on to debate the question of economic democracy in Barbados.

Sir, strictly speaking, the functions of the Securities Commission have a lot to do with the environment under which investment capital is allocated in Barbados, and in helping persons to feel secure and confident that it is properly regulated. It also ensures that institutions which hold their money and the activities which these institutions would undertake, are being closely examined.

Sir, the question of ownership is a different matter and, therefore, let us understand what has been happening, and the statistics were given in that debate in 2001. In 1985, fifty-six nations had significant securities markets with a total capitalisation of US\$6 million. By 1995, eighty-five nations had stock markets valued at nearly \$US18 trillion, while the global bond market reached US\$18.5 trillion.

Sir, you can see what has happened in that 10-year period. You can also see the extent to which international institutions, as part of their attempt to redesign the financial architecture for the world, had required countries in the Caribbean to move towards the establishment of stock exchanges and to a regional stock exchange. The Central Bank has dismantled the restrictions which were in place and has encouraged foreign investment.

Mr. Deputy Speaker, we should never forget that when we are talking about investment on the Stock Market or when talking about capital investment generally in Barbados, there are two kinds of major investors. There is what one might call the investment aristocracy, the people who have always made major investments, which are usually families in a country like Barbados, Jamaica or Trinidad and Tobago.

The second most important investor in terms of the size of its investments is institutional investors, and not individuals, for example, the National Insurance Board; insurance companies; Mutual Funds; foundation endowments; banking institutions; pension funds, *et cetera*, and at the end of the day, since it is not always possible to sensibly unravel the individual ownership of those funds, because there might be hundreds or thousands of persons, then the big question at the end of a debate like this is, who are the true owners who should influence decisions that are made in relation to investments.

Sir, since that is an almost impossible task, one would find that institutional investors tend to go for more conservative objective and detached measurements of how to invest their money. Therefore, the yield, the rate of return, the foreign exchange risk, things that have nothing to do with raising sheep or pigs, or whether the rain falls – nothing like that. That is the reality and that is why the comments of the Honourable Member for St. George North are so far removed from anything that makes sense in this debate. They might be relevant to another debate or to a debate at the corner of Four Cross Roads, St. John.

Mr. Deputy Speaker, unless the Honourable Member for St. George North understands how major funds are mobilised in Barbados... and he is a Government Minister who would have dealt with major contracts. He is a Minister who would have been responsible for investments made by the National Insurance Board in a \$65 million project at Warrens, St. Michael.

It is true that the entire thing almost collapsed under the weight of someone's incompetence but the point is that the Honourable Member should have sufficient political intelligence, and I do not mean that in a negative way, to recognise that in a debate such as this, that the man who is raising pigs and sheep, is almost completely left out of the

equation. It is for that reason that in the year 2001, the Democratic Labour Party put a series of recommendations on the table.

2.50 p.m.

I am not going to steal the thunder of my friend from St. Lucy but Honourable Members on the Other Side thought it was hilarious when he talked about companies paying dividends. The Opposition then tried to look at that point and the ways in which we could encourage more broad-based ownership.

Sir, it is not the Stock Exchange that is going to encourage more broad-based ownership except to the extent that it creates a stable environment and regulates the institutions in which you are investing property. Sir, it is a recognition across the corporate sector in Barbados that the most important people in a company are not always the shareholders. There are many parts in the world where people have moved toward recognising the stakeholder concept, the importance of the consumer and the importance of the heirs to the shareholder and whether they have a stake in the company.

Sir, companies pay major amounts of money to Government by way of corporation tax, so is Government not a stakeholder in the success of that, company? Are the managers and workers not also important stakeholders?

When I heard the Honourable Member for St. Michael North East regaling us with the sterility of the 1960s capitalism, I thought her mind had moved beyond that. If it had not done so, she could have referred to the presentation by the former Member for Christ Church West in the debate on the Securities Bill.

Sir, I do not want to be immodest but she could even read my presentation or the one from the Honourable Member for St. Lucy. In that debate we recognised that there had been a move towards more securitization of assets, that more people had credit cards in their possession and that more people had student loans. We went through a list of other areas where there was greater securitization and we moved in that debate to make six recommendations which this Government laughed at.

I have lived to see the United National Congress in Trinidad take a number of the recommendations that the Democratic Labour Party had in its 1999 Manifesto relative to Government contracts and economic democracy and incorporate all of them in their Manifesto. Meanwhile, Honourable Members on the Other Side said they could not work.

Sir, we had suggested a number of new innovative programmes and incentives. We made the point that Government needed to allocate a serious percentage of its contracts to small businesses in Barbados to shore up their cash flow so that they could make other investment choices and go into new areas of business.

Sir, this Government complains that businesses could not take up any of their incentives even though they put a plethora of them in place but there were a variety of reasons including the problem of cash flow that many small businesses faced. Sir, these small businesses cannot pay their Land Taxes, National Insurance contribution and a whole series of commitments they cannot pay weekly or monthly.

We advised that a larger portion of Government's contracts be given to small businesses in Barbados but this Government thought we were asking them to take up the taxpayers' money and give it to people who were not doing anything for the money they were receiving.

Sir, 90 per cent of the persons who got money from the Urban Development Commission, the Rural Development Commission and the National Housing Corporation are not now in business. Sir, that was not economic democracy but high-class, financial wickedness, in my view, because they cannot point to any of those persons who are still in businesses.

Sir, every week they would give \$5 000 to a bodywork man who bought a stereo set or travelled to Miami. When he came back from Miami, someone would put him in court because he still had the same amount of debts so he was back to square one. Yet, the Government was saying every week that they had created many small businesses in Barbados.

Sir, I cannot identify by any objective analysis how many businesses were created and sustained by this Government.

Asides.

Mr. D. J. H. THOMPSON: Sir, the speeches of the Honourable Member for St. George North are so hilarious that Honourable Members of the Government heckle him in disbelief. Meanwhile, all the black supermarket businesses in Barbados were closing one after another and few were given the opportunity of getting a contract with the Government of Barbados. Sir, the traditional businesses in the distributive sector were consolidating while small businesses were shutting down.

Asides.

Mr. D. J. H. THOMPSON: If you want to know the name, read the newspapers and see names like Budg Buy, Shamrock, Wise Shoppers, Rick's Supermarket. Sir, I do not want to call all of them because it is such a sad statement and it is disgraceful. This is the Barbados Labour Party version of economic democracy.

We also said that when you give contracts to these large traditional businesses in Barbados to supply the Queen Elizabeth Hospital and the Schools Meals, that they should enter into employees' stock ownership plans. How come the business is only profitable for the people who own it but the workers and average consumers in Barbados who must buy food commodities are not good enough to invest in these businesses?

Sir, the workers, whose taxpayers' money is still subsidising the business through these Government contracts cannot buy a single share in the enterprise if they want to do so. Sir, there should be the concept that companies that benefit from Government patronage should have fair and democratic procedures in their boardroom and in their employment practices and ownership. Sir, that has always been my view.

We also recommended that companies were moving towards outsourcing, which is another one of those sub-clichés of globalisation. Sir, people in the boardrooms were setting up their children with small businesses to distribute drinks from machines. They knew where the outsourcing was taking place and all the traditional cleaning, landscaping and business in the distribution sector was going through the "eddoes". We said that in the new phase of outsourcing that we need to find a way of saving some of the small businesses and creating a linkage between the larger enterprises in Barbados and those small businesses.
3.00 p.m.

It is not only Government's responsibility. It should not only be left to the Honourable Member for St. Michael South East to find money to set up a landscaping business for his constituents. He should also be able to find linkages in the private sector to sustain those businesses because he would not be in politics forever.

Asides.

Mr. D. J. H. THOMPSON: I am talking about self-sustaining businesses and activities that bring big and small businesses together in a transparent manner and provide opportunity. You will always have room for corruption and nepotism but you have to find ways to root that out. If your overarching objective is to create those linkages between small and big businesses, then you would have made some steps along the way to economic democracy in Barbados.

The fourth point we made was about Government licensing. The Government was about to issue licences in telecommunications and we appealed on This Side for the Government of Barbados to issue those licences to companies that had broad-based ownership. The Honourable Member for St. Michael North can talk as much as he wants, but I know that an additional 2 000 people own shares and some for the first time in their life.

I am saying that you can use your licensing requirement. That is not an offence against the World Trade Organisation. This Government never looks for ways to be creative. They can give you all the World Trade Organisation rules, all the latest jargon, all the issues that you must treat to, all the ponderous arguments you hear at international debates and organisations.

When you make one basic suggestion which can be implemented, you can sit down your principal investors and tell them that if they want to come into Barbados, they must get some Barbadians on board with them and then we will look at their application favourably but the Government does not have any criteria for broad-based ownership in telecommunications.

Sir, they closed Mobil and set up a company. We appealed to them to make a percentage of the ownership of that company available to the public and institutional investors in Barbados. It is still owned by the Government of Barbados, that might be because they ended up owing the Government of Barbados \$56 million in taxes as a result of incompetence so they could not put it on the market with that amount of money outstanding to the Government of Barbados.

I am saying that there were many opportunities and Government had it within its own hands to use the tools available to it to create more broad-based ownership in the Barbadian economy and nothing was done.

Asides.

Mr. D. J. H. THOMPSON: We are debating regulation now. We are not debating economic democracy. Fortunately, the Democratic Labour Party in this debate put it on the agenda but, left to That Side, we would be talking about all the international speeches and clichés. I wonder who you all really represent in Parliament. I do not have to ask the Honourable Member for St. Michael East because he made that abundantly clear, much to everybody's annoyance.

Asides.

Mr. D. J. H. THOMPSON: When we talked last week about international business who was the Honourable

Member for St. Joseph representing? He made no contact with a single individual who put him in here. You would have thought that people left New York, Sweden, Luxemburg and the Cayman Islands and came to Barbados to put him in the House of Assembly.

Asides.

Mr. D. J. H. THOMPSON: Now that we are on a debate about this, you would believe that we are sitting in a sanitised boardroom as politicians without any concern for the people who elected us to this Chamber.

Sir, we said then that we, the Democratic Labour Party, missed the boat with Westmoreland but what we should have done and what should be done in the future is that where you give such large tax concessions to any development in Barbados, that you also require them, particularly when they are foreigners, to come in with local partners and more broad-based Barbadian ownership.

Aside.

Mr. D. J. H. THOMPSON: In England and parts of the United States of America when you want to put down those major developments, they sometimes make you put down low cost housing as well because the Government comes to the conclusion that you are already mobilised, and since the mobilisation costs are often so high, they would say that they would approve six condominium units but you have to build on 21 acres of land, an additional number of units for poor people, and we will give you the tax concessions. Sir, they build that in but we are not so creative.

Sir, with the limited land that we have in Barbados, you would think that people would be looking at ways and means at trying to distribute this resource as fairly and evenly as possible. Sir, people coming from outside cannot be offended about that because if they want to live in a safe and secure Barbados, then we have to provide for those who are less well off. If they do not have that philosophy, they should keep their money and do not come to Barbados. Sir, we made that recommendation.

The last recommendation we made was in relation to the Special Development Areas in which we said that built into that legislation there should be some perspective on ownership. If you are going to give a company massive tax concessions via the Special Development Areas legislation, you also have a right to say to them that this is the kind of corporate ownership-structure we think best suits the needs of Barbados.

If they want \$200 million in tax concessions, then 20 per cent of your enterprise should be offered on the market or within 10 years of operation. We did that with

Heywoods. We gave Almond Beach the concessions and we told them that they had to go on the market. They sold the workers a percentage of the shares and put a percentage on the market. We broadened the base of ownership.

Sir, we found a conglomerate that was interested in purchasing a hotel and we told them what the conditions were. We told them that they could have the hotel at a particular price but you must undertake X amount of investment, you must broaden the ownership of the enterprise and you must put in beach accesses *et cetera*.

Sir, there has not been a situation, other than in relation to the Town and Country Planning regulations in Barbados, where this Government has used that kind of creativity and ingenuity to get greater ownership and even greater participation by the traditional business sector in building and helping communities in our country and trying to solve some of the chronic and endemic problems that we as politicians face in relation to housing, and the way land is allocated. This is what the debate was about.

Sir, do you mean that we have retrogressed four years later that we could come here and have this debate today that is so sterile and devoid of any commitment to the people that we are supposed to represent? It is that kind of thing that would sap your energy. If we have to continue this week after week in here, the Parliament of Barbados would not be anything for people to aspire to.

Sir, on that occasion, we also spoke about the advantages that traditional businesses have in Barbados and successive Governments have given them that. They have a voice on the Central Bank Board, and feel that voice does not tell them at cocktail parties what is going on. There is no representative of Baxters Road, the Ivy Housing Association, the gas station attendants or the Pinelands Creative Workshop on the Central Bank Board but there is a representative of the top ownership aristocracy on the Central Bank Board.

If you feel that they do not meet and use the information they get from the Central Bank, you are wrong. There is one of them on the National Insurance Board and if you think that he does not know where the National Insurance Scheme is investing its money, you are wrong.

In fact, there was a member of this House who was a member of the ownership of the aristocracy on the National Insurance Board.
3.10 p.m.

Asides.

Mr. D. J. H. THOMPSON: Sir, you had them on the Central Bank Board. You put them on Government Boards, but there is no combination of new investor or representative of black businesses in any sector in Barbados that is sitting on any board and using the information as wisely and as carefully as it is used by that ownership aristocracy in Barbados.

I praise them for that ingenuity. I am not attacking them for it because I assume that is how they have learnt to be successful. I am saying let us translate that into benefits for other people and we do not need to empower them anymore. They do not need public relations spokespersons. They do not need financial advice and they do not need empowerment.

If this Government wants to continue down that trend, then we are going to have continuing problems with alienation in Barbados. We put them on the Boards, and we allow them the kind of interlocking directorships across public companies in Barbados that I believe are unhealthy to the promotion of economic democracy.

Asides.

Mr. D. J. H. THOMPSON: You asked what is new? I would hope that it changes in my generation, because I think your children and grandchildren would like that. I am not in here to sit and fold my arms about it because there are other countries that have dealt with it and unless I am a fossil and have come...

Asides.

Mr. D. J. H. THOMPSON:... that there are mechanisms to deal with interlocking directorships. Regulation is one way, broadening the influence of shareholders, in terms of electing people to serve on boards. There are a variety of ways in which it can be done.

Asides.

Mr. D. J. H. THOMPSON: I did not realise that you wanted some advice. I am not going to give all of that information here. We can give that on another occasion.

The social partnership which is supposed to be at the apex of decision making...in fact, the social partnership is even more important than this House, according to this Government.

Asides.

Mr. D. J. H. THOMPSON: Do not mind the complainers and the nay-sayers. They know that they have more information than any of us in here. They are the real

decision makers in Barbados. The social partnerships are again populated by persons and heavily represented by persons whose influence is in the investment aristocracy in Barbados, so they get a look-in up there.

All the things that come before the Social Partnership they are able to solve first, so if it is a labour matter that is going to affect one of those large businesses, their man is in the Cabinet room already. If it is an investment decision, or Government imposing taxes that they need to discuss with the Social Partnership first, their man is in the room already, but when it is the public services vehicles, or the small shopkeepers, they have to hear during a budget debate, that their taxes will be increased, and you can go through the list.

Mr. DEPUTY SPEAKER: Honourable Member, you have another minute.

Mr. D. J. H. THOMPSON: Thank you, Sir, that minute would be very helpful to me.

Sir, that access of information, I put squarely at the feet of successive Governments and I blame this Government for doing even more to empower them, and to give them influence and information greater than is desirable in a modern Barbados. You cannot have that and a programme for economic democracy.

I am saying everything that this Government purported to do to promote economic democracy, has been negated by its consistent efforts to empower certain people in this country, and not all of them are Barbadians, so it is not exclusively Barbadian traditional investment aristocracy. They have gone further than was necessary or desirable in the circumstances. Unless we change that, Sir, we will never have a true ownership revolution in Barbados.

Sir, as I said, the information is there. We could continue to pretend that all that is necessary is a securities exchange and proper regulations and we are WTO compliant and we are moving towards a regional stock exchange. We can even talk about sheep, goats and pigs and allow people to believe that we are detached from the financial reality. You can go from one extreme to the other, but I think we need to find somewhere in the middle that offers some hope and opportunities for greater economic democracy in Barbados and I think the time is now.

I thank you, Sir.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, I rise to speak in this debate and to say, Sir, that it is rather interesting that three years after speaking on the original debate, that we are now back having to beg the Government to do what they had three years to do.

The information was given to them free of cost, Sir, and they have not advanced the cause of the masses. They have not acknowledged that we are now moving towards a capital market which cannot be encouraged and promoted to the masses when you want to institute a credit squeeze.

Sir, in 2001 I said that the reason why the Government of the day was bringing these proposals before Parliament was that they were interested in bringing a credit squeeze to the country, without admitting that they were putting the country into a credit squeeze. Nobody wanted to admit that I was correct on that particular matter. Three years after, the information is here. It did not only come from me, Sir, but if one looks at the IMF Report, you will see that the IMF admitted that in 2001 the country actually went into a credit squeeze.

This advice could not have been taken from me, Sir, but they had to take it from the IMF and now all the newspapers in the country would print that as if it is new evidence to show that the country went into a credit squeeze in 2001.

Sir, I have already said in this Parliament that there are some changes that must occur, if we are going to be serious about creating a capital market in Barbados. This country is rather fortunate to have a company called "Banks Holdings Company Limited", which is a good example of how to create a capital market in Barbados.

I do not know of anybody who purchased shares in Banks Holdings Company Limited, from the time it started that are willing to sell a single share that they own. Do you know the reason for this? When Banks Holdings Company Limited marketed those shares, they gave a commitment to the shareholders that they were going to give them a return every single year. Sir, not only did they give a commitment, they set about to achieve that commitment and they delivered that commitment.

This is why I am telling you today that if Banks Holdings Company Limited were to put shares on the market tomorrow, every person who was involved in the original purchase and are still alive, would go to any bank in Barbados and withdraw their money and buy shares in Banks Holdings Company Limited.

Sir, they saw something in the directorship of Banks Holdings Company Limited at that time which encouraged them to buy shares. Do you know what it was? The capacity to get a dividend payment every year.

Sir, I have said in this House for 10 years that the problem is, we continue to operate with a Companies Act that does not operate in the interest of investors. The reason for this, and I will repeat this point again, and the Barbados

Labour Party will tell me the same thing, that the Companies Act tells you not when to pay dividends, but it does not tell you when to pay dividends.

I am saying it is wrong and I will continue to bring this argument that we cannot change our Companies Act because somebody else overseas does not do it.
3.20 p.m.

Sir, if anybody doubts what I have been saying for years, all they have to do is to watch what is happening on the capital market in the United States of America and they would recognise that if they had made those changes to empower the shareholders more, that maybe the capital market in the United States of America would not have been confronted with the problems that I have been speaking about.

Sir, they refused, even the United States of America, to listen to the little voice from the north, but sooner rather than later they would have to adopt that because they have to protect the interest of the shareholders. Sir, nobody seems to be interested in the interest of the shareholders. All they are interested in is the interest of directors and allow them to do whatever they like in this country.

Mr. Deputy Speaker, there is a particular company in Barbados which I do not have any respect for. I have said it on the Floor of this House on many occasions, and the Honourable Member for St. George South sometimes admits that he shares the same view. That company is one of the most successful companies if you deal with it in terms of expansion, but whenever it has shareholders, it makes sure that it frustrates them even though they might have been a "two-few", to make sure that they did not declare dividends to run the people out of the business.

Yet, Mr. Deputy Speaker, that company is still seen as one of the best companies in Barbados even though it has not opened up itself to the people of Barbados. The few it has opened up to, it frustrated them causing them to be paid out and it is now operating as though it is a sole trader business.

Mr. Deputy Speaker, this Parliament cannot be serious if every time we are going to come here and discuss these issues and you have to repeat to this Government which continues to fail because we are not going to go anywhere until we make that change. Sir, we are not going to go anywhere in this capital market until we give our local investors the same opportunities as the foreign investors. This Government seems to be interested in protecting professionals. All those tax experts have to retrain themselves and become cost accountants, because this country seems to be more interested in taxes than saving cost.

Sir, a boardroom in Barbados cannot be seen any longer as a place to spend money to try to reduce taxes, but as a place to increase investment. I hope that point is taken because, as a small country, we have to be looking at expansion and not limiting expenditure to revenue expenditure instead of capital expenditure. That is the problem with Barbados.

That is why I have consistently made the point that this Government is caught up in revenue expenditure and not capital expenditure which means it is more interested in repairing and creating a cosmetic look than expanding and developing the country in a true state. That is why they would have received large sums of borrowing but they would not have taken the country where it should have gone.

Mr. Deputy Speaker, I am calling on the Honourable Member for St. Philip South to get up and relay his speech to this type of debate because I cannot continue to listen to the wishy-washy debate that I have been hearing in this Parliament when the masses of people out there are suffering and I am not seeing true expansion within the economy of Barbados. Mr. Deputy Speaker, where there should be a true capital market, we are limited in that because we had the cash flow but we have not used it wisely.

Sir, I believe everyone on the Front Bench should be taken into a classroom and taught the concept of opportunity cost because they have not been able to grasp that concept. The Honourable Member for St. James North might be forgiven because he is a very smart politician.

I have never heard him advocating that he has a knowledge of accounting matters, but he understands them well. That is why you would not see him tackle me when I am in flight because he understands quite well what I am saying. Sir, we have to understand that Barbados is greater than any political party or any politician. Therefore, the interest of the masses must be represented in a particular way.

Sir, it is all right to criticise the Government but we also have to deal with the credit unions of Barbados, because I honestly thought they understood their role in this country. Sir, it seems to me that the Credit Union Movement has allowed the original investors in Barbados into the boardrooms and to get into the minds of some people who sit in the boardrooms and they are now rich in cash, but when it comes to the masses of people in Barbados, they are very poor. They have allowed themselves to be bought out by the original grouping.

Asides.

Mr. D. St. E. KELLMAN: Sir, I am sending the warning that it is not fair for the masses of people in

Barbados to be saving their money. I want to repeat this again because I have a passion about this particular issue. It is not fair for someone to tell me how well the Credit Union Movement is doing in Barbados, but whenever they have large contracts, they send them where they came from previously.

If anyone challenges me on this, I will deliver the evidence because that is one backward step that I do not like. That boardroom attitude is no different to down Bridgetown. The same people who would come to criticise down Bridgetown are practising the same attitude down Bridgetown. I am very serious about this one.

Sir, there are many people out there who are prepared to move against the Credit Union Movement. However, I would not like to see the credit unions being portrayed in a negative way, so I am asking them to correct this problem they have.

Sir, large contracts belong to the players within the Credit Union Movement and nobody should allow themselves to be bought out, to be influenced, to be coerced or to be placed on a board to deliver decisions against the masses of people in Barbados. That is what is happening in this country as I speak.

Sir, we also have to understand that until we stop seeing interest as interest, and start seeing interest as dividends, we are not going to make any movement towards investment in this country. Let me explain that, Sir. The main fact that one is tax deductible and the other one is not, is what is creating the problem in this country.

Asides.

Mr. D. St. E. KELLMAN: Sir, what worries me is that the Honourable Member for St. James North is questioning me on this particular matter because it is telling me that he is aware that I know and he wants me to explain it to his comrades.

Mr. Deputy Speaker, I am saying that until we can find a system to stop the boardrooms from concentrating on current expenditure and find a way to deal with capital expenditure, we will always find this problem.
3.30 p.m.

Mr. Deputy Speaker, in the same way that 10 years later, the International Monetary Fund (IMF) has recognised that we need to make some serious changes within the economy, this economic climate that we are in, will not give anything to the masses of Barbados, neither would we see any real growth within the economy. Sir, what is now important is for us to get real growth within the economy so that we can deal with the large debts that they have accumulated.

Sir, another factor that I gave in the 2001 speech, was that I had told Government of the importance of having a relationship with returning nationals and that it was a source of cheap capital which would enhance the foreign reserves of the country without having an external outflow. This Government, simply because it would have cost them something in local revenue and in local dollars, could not have seen the bigger point of enhancing the foreign reserves of Barbados.

Mr. Deputy Speaker, we have to understand that this is not a Democratic Labour Party or a Barbados Labour Party matter. The foreign reserves of this country is just as important to everyone in this country, and we have to understand that if it means implementing the Honourable Member for St. Lucy ideas to better the country, it means that those ideas would have to be implemented.

The Honourable Member for St. Michael South is on record as saying that I have the solutions but that he is the Minister and, therefore, implements my ideas. I cannot fault the Honourable Member for that but on Monday, nobody knew that there was a secret workshop at the Hospitality Institute dealing with community tourism.

Asides.

Mr. D. St. E. KELLMAN: The Honourable Minister gave the opening remarks. Nobody knew about it because the Minister did not want anybody to know that the very community tourism is going to enhance the capital markets of Barbados.

Asides.

Mr. D. St. E. KELLMAN: I would never expect you to ask for a link between that, I would have thought that you would have understood that.

Mr. Deputy Speaker, I did not want to go and even though he had hidden it from me, I could have gone and could have embarrassed him.

I want you to know, Sir, that community tourism is now the main item in the Cabinet room of Barbados and that they have all agreed that in order to move the country forward in a positive way, they have to implement community tourism in a big way.

Asides.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, the Honourable Member for St. George North wants to tell me about community tourism, when that was first started at the Naval Base. The Honourable Member for St. George North wants to educate me on community tourism.

Mr. Deputy Speaker, the problem with the Honourable Member for St. George North is that if he would sit in his seat and would listen, he would not have delivered that speech which he delivered today. He has also made a substantial point that he did not even know he was making it. That is when he started to talk about the fact that the small man recognises sheep and goats as "stocks".

Asides.

Mr. D. St. E. KELLMAN: But the Honourable Member for St. George North wants to come here and tell me what to say when he can make a point and does not understand what it is about.

Mr. Deputy Speaker, when I am speaking, the Honourable Member for St. George North should keep his mouth shut and get some knowledge.

Mr. Deputy Speaker, there is a clear policy in this Government in respect to increasing the capacity of the masses of this country. That is why I am going to link animal "stocks".

Sir, the masses in this country have used animals "stocks" to educate everybody on the Front Bench, never mind that the Honourable Members, apart from the Honourable Member for St. James North, do not now recognise it. They have been able to use "stocks", not only as savings, but have been able to use the by-product as fertilizers to grow the sugar crops and other crops.

Sir, the same thing is now occurring with community tourism, but do you know what is interesting? The same problems this Government gave to the backyard keepers of animal "stock" by limiting them from slaughtering in their backyards, Government now wants to do it with community tourism, that is by bringing laws to limit the growth of those community tourism players. Therefore, there is a relationship between oppression, as it relates to this Government and the masses, whether one is speaking about agriculture or community tourism.

Mr. Deputy Speaker, what I am saying is that when the masses relate to the Barbados Labour Party, and I cannot teach them about the Barbados Labour Party, it is a known fact that they understand quite well the Party with which they are dealing. That is why it is important for me to come to the Floor of this Honourable House and to expand on these matters.

Mr. Deputy Speaker, the Honourable Member for St. John spoke in terms of building houses for the masses and asking lawyers and companies in Barbados to appreciate what should happen when they get involved in large projects.

Sir, I have always said that if there is one group that has the capacity to deliver housing at a low cost to the masses of people of Barbados, it is the C.O. Williams Group of Companies.

Mr. Deputy Speaker, I have always said that in terms of investment inflows into Barbados, that there should be a relationship because when we look at the types of investment in which that group is involved, it tells us that they have the opportunity to deliver everything at the lowest cost.

Sir, they are involved in concrete; in importing material; they own PRECONCO; they own the land and know how to construct the roads and infrastructure at a low cost. Therefore, any sensible Government would have encouraged that company to build because already they have their foot in the mortar.

Sir, what it means is that when Government was giving concessions and opportunities, the C.O. Williams Group of Companies should not be limited because Government would be limiting them but yet would be giving the same concessions to outsiders.

Sir, I am a person who believes that when there is a clash between the masses and capital, I will fight on the behalf of the masses, but that when there is a clash between capital and outside capital, I will fight for my home base.

Mr. Deputy Speaker, in relation to low income housing, there must be an arrangement outside of the owner-built homes. If one is going to have a relationship with a builder, it must be the builder who has the land, the material and the right to construct the house and the infrastructure, but there must be an agreed price up front, which must be delivered at a particular cost.

Mr. Deputy Speaker, I am sure if there is one company that has the capacity to do that...

Asides.

Mr. D. St. E. KELLMAN: I thought I heard my cell phone but I only realise that it is my clone, the Honourable Member for St. Michael South, who is speaking, the guy who now knows so much about community tourism, and who has the gall to go in the domain of the rich and to say that he is not interested in \$20 tourists.

Mr. Deputy Speaker, what I am calling for is for us to recognise that all of these changes and amendments will be worth nothing if we do not make the tax changes that have to be made in this country, and that we continue to come to Parliament with amendments every Tuesday that are not worthwhile, if we do not understand what we have to do with the taxation system in this country.

Sir, all that we are doing is wasting Parliament's time and are depriving the country of real developments with these numbers of foolish amendments. What we need to do is to make real change.

Mr. DEPUTY SPEAKER: Honourable Member, can you please rephrase that?

Mr. D. St. E. KELLMAN: Sir, that is subjective. The Honourable Member for St. Philip South cannot question me on anything that is subjective. That is my opinion, and he is not in my brains.

3.40 p.m.

Mr. DEPUTY SPEAKER: Honourable Member, please rephrase the statement.

Mr. D. St. E. KELLMAN: Sir, in making amendments that will not operate in the best interest of the country because there are 10 years behind when they should be 10 years forward. The world has changed and we have to change with it.

Mr. Deputy Speaker, I can always depend on the Honourable Member for St. George North to make a good statement even when he does not know that he has made it. I have already said to my comrades to put their plans in place before leaving Government or else the Barbados Labour Party will make a mess of it.

The Honourable Member for St. George North has just said that if the Democratic Labour Party cannot advise them to do anything, that they will do what they like, even if it damages the country, and I thank him for making the comment.

Sir, we need to find a policy where we can convert savings into investment. The Government has admitted this for years yet every day savings keep increasing in the banking system. This tells me that they are saying one thing but do not know what to do to change savings into investment. I want to say through the Deputy Speaker to the Honourable Member for St. George North that we have to stop directors from dealing with their tax experts and deal with their cost accountant. Sir, this country cannot continue to punish production and compensate consumption.

Mr. Deputy Speaker, I have always made the statement in this House that a car cannot operate on gasoline and diesel at the same time because it will impact on the plugs and jets. Even though I explained this in here, no one understood, but since the IMF has spoken, everyone now understands the issue. The only way the Barbados Labour Party understands what is happening in the country is when their hands are in the mouth of the lion and it cannot come back out. Sir, they

were given the opportunity to implement these things without hearing it from the IMF and they refused to do so.

Mr. Deputy Speaker, the Companies Act must be changed because directors must not believe that they can frustrate the investment climate of this country. They must understand that the capital of a company does not belong to a few but to the masses when they invest and that in order to attract the masses, they must feel comfortable.

Mr. Deputy Speaker, my time is up but I want to say that the capital market of Barbados can only be influenced when politicians acknowledge that they are the ones holding back those capital markets of Barbados.

Sir, I thank you.

Hon. A. P. WOOD: Mr. Deputy Speaker, it gives me the greatest pleasure to make a contribution to this important debate. I was quite pleased that the presenters, the Honourable Member for St. Michael North East and the Leader of the Opposition took the opportunity to take the debate to a reasonably wide level to give the House the opportunity to engage in discussion on the role of financial institutions in investment and the financing of investment activity in Barbados. Certainly, this is one of the most important topics which could be discussed by anyone who has familiarity with finance and the importance of financial institutions in promoting economic democracy and growth.

Mr. Deputy Speaker, I am sad that this particular debate has not attracted more academic discourse on the nexus between the financial system and the real sector on what is the core of policymakers or persons interested in seeing an economy move forward by the formulation of sensible policies like promoting savings habits and ensuring that those savings which are accumulated within the financial systems be enhanced and transformed into investment activity.

Mr. Deputy Speaker, I have a duty on behalf of This Side and all Barbadians to respond to some of the comments coming from the Other Side. Sir, earlier today, while I was driving back here from St. Philip, I heard the Honourable Member for St. John ranting and raving while speaking on this issue of economic democracy as though he was not around in the period 1986 to 1994, and particularly in the period 1991 to 1994; as though he was not the previous Minister of Finance that presided over the decimation of small businesses and honest, decent civil servants and medium-sized enterprises in this country but all of a sudden, he comes to this Parliament to give the impression that he is a new boy on the block.

When we speak of economic democracy, he is in a position to espouse in the most elaborate way that the promotion of small entrepreneurs in Barbados in widening the base of share ownership is something that is novel to him.

Mr. Deputy Speaker, this country well remembers that period. Every time he speaks about this, I have a duty to remind this country what it is that he would have presided over, the destruction of small businesses. Sir, I will use the time allotted to me to speak to Barbados' record. 3.50 p.m.

Mr. Deputy Speaker, it is very unfortunate that certain persons hide behind the privilege of the immunity that is afforded them in this Honourable House to make some very ridiculous statements. On my way from a funeral service in St. Philip earlier today, I heard the Honourable Member for St. John making statements to the effect that this Administration used the advice of the Democratic Labour Party in 1999 to give the taxpayers' money to people who did not have any interest in business. Sir, that is a very serious statement.

He also made mention of three institutions, the Rural Development Commission, the Urban Development Commission and the National Housing Corporation. The Honourable Member went on to say that 90 per cent of those persons who got the money in the name of small business persons have gone out of business.

I think that when Honourable Members can get up in this Honourable Chamber that the Presiding Officer should call on them to provide evidence to substantiate such statements because it is suggested that this Government, in its aim to promote small businesses in Barbados, has squandered the taxpayers' money, that people posed as small business persons and were able to get \$5 000, catch a plane and leave Barbados, and when they return to Barbados they are back to square one. Mr. Deputy Speaker, the imputation is what you should have latched on to.

Asides.

Mr. DEPUTY SPEAKER: Honourable Member, if this Chair makes a decision, you cannot question it.

Asides.

Mr. DEPUTY SPEAKER: When this Chair makes a decision it is final and you cannot question any decision made by this Chair. This is politics and people are able to express themselves as they like as long as they are not imputing improper motives. Proceed, please.

Hon. A. P. WOOD: Mr. Deputy Speaker, I would abide by what you have said but, unfortunately, I am diametrically opposed to you on the matter.

Mr. DEPUTY SPEAKER: Honourable Member, if you want to take a different view you can sit or leave the Chamber. Proceed.

Hon. A. P. WOOD: The Honourable Member for St. John, having made the bold and conclusive statement that over 90 per cent of the businesses have gone out of operation, he cannot tell this Chamber which small businesses are still in existence.

Sir, if the Honourable Member can make a statement that 90 per cent of the businesses have gone out of business, he should be in a position to say exactly which small businesses are still in existence. He should also be in a position to say how many of them got money, the area of economic activity that the Government was trying to promote and where the failings are. The idea of using loose statements in and outside of this Chamber does not do the reputation and integrity of this institution any good.

Sir, I want it to be recorded that the time has come when officers have to ensure that the reputation and integrity of this institution are properly upheld and I will start on that.

Mr. DEPUTY SPEAKER: Honourable Member, I cannot accept you questioning the authority of this Chair. I personally feel that you should sit and let somebody else speak. If you decide to question the authority of this Chair, you will have to leave the Chamber.

Honourable Member, you have another 12 minutes.

Hon. A. P. WOOD: Mr. Deputy Speaker, let me get to the economic issues, some of which have been raised and others which have not been raised, which I think are pertinent to the debate. It provides some measure of amplification on some of the issues which have been raised.

Sir, at the heart of the debate today is how do we transform savings into investments. There is a term in economics called the "Transformation Process" which speaks to turning savings into investment activity. For us to put this issue in a proper perspective in a Barbadian context, we need to understand the behaviour of the main financial institutions in our financial system. Why is it that speaker after speaker can lament the fact that as savings are increasing in the commercial banks, we seem to have a problem with larger amounts of those savings being channelled into productive activity.

Mr. Deputy Speaker, a number of researchers would have addressed this matter in the post-1960s period and some

very eloquent literature would have been written on the behaviour of commercial banks in the Caribbean and certainly the commercial banks in Barbados. One needs to make contact with that literature to get a better understanding of why it is that we are confronted with this difficulty in getting larger amounts of savings which are lodged in the commercial banking system turned into productive activity.

That literature would tell you that there is certain level of conservative behaviour on the part of the commercial banks. When they sit to make their decisions with respect to lending, conservative considerations, which are taken by those who make the strategic decision at those institutions, prevent them from becoming the type of risk-takers we would want them to be when they are choosing the particular economic activities in sectors to lend. The information available to those lending officers says something about the motive and the key arguments which appear in the main objective financial function of those financial institutions.

Sir, if they are mainly driven by the profit motive, then they pay very little attention to the social considerations and the need to promote certain types of non-traditional activity, the type of economy that has reached this juncture and looking ahead and the activities that are deserving of financial assistance from major financial institutions. From this we get a proper understanding of why we are continually faced with this challenge.

Sir, how do you deal with it? The crux of the matter is promoting investment activity as a way of spurring economic growth. A lot has been said about where the origins for that finance should come from.
4.00 p.m.

The Honourable Members on the Other Side like to tell us that we should try to use our best efforts as policy makers to make more strategic use of what is available internally. That is, generate more funds from within. We should encourage people to save more, and make more use of those funds to promote things that would help with the enhancement of the quality of lives.

Sir, we are looking forward, but sometimes in the region there is a lot of old talk, long talk and empty talk. Therefore, we need to be a little more creative and determine ways in which we could see more of the financial savings in this economy turned into investment activity.

Mr. Deputy Speaker, I have just put this in context to give us a better appreciation for why is it that, notwithstanding the level of activity on the Stock Exchange to date, it is still vitally important for us to seek to make the Stock Exchange a facility that can help us with accessing more domestic savings and financial savings that are available to promote investment activity.

Sir, how can we better promote the use of other instruments and institutions, for example, the Stock Exchange? When we look at the trends of development of the financial system in Barbados over the last 20 years, for example, the relative importance of the non-banking sector versus the banking sector, and the growth in assets of the non-banking institutions relative to the commercial banks, what do we see?

Sir, we see a shift in the non-banking financial institutions, such as the credit unions, where there has been significant growth in their assets at the individual level. I share the same sentiments as the Honourable Members who spoke to this point earlier, that based the persons who save most in credit unions. The credit unions, with their slightly changing *modus operandi*, are very well placed to lead this economy in the promotion of activity among small entrepreneurs in Barbados. Therefore, we need to look at where the bottlenecks are and what are the constraining factors, and seek to deal with them in a very structured and systematic way.

Mention was also made, Mr. Deputy Speaker, about the role of taxation policy in altering the preference in favour of equity and away from debt. This has been one of the factors constraining the use of equity, as a choice of financing method, over debt financing which has plagued us over the years. The Honourable Member for St. Michael North West mentioned the taxation policy in respect of dividends, relative to the taxation policy in respect of interest, even though there is a withholding tax.

Mr. Deputy Speaker, when we are addressing this matter, we cannot lose sight of the fact that there is a high degree of public education that must be undertaken. Barbadians below a certain level would have gotten very comfortable over the years, working and saving money in commercial banks because they think it is safe. The rates of interest are fairly low, but the money still goes there.

Mr. Deputy Speaker, in some cases, if you were to look at the real rates of return, they are not the normal rates of return, because Barbadians who are not sufficiently in tune with financial activity and the things they need to consider, would go and stash the money on a commercial bank. They would say that they are getting 2 per cent or 3 per cent, but that is the normal rate.

When you look at the movement in the price level and you seek to calculate the real rate of return, in some cases you would see that it is negative. Therefore, we need to provide a level of education, but do it in such a way that those who are promoting the use of funds, internally generated for investment activity, can be very convincing so they need to be simplifying what they are saying to these potential investors.

Mr. Deputy Speaker, one of the things we also need to do as a matter of deliberate policy, is to prevent Barbadians from saving so much money in institutions where the returns are not the best. We must find a way to create a class of real entrepreneurs who want to take risks where the returns are high. I am not only talking about investments in the large enterprises. I am talking about investments in the medium and even in the small enterprises.

Sir, I am also talking about promoting investment in such a way as to encourage groups of small business persons to see the need to come together and form companies, pool resources and ideas to ensure that valuable opportunities do not go "abegging". This would put them in a much better position to meet all the criteria for participation in the tendering processes and to gain more contracts.

Sir, let me explain the point. Let us say that the Government has a series of contracts and an individual investor, who might be well equipped to do the job, based on the technical knowledge and his ability to assemble a competent work team, might be unable to engage in the tendering process, precisely because he does not have the right level of collateralisable wealth which would allow him to post the performance bond to ultimately win the contract.

This Government, while looking at reforming the agricultural sector, took a bold decision that 60 per cent of the feeding programmes of the Government financial institutions should go to the local farmers.
4.10 p.m.

Mr. Deputy Speaker, I must admit that was the type of success we were looking for in that programme, because it was a wonderful opportunity for groups of farmers to come together and make the requisite bids to ensure that practical effect could have been given to a very sensible policy on the part of Government to facilitate enterprises in the agricultural sector. That is the type of thing the Government has been doing in order to protect and, at the same time, promote certain classes of entrepreneurs in Barbados.

Mr. Deputy Speaker, I want to close by making contact with an issue the Honourable Member for St. Michael North West touched. He said that in our attempt to reposition the Barbadian economy, it should not all be about looking at how we could treat to the interest and the issues confronting larger businesses in Barbados, but that we should put some emphasis on the promotion of small businesses as a way of promoting economic development. That statement is correct, but this Government has always promoted policies which speak to the fact that the small business sector in Barbados provides a type of dynamism to the economy that is extremely valuable.

Mr. Deputy Speaker, I heard the Minister responsible for Small Business Development in Trinidad and Tobago making this point and doing it in a very emphatic way. He said that, notwithstanding what would happen in the Trinidad and Tobago economy when they go forward, that a component of their macro-economic policy would be to ensure the provision of those policies and those programmes which should see the emergence of an additional 5 000 small businesses in Trinidad and Tobago over a three-year period.

Mr. Deputy Speaker, this Government, certainly since the time I was here, has remained steadfast and committed to the promotion of small businesses in Barbados. We have done it at the level of the provision of finance. Sir, if you look at the number of funds which we have established, all with the expressed purpose of making finance available to small businesses, you would get a better understanding of what I am saying.

When we established the Small Hotels Fund, the Tourism Loan Fund, the Industrial Investment and Employment Fund, the Agricultural Development Fund, the Rural Enterprise Fund and the Urban Enterprise Fund, the intention was to give that class of business persons, which the Honourable Member for St. Michael North West spoke about, in the context of moving forward in the economy, an opportunity to play that vital role.

Mr. DEPUTY SPEAKER: The Honourable Member has one more minute.

Hon. A. P. WOOD: Mr. Deputy Speaker, we did not stop there. We said that for the survival of small businesses it is not all or just about providing financial windows, but that we needed to provide training as well. That is why the training programme that has been launched by the Rural Development Commission and run in conjunction with the Small Business Association, has been so successful.

That is also why the Government took a very decisive decision to decentralise the training to encourage persons who were scattered throughout the length and breadth of Barbados to avail themselves of that training at no cost whatsoever to them, because we recognise that it is not all about finance, but that we must give them the necessary tools by way of training, and that we must give them the necessary assistance by way of fallout activity. Sir, it obviously would require those officers who are on the frontline, who come into contact with the small business persons, to be retrained.

Mr. Deputy Speaker, we recognise that there have been challenges to the Barbados Stock Exchange and there have been challenges to the other stock exchanges in the region. The one thing we are certain about is that capital markets would have to be deepened and widened. We must think in terms also of accelerating the pace at which we are planning for the establishment of a regional stock exchange.

Yes, the discussions on the harmonisation of the existing stock exchange will continue but, in the context of greater levels, or regionalisation which would come about with the establishment of the Caribbean Single Market and Economy, and the speed with which capital moves across boundaries, is going to be extremely important, and must be facilitated. We must also encourage our citizens to be more cognisant in understanding the link between finance and investment activity. I do agree also that more Barbadians should be made to become owners of these businesses.

I thank you, Sir.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I sat almost the whole day and listened to an attempt by the Honourable Members of the Other Side to defend a stewardship over the last 10 years. There are persons who are employed in the hotel sector and in the restaurants who are working two days a week on and off. They go to work one evening and are told not to come to work the next day, but the next week.

Mr. Deputy Speaker, I have brought to this Honourable House's attention, and I have made it a document of the House, information of a survey done in 1996 by Systems (Caribbean) Limited that demonstrated that only 1 per cent of Barbadians got a salary of more than \$4 500 per month and where more than 60 per cent of Barbadians were earning less than \$300 per week as a wage.

Now, all of a sudden, I am hearing in this Honourable House that the liquidity in the banking system has to do with significant savings of poor people. That is absolute nonsense. The reason it is nonsense is that the Honourable Members on That Side do not seem to understand mathematics because you could take 75 000 Barbadians and multiply them by \$2 500 in savings that they may have saved for the last 15 years which is almost \$190 million or \$200 million in the banking system, but that has nothing to do with the capacity of the individual to invest in anything, so the Honourable Members on the Other Side really do not have a clue of what they are talking about.

Hon. G. A. CLARKE: On a point of order. The Honourable Member for St. Philip West is really misleading this House. He said that some survey shows that 60 per cent of the working population of Barbados earns less than \$300 a week. That point must be substantiated with facts.

Asides.

Mr. DEPUTY SPEAKER: You have made your point, proceed Honourable Member.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, it was the Honourable Member for St. Peter who found out in the St. Michael North West by-election from an International

Monetary Fund and World Bank Study that there was significant poverty in Barbados, and that more than 60 per cent of Barbadians earn less than \$300 per week.

Mr. Deputy Speaker, the fidelity of my memory cannot be challenged by any Honourable Member on the Other Side, so I do not have time to waste with any of them.

Mr. Deputy Speaker, this debate needs to be looked at in two components. One has to do with the significance of the Securities Commission as a regulatory body, and one that allows for the creation of an environment that allows for confidence to be developed within all the administrative parameters of a security exchange, as well as to allow not only for confidence to be developed with the private sector, but within the general society as a whole.
4.20 p.m.

Mr. Deputy Speaker, I want to move this debate outside of the regulatory elements, that is, developing confidence and proper administrative framework. Sir, what we are debating at this stage goes back to September 29, 1997, when I made reference in this Honourable House to a summary of the economic fiscal proposals of the Barbados Labour Party, delivered by the Honourable Member for St. Peter.

At Section 8, the Honourable Member for St. Peter is on record as indicating that if the Government had to look at selling off State entities in order to provide for business for the Securities Exchange, Sir, I quote:

“Government will implement a privatisation programme to provide activity for the Securities Exchange of Barbados and to broaden share ownership.”

Sir, do you know what the institutions were? And I continue to quote:

“Institutions that will be involved are companies that will be involved in the Carlisle Bay Centre, the Grantley Adams International Airport, the Bridgetown Port, the Barbados National Bank, the Insurance Corporation of Barbados, the Caribbean Broadcasting Corporation (CBC), the Barbados National Oil Company Limited, the National Petroleum Corporation and the Barbados Mortgage and Finance Co.”

That is how this Government intends to provide business and investment in a private sector scenario in Barbados. Sir, this is absolutely ridiculous. One cannot tell me that one would institute a divestment strategy where these entities were provided for in the Consolidated Fund to benefit all Barbadians, but that one would now offer them to

the highest bidder in the private sector, without the necessary structures to ensure that credit unions and the small man can buy the shares. What are you telling me?

Sir, I remember a debate in this Honourable House relating to the corporatisation of the Bridgetown Port. There was supposed to be a bond issue to be financed by the Caribbean Commercial Bank, where the minimum requirement investment was \$5 000. Sir, is this the Administration that comes to tell Barbadians about providing opportunities for small businesses to become involved in private activities? Sir, how is it going to happen? Therefore, I do not have time for all the rhetoric from the Other Side, I have more important things to do.

Mr. Deputy Speaker, I want to quote specifically from the Barbados Central Bank's Report, September 2003. Sir, at page 21, section 2, it says:

“Despite the listing of SAGICOR, the market is still poorly traded. Furthermore, this market can be best described as comatosed.”

Sir, do you know what comatose means? It means as dead as one can be, without being buried.

Asides.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, the problem existing in Barbados with respect to the capital markets relates to an attempt to develop a capital market in an unstable economic environment.

Sir, when there is an unstable economic environment with a national debt of approximately \$4 billion, a fiscal deficit of approximately 9.5 per cent, based on the International Monetary Fund's (IMF) independent assessment, when there is a situation where we are very close to twin deficits in Barbados, and we have been there in December, 2002, when this Government had to borrow \$300 million to finance external Current Account deficit. If all that is added to the position which we are in now, it represents macro economic instability. Therefore, I do not have time to waste with the Other Side in talking about proper management.

Mr. Deputy Speaker, the Democratic Labour Party did not create the deficit and does Your Honour know why? In 1991, the deficit was 2.1 per cent Gross Domestic Product (GDP). In 1995 it was 2.6 per cent. In 2002, it was 2.8 per cent. Sir, have you noticed that it rises every year? In 2001, it was 3.8 per cent. In 2002, it was 5.1 per cent. In 2004, it is 9.4 per cent, and these figures were given by the International Monetary Fund (IMF) and not by the Barbados Central Bank, an independent entity.

Mr. Deputy Speaker, it is even more cynical and diabolical than that. Let us go to the debt in eight years. In 1999, one hundred and fifty million dollars were borrowed. In 2000, two hundred million dollars were borrowed. In 2001, three hundred million dollars were borrowed. In 2002, one hundred and fifty million dollars were borrowed, and I am recognising that money that is borrowed has to be repaid.

Sir, when I look in the Estimates of 2003/2004 and 2004/2005, we have to look for almost \$189 million to repay all those loans that we have incurred up to 2007. Sir, the question I would like to ask Honourable Members on the Other Side would be from where are we going to get the foreign exchange?

Mr. Deputy Speaker, the Barbados Labour Party took over this country where in 1994 the national debt was \$2 billion or \$407 million. By the year 2003, that debt was \$3.958 billion, an increase of \$1.2 billion in seven years, an unprecedented act, which the Honourable Member for St. Peter and his group of advisors have perpetuated.

They have perpetuated an affront to this country because they have now put the economic fortunes of Barbados at risk because of a high national debt, an unsustainable fiscal deficit, an external current account position that is only positive when Government borrows because there is no capacity in the Barbadian economy to earn the level of foreign exchange required to cover all of that debt servicing and to provide for the imports of Barbados. Sir, that is the reality.

I thank you, Mr. Deputy Speaker.

Hon. A. P. WOOD: On a point of order. Mr. Deputy Speaker, once again we are treated to these statements about which I earlier spoke, but let me speak to this Government's record.

Mr. DEPUTY SPEAKER: On what point of order?

Hon. A. P. WOOD: Mr. Deputy Speaker, the point of order is that this Barbadian economy has experienced growth since 1993 through to 2000. There was a downturn for a number of years and last year, this Barbados economy has grown in real terms by an excess of 2 per cent.

Mr. Deputy Speaker, the out-turn figures for the first quarter for this year have been good. The signals and signs are that this economy will continue to experience periods of growth. There is no truth in the statement that the ability of this Barbados economy to meet its debt obligations, either foreign or local, is compromised.

Mr. Deputy Speaker, it is untrue and wicked to suggest that the national debt position of this economy is going to compromise the future of this economy. The economic

fundamentals are still extremely strong, growth has been experienced for the last six quarters and we anticipate that growth will continue. I want the records to reflect that this economy is sound and that we will be able to meet all our debt service obligations when they fall due.
4.30 p.m.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I am not going to respond to the statement of the Honourable Member because it does not make any sense whatsoever and it bears no relation to whether we have foreign exchange or not. Sir, you can borrow foreign exchange. You do not have to earn foreign exchange.

Mr. DEPUTY SPEAKER: Please rephrase that statement.

Dr. D. C. ESTWICK: Sir, I will rephrase. The Honourable Member seems to be making a statement that no one can understand. I will not be hoodwinked about the net international reserves in Barbados. The net international reserves are either earned or borrowed. If it is not borrowed, it comes into Barbados by investment.

Sir, when we look at the net international reserve position, we have been borrowing to prop it up. We have not been earning foreign exchange and that is the point that needs to be made. Sir, the Honourable Member does not understand the discipline he is supposed to be an expert in.

Sir, to further explain my position, an independent entity with as many experts as the IMF indicated that the current level of Government's deficit implies continual high Government debt. A high Government debt ratio to GDP has contributed not only to external current account deficit, and the IMF wants to caution Barbados that this poses a risk to the fixed exchange rate of this country.

Sir, it cannot be clearer than this. It is economic mismanagement that has led to macroeconomic instability in Barbados and now the future of this country is at risk.

Hon. A. P. WOOD: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. There is no macroeconomic instability in this country. This Government, as part of its policy programme, in a very deliberate fashion, took a decision that instead of introducing policies similar to those that the Democratic Labour Party would have done when they were faced with an economic downturn, said that it would slacken Government's finances to ensure that there is no loss of employment. We challenged the private sector to think along the same lines so the idea of us running a larger than desired deficit in times of good economic fortune is incorrect.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, the reason why the point of order from the Honourable Member is not a point of order is that the accepted international standard is 2.5 to 3.1 per cent, but we are speaking about a deficit of 9.5 per cent, and this is unforgivable, Sir. The Honourable Member for St. Philip South, who is an economist, should advise the other economist from St. Peter that it was an unacceptable position to take.

The problem with Honourable Members on the Other Side is that they did not know when to cool down the economy. They did not understand that they could run a counter-cyclical programme but that if there is a foreign component of a high national debt, that the deficit compromises the debt service capacity in future. Sir, this is what the IMF is speaking about. The Honourable Members on the Other Side need to wake up and smell the roses.

The Democratic Labour Party raised the point in the Estimates that there was a deliberate attempt to mislead the people of Barbados into a “feel good” syndrome that the economy was well-managed by understating the deficit.

Hon. R. R. FARLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member cannot be so disrespectful as to ignore all the rules. He cannot stand on the Floor of Parliament and accuse the Government of deliberately misleading the public of Barbados. It is against the rules of the House and the Honourable Member must withdraw the statement.

Mr. DEPUTY SPEAKER: Honourable Member, could you please withdraw the statement?

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I withdraw the statement. I have been in this Honourable House during the debate on the Estimates and the Honourable Member for St. Peter said that the national debt was 72 per cent of GDP and that it was dangerous for the country, but the IMF puts it above 76 per cent.

I also recall Honourable Members on the Other Side saying that the deficit was 5.6 per cent, that they were going to reduce it to 3.1 per cent and then to 2.5 per cent but, Sir, it is now 9.5 per cent.

Sir, I quote from the Article Consultation with Barbados of the IMF, an international reputable institution which says that the deficit is 9.5 per cent which I will make a document of the House. Sir, if Honourable Members on the Other Side are saying that the deficit was 5.6 per cent but the IMF says it is 9.5 per cent then someone is misleading the people of this country and it is not the Honourable Members of the Opposition and, Sir, I do not believe that it is the IMF.

Sir, sometimes you have to carry the Honourable Members on the Other Side through a discourse very slowly because it is like trying to pull teeth. I want to quote from the IMF document. The IMF said that in 2000/2001, the deficit was 2.3 per cent of GDP. Sir, no Member on This Side said that. The IMF also said that by 2002/2003 the deficit moved from 2.3 per cent of GDP to 9.5 per cent of GDP. The reason why that is so can be understood from the Report of the Central Bank of Barbados.

4.40 p.m.

Sir, the Central Bank Report for 2003 explains why we had such a fundamental difference between what the Barbados Labour Party was saying about the deficit and what the International Monetary Fund was saying. It was the off-budget financing.

Asides.

Dr. D. C. ESTWICK: The money does not belong to us. It belongs to the people of this country and it should be budgeted for in a proper way. The Democratic Labour Party will never accept that the Government took millions of dollars and loaned to Hotel and Resorts Limited, Needham's Point, Hilton Hotel, Grantley Adams International Airport and the Caribbean Broadcasting Corporation, which was not accounted for in the central government expenditure. Sir, that is wrong. This is where this Government is misleading the people of Barbados, and I will repeat it.

Hon. R. R. FARLEY: On a point of order. The Honourable Member cannot be a law maker and a law breaker at one and the same time. The Financial Administration and Audit Act makes provision for the Minister of Finance to direct the manner in which below the line accounts should be disbursed. It is, therefore, within the province of the Minister of Finance.

Sir, the Constitution and the Financial Administration and Audit Act specify what is to be the Estimates of Expenditure. Therefore, to accuse the Government of not including in the Estimates what cannot, by law, be properly included in the Estimates, is to answer to the law makers and law breakers at the same time.

Dr. D. C. ESTWICK: Sir, I want to refer to the report of the Auditor General for the year 2003, Loans, section 2.16 and 2.17. I also want to remind the Honourable House of the debate of December 1, 1998, where the Honourable Prime Minister amended the Financial Administration and Audit Act to insert Section 25(a) with respect to the supremacy of Parliament with respect to the appropriation of money from the Consolidated Fund.

Sir, I will quote from the Report of the Auditor General:

2.16 This significant increase under Advances and Loans is due primarily to new loans amounting to \$215,937,710 made to various state entities. Details are as follows:-

Hotel and Resorts Limited	\$145,328,264
Needhams's Point Holdings	25,000,000
Grantley Adams International Airport Inc.	25,000,000
Caribbean Broadcasting Corporation	20,609,446
	\$215,937,710

Sir, Section 25A of the Financial Administration and Audit Act which the Honourable Member for Christ Church referred to says:

“Loans which are given by the Government to Government enterprises and non-government enterprises shall be secured by way of a loan agreement or debenture mortgage depending on the circumstances of the loan, the terms of which are to be agreed to by the Cabinet.”

Sir, Cabinet has no power to appropriate. I want to ask the Honourable Member for Christ Church East, the Honourable Prime Minister and the Leader of Government Business to tell the people of Barbados whether loans for Hotel and Resorts Limited, Needham's Point Holdings, Grantley Adams International Airport Inc. and the Caribbean Broadcasting Corporation came to Parliament, because I looked for them and I have not found any record of them being brought to Parliament.

Sir, sometimes you have to become animated in Parliament because I must not allow the Honourable Members on the Other Side to believe that collectively they can fool Barbadians and the Honourable Members of the Democratic Labour Party. It cannot happen, Sir.

Asides.

Dr. D. C. ESTWICK: Deal with the facts that I am raising. Do not deal with whether I shout, scream or lie prostrate.

Asides.

Dr. D. C. ESTWICK: Sir, I have one more point to make because I think I dealt with the matter in a specific way and I want them to respond.

Asides.

Hon. R. R. FARLEY: On a point of order. The Honourable Member is misleading this Chamber. He does not even believe the very words that he is reading. He is confusing Cabinet and Parliament. The Cabinet may be a sub set...

Asides.

Hon. R. R. FARLEY: The Rules as quoted in the Auditor General's Report clearly give the power to the Cabinet to make the determination on matters relating to those loans. Therefore, to suggest that there is something wrong in them not coming to Parliament when there is no provision for Parliament to have any say in the matter... He has quoted the Auditor General on the matter and he should, therefore, believe the words that he has quoted. It is left to Cabinet and not to Parliament. The Honourable Member must not confuse the two.

Dr. D. C. ESTWICK: The Honourable Member is doing the Cabinet a disservice. The document at Section 25A says that Cabinet must only agree on the condition and terms of the loan, Sir.

Asides.

Dr. D. C. ESTWICK: Sir, Cabinet cannot give loans to anyone. The Honourable Member for Christ Church East, the Prime Minister or the Honourable Member for St. Michael East cannot refute that. Sir, they are abusing the Financial Administration and Audit Act and I want it to stop.

Hon. A. P. WOOD: On a point of order. Once again, the Honourable Member for St. Phillip West is imputing improper motives on the part of this Government and those statements where he said that this Government is breaching the Financial Administration and Audit Act should be struck from the record.

Mr. Deputy Speaker, I refer to page 14 of the Report of the Auditor General for the year 2003, which the Honourable Member quoted from. The Honourable Member did the same thing when he quoted from the Central Bank of Barbados Economic Review, November 2003 when he spoke about the foreign exchange being comatose. He stopped short of giving us the remainder of that sentence. I will get back to that, Sir.

Sir, Section 2.18 of the Report of the Auditor General says:

“Audit investigations revealed that the relevant loan agreements are in place.”

Mr. Deputy Speaker, if what the Honourable Member is saying is correct, it would have been drawn to our attention in this document. The Honourable Member cannot quote any section of the Financial Administration and Audit Act which will indicate that the Cabinet does not have the power to grant loans to Government institutions, because the Law allows the Cabinet to do that.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I will make reference again and I would like Honourable Members to look at the December 1998 Debate of this Honourable House where the Prime Minister brought the prelude why he was making the amendments. I have nothing more to say on that matter, Sir.

Parliament is the only body that has authority to appropriate and scrutinise funds from the Consolidated Fund. The Cabinet does not have that authority to do so. They may agree on the terms and conditions of loans. From now until the cows come home, it does not mean that Cabinet can approve funds from the Consolidated Fund.

Hon. Miss M.A. MOTTLEY: Sir, on a point of order. Repetition does not make argument nor does...

Asides.

Mr. DEPUTY SPEAKER: One moment, please. Order, please.
4.50 p.m.

Hon. Miss M. A. MOTTLEY: Mr. Deputy Speaker, on a point of order. Repetition does not constitute argument, nor does a lot of hot wind and loud voices. The reality is, Sir, that the Honourable Member is misleading this Chamber.

This exact debate, Mr. Deputy Speaker, took place during the Estimates of Expenditure debate in here in March. The Right Honourable Member for St. Peter as well as I, as the Government's Chief Legal Advisor, spoke to this issue in relation to the interpretation of section 25A of the Financial Administration and Audit Act, Cap. 5, and may I quote:

"Loans which are given by the Government to Government enterprises and non-Government enterprises shall be secured by way of a loan agreement or debenture mortgage depending on the circumstances of the loan, the terms of which are to be agreed by Cabinet."

Mr. Deputy Speaker, the reality is that any piece of legislation in Barbados is to be read in conjunction with not

only the Interpretation Act, but the rules of interpretation, governing the interpretation of clauses. It will only be a doctor, who would cheupse at that elementary statement of law. Indeed, Sir, fortunately the Constitution of Barbados does not allow a doctor to hold the post of Chief Legal Advisor.

It is up to this Parliament, Mr. Deputy Speaker, whether we believe that repetition in circumstances where this matter has been clarified over and over could continue to be repeated in defiance of the clear laws of the land, and the rules of interpretation that are attached to any legal system. The Honourable Member continues, at his peril, to mislead this Chamber.

Mr. DEPUTY SPEAKER: Honourable Member, could you please move on.

Dr. D. C. ESTWICK: I will move on, Sir, because anytime I am right, I will stay right. It is the public that will determine whether I am wrong.

Sir, I want to make one last point. We are talking about excess liquidity in the banking system, and what Honourable Members on the Other Side seem not to understand with respect to the implications of making such a statement, when you are looking to develop a capital market...

Asides.

Dr. D. C. ESTWICK: ...but that in itself is an indictment to start with, because if there were projects investing in Barbados, I will say without reservation, and I have heard the Leader of the private sector in Barbados say that there were no projects in Barbados for them to invest their money in.

Furthermore, Mr. Deputy Speaker, whether or not you invest your savings, depends upon consumer confidence in the Government. It depends on consumer confidence in the economy. It not only depends on consumer confidence, it depends on investor confidence as well, and that is an indictment of both elements of not having any confidence in the Barbados Labour Party, if they decide to keep their money in the bank, getting 8.4 per cent interest.

Mr. DEPUTY SPEAKER: The Honourable Member has one more minute.

Dr. D. C. ESTWICK: Sir, I will quote the Central Bank's Report again.

Asides.

Hon. A. P. WOOD: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. The Honourable Member for St. Philip West is getting mixed up between the savings rate and the lending rate. There is no savings rate in a commercial bank that is 8.4 per cent. Contrary to what he is saying, that is all the good reason why people would want to save their money if it is 8.4 per cent.

Asides.

Mr. DEPUTY SPEAKER: Please proceed, you have one more minute.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I have the information here in front of me, and I will quote the Central Bank's Annual Economic Review, December 2003. The excess liquidity in the banking system, we had deposits in July 2002 of \$99 million, Sir, and it increased to \$3 396.1 million in 2002 because of the sale of the Life of Barbados shares, and because of the shift of Trust Company assets from Government's securities because of the poor returns on that into the local bank. I did not say that. It is what the Central Bank's Report has said.

Mr. DEPUTY SPEAKER: Honourable Member, your time has expired.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, all I would say in conclusion is that this Government had 10 years within which to create the framework for the securities exchange to develop the types of mechanisms to allow for small business, medium business and large business to develop and practise or allow them to get effective capitalisation from a private sector type capital market.

I am saying that they failed miserably because they attempted to execute it in an environment where there is macroeconomic instability in Barbados which they created.

Hon. A. P. WOOD: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. I must restate that there is no macroeconomic instability in this country. The Honourable Member continues to make those ludicrous statements and I think they should be withdrawn.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, can I respond?

Mr. DEPUTY SPEAKER: Honourable Member, your time has expired.

Hon. R. R. FARLEY: Mr. Deputy Speaker, I thank you for giving me the opportunity to speak in this debate, but I also want to thank you for saving the life of the Honourable

Member. The other Doctor who is normally in the House is not here today, Sir, and I had great concern for whether his own heart could withstand the rigour of his own debate.

Asides.

Hon. R. R. FARLEY: I am not that far inclined.

Mr. Deputy Speaker, we had a very interesting debate today. Some people have ranged far and wide but I want, Sir, to get to the issue that we are speaking on today, a validation Bill, Sir, in respect of the Securities Exchange Commission.

I want to speak, Sir, a bit about where we have come from. The Leader of the Opposition went into a flight of fantasy. I do not know under what rock he was hiding, but he crawled out, Sir, found himself in a strange land and made some of the most ludicrous assertions other than perhaps, less ludicrous by those made by the last Honourable Member who spoke, the Honourable Member for St. Philip West, perhaps that is the continued attempt to outdo each other, the Leader of the Opposition and his Deputy, jostling for a position.

The Honourable Member for St. Michael North West said that there was no development in the capital market in Barbados, or no improvement in the lot of the ordinary man, and we failed to restructure the economy. What errant nonsense! He repeats this over and over, Sir, and I fear that he has come to believe himself. Thankfully, he is the only one, Sir, that believes himself in those matters, but, Sir, not even his Deputy believes him.

Sir, I would want to remind the Honourable Member that it has been this Administration, since 1994, that has introduced a number of major reforms into the capital market in this country. The way how the financial sector is administered and managed, and who gets the benefits have all the kinder, gentle touch of a caring administration. Sir, we have not only reformed the legislative framework, but we put new legislation in place such as the Financial Institution Bill, a new Insolvency Act to replace the Bankruptcy Act, the Small Business Development Act, the Mutual Funds Act, the Consumer Protection Act and the Fair Competition Act. 5.00 p.m.

Sir, I want to speak to the beneficiaries because the Honourable Member would have people believe that the ordinary man and woman out there have not been the beneficiary of the reforms of this Administration. I want to remind him, he has now crawled out from under his rock and since he was asleep, that we have introduced the 100 per cent mortgages in this country to help the small man.

Asides.

Hon. R. R. FARLEY: I want to remind him that while he was asleep, this Government has created over 7 000 housing solutions in lots, housing units and houses for sale. Sir, the construction of a few units in Church Village is all the Democratic Labour Party did for the entire country in the period 1986 to 1994. I want to remind him that we have reformed the Income Tax system by introducing the reserve tax credits under which \$500 in cash given to people who do not even pay Income Tax. The lowest earning workers in Barbados do not send money to the tax man. The tax man sends five "Grantleys" per year to them.

Where has he been hiding all the time, Sir? Perhaps, he is in such an income bracket that these reforms at the bottom do not affect him, but I must remind him that there are people who earn less than he does. He is a well-off gentleman and I am happy for him, but he must not ignore the tremendous benefits that are occurring for persons not in his income bracket. Sir, I would not spend much more time on him.

Sir, for persons in his area, professionals, entrepreneurs and business persons, it is this Administration which, for the first time in our history, would have created a special legal framework, the Small Business Development Act, to capture all of our small business people.

When he was the principal advisor to the Minister of Finance, he thought not of those persons, there is no evidence that he did. There is not a note, not even on a piece of paper thrown into a wastepaper bin. He did not even think about it and discard it. He just did not think about it at all, so I can understand why he is perplexed how we could have done this since our term in office.

Sir, speaking about the capital market, there is the provision of funds such as the Enterprise Growth Fund, Fund Access and various other funds. Over 1 000 farmers have received concessions and support of various kinds in the agricultural sector where \$25 million was spent. Those persons he was not keeping his eyes on were the principal beneficiaries of the financial reforms of this Administration.

I want to remind him that, yes, we still have some things to do with respect to the capital markets but that this Securities Commission Bill marks almost a final step in some serious work which this Administration has been doing.

Mr. Deputy Speaker, I want to remind Honourable Members that as recently as 1988/89, in the time of the Democratic Labour Party, I am not blaming them for it, we still had the dark days of corporate governance in this country as evident by things like the mutual affair, a situation which typified the way in which business was done in those days.

Sir, books were written on it. In fact, "*The Economist*" in July of 1989 was moved to report on the things that were happening. I remember the story well. It indicated that one of the larger insurance companies in Barbados was holding an annual general meeting to elect two directors. Sir, that was nothing big. It seems very routine, but a room that was designed to hold a few hundred people was filled with over 2 000 people. Mr. Deputy Speaker, resolutions and counter resolutions were flying.

The issue was that people who were part of a mutual stock company that was formed in 1840 did not know that they could attend annual general meetings, or that they could nominate directors to be elected to the board. They were not aware of their rights and this was as recent as 1988/89. Sir, this occurred because of the low level of evolution of corporate governance and the sensitivity of people to these matters.

Part of what this Administration has done by way of the development of corporate governance in this sector and the development of the capital market has been to improve legislation and educate the people because we must not forget that it was not so long ago.

Sir, part of that mutual affair debate spoke very clearly of the need for us to evolve mechanisms, therefore around that period, the Stock Exchange was formed. We recognise the need to supervise that to avoid insider trading and other conflicts of interest.

We passed the Fair Competition Act that specifically outlaws certain business practices that had become endemic. Sir, given the nature of the society in which we work is such where the white community, primarily a small community, is well-known to one another and through interlocking directorships and family connections, were able to consolidate their position within the corporate structure to the exclusion of the majority of the population.

Sir, via the reforms, we have been able to make a major change in the corporate culture and have made great strides in economic democracy. Sir, we must acknowledge that as far as our political democracy was concerned, major strides were made between 1937 and 1950. We made significant strides from 1950 onwards as far as our social democracy was concerned. However, in the 1990s, we were faced with struggles as far as our economic democracy was concerned.
5.10 p.m.

Mr. Deputy Speaker, as one of the core strategies for discharging our responsibilities for the development of our people, that of economic democracy, this Administration has expanded our capital market to make sure that there was additional money available for a new class of entrepreneurs which we were seeking to develop, as well as ensuring by

public education and exposure that first-time entrepreneurs, young persons who have never before contemplated being in business, could have a strategy by going through the Youth Entrepreneurial Scheme, Fund Access, or the Enterprise Growth Fund, to build and to create wealth for themselves, whether it is wealth in the cultural sphere, *et cetera*.

Sir, I do not know what rock the Honourable Member for St. Michael North West was sleeping under, but while he was asleep, these major changes have been occurring before the eyes of those of us who were awake. Sir, most particularly, even as the Honourable Member slept, this Administration was working to make those changes.

Sir, the Honourable Member spoke about efforts that should have been made to boost the capital markets, and he has some of his facts wrong but when one is drowsy these things will happen. The Honourable Member spoke about Government and how it would approach privatisation. The Barbados Labour Party had a strategy which was distinctly different from that of the Democratic Labour Party. When the Democratic Labour Party had privatised in the early 1990s, it was selling off the family "silver" to a few large interests.

On the other hand, the Barbados Labour Party took the approach of, first of all, divesting enterprises that were profitable, as opposed to enterprises that were bankrupt. One cannot encourage the average man in the street to be part of a privatisation and economic empowerment strategy by telling him to buy shares in a failing enterprise. That person must be encouraged to buy shares in enterprises which are likely to earn him some returns. Therefore, there was a programme of reform for the Barbados National Bank before its shares were sold.

Mr. Deputy Speaker, furthermore, the shares in the Barbados National Bank were first offered to the public of Barbados. Sir, I remember when the Democratic Labour Party had said to the people of Barbados not to buy these shares and that in 18 months' time, these shares would have been worth nothing.

Mr. Deputy Speaker, do you know what was worse? The same speakers who had occupied platforms in this country, who were telling the average man in the street not to buy, these people were buying those shares at \$1.80 for themselves and for their children, and have been able to benefit from the capital gains. Sir, in a year these shares were worth \$3.40 per share.

Sir, let us consider those persons who speak from both sides of their mouths, which is a bad thing. This Government's strategy has been offering shares in public enterprises on a broad base, to encourage first-time investors to get an opportunity to have a piece of the market.

Sir, the shares in the Barbados National Bank unfortunately, were under-subscribed on the urging of the Democratic Labour Party. The decision was then taken to find a strategic partner who would have added value to the Bank.

Mr. Deputy Speaker, the Honourable Member for St. Michael North West, again in his slumber, and I hope that he is awake and is hearing what is now going on, has repeatedly tried to make the point that the Government had failed to develop the capital markets.

Sir, the evidence I have laid out is very clear. The Government not only has been very successful at broadening the base of ownership in this country, but the Honourable Member knows that in terms of the administration of the allocation of shares, that we have encouraged the sale in small lots.

Mr. Deputy Speaker, I must say that one of the important aspects of encouraging persons to buy shares, particularly in public enterprises, is that we need to make sure that the markets function.

Sir, part of what differentiated share ownership in the past with what we want to see today, is that in the past people bought shares to hold, to earn the dividends on them. Of course, that strategy only benefitted the very wealthy persons because they would have bought enough shares that even on a small dividend, that annual income would still have been worth something.

In most other stock markets in the world, the average investor, especially the new and smaller investor, would seek to use his knowledge of the market and his skills of analysis to make capital gains. Therefore, one would buy at the right time and the right price, and would sell at the right time and the right price.

Sir, what have we done? Government recognising that our stock market here was small and that there was still a propensity among Barbadians not to trade, has been involved in a harmonisation project with CARICOM, in encouraging cross-listing; by putting mechanisms in place to make the trading easier; by using a technology platform and by building institutional capacity to give effect to the policy that we had enunciated.

Sir, the Democratic Labour Party went through a whole song and dance, accusing this Government of ignoring the middle-class. When these measures were put in place to give the middle-class an opportunity to move from the stage of merely being earners of good incomes, to persons who would be able to generate and to manage their wealth, we have not heard the Democratic Labour Party saying, "thank

you, you are doing a fine job", but they would want to encourage those persons in the middle-class not to participate. It is as if they do not want to see progress.

Mr. Deputy Speaker, the reality is that if our strategy for the fullest development of our people is to reach its logical conclusion, we have to provide these avenues because the Mutual affair typified all that was wrong with our corporate culture.

Sir, where we are now speaks volumes about what has happened since then. That same company which has made such negative news in 1989/1990, which was rightly and properly under the gun by the Bussa Committee and the Concerned Shareholders Association, today they have demutualised and are listed on the Stock Exchange.

In fact, the shares on the Mutual Fund Incorporation are the leading traders in the stock market. Not only that. It also speaks more to us about where our capital markets need to go and of the kinds of activities we need.

That company, now with assets of US\$1.2 billion and managing a portfolio of US\$2 billion, is operating in 20 countries in the Caribbean and in Latin America, including the United States of America. Sir, through their American subsidiaries, they are also into Asia.
5.20 p.m.

All of them operate from headquarters in Barbados. It sends the message that the fresh air of good corporate governance which was forced through the Mutual in the late 1980s did not destroy it, as some people were contending at the time, but the opening up of that company and several others like it to blacks to play full roles and to participate, enhanced it.

Sir, we have always known that in the financial sector, openness, access and protection for the small investor is what spurs growth. Sir, by introducing new forms of corporate governance to open up those companies has created a major hemispheric financial institution. There are several other examples of Barbadian and other regional companies that are trading and operating in countries across the hemisphere and beyond, all as a result of these reforms which the Opposition would want us to take so lightly.

Mr. Deputy Speaker, if this Administration had done nothing as the Opposition did in the late 1980s, we would still have been back there today. These are the stark facts and history is there to show that it has been the foresight of this Barbados Labour Party Administration in recognising that reform of our financial sector plays a key role in garnering and securing economic democracy.

Sir, this Administration has an excellent track record in blazing the trails and providing opportunities for business persons, the poor and the middle-class. I want to laud the efforts of several non-governmental entities which have provided education and awareness, especially the credit unions.

Sir, I am proud to be a credit union member and must say that they have not only provided a "leg-up", as far as finances are concerned, but are also providing valuable financial education. I would want to urge Barbadians to take a different approach to matters of family finance. When I was growing up, there was a view in the family that children should be seen and not heard. There was a culture of secrecy between adults and children and they never told their children anything about their personal lives. Today, we have the better examples where parents, aunts and uncles give their children gifts of bank accounts, credit union accounts or shares in a mutual fund or company as opposed to giving them toy guns.

Sir, I want to encourage families to give their children \$100 as a credit union account, a bank account or to give a few shares in a mutual fund account. This will encourage youngsters and educate people from the working class, from where I come, and who in the dark days were not privy to such information as to how business works. If we are to take these financial sector reforms to their fullest and most fruitful end that we not only need a legacy in dollars but one in financial sense.

Sir, this debate is not merely about the financial sector but about the drive which began with emancipation, moved to nationhood and Independence and it now has to move to the stage of financial security and economic democracy to make sure that all our people have the tools to allow them to participate fully in the gains and prosperity of this country so that a future Parliament looking back on this period would identify that we have taken deliberate steps to make that reality closer to being realised.

Sir, in closing, I want to say that many challenges still remain. In terms of the matter of corporate governance, there are new international financial standards which are more stringent than the previously used principles and require greater disclosure and greater accountability by companies.

Sir, being a director of a company now carries responsibilities which must be discharged. People used to ignore the fiducial relationship and responsibility which existed when a person became a director, but no longer in this environment of heightened corporate governance will that be allowed to stand in Barbados nor in any other place in world.

As a matter of fact, you will find that over the years to come that directors will be held legally and financially accountable, for action and sometimes for inaction because it is no longer an excuse that the director did not know because it is his job to know.

Therefore, these reforms are all in that vein. It speaks to Government's continued discharged of its responsibility to build a business sector which is not only looking at large companies but the Government is laying a foundation in which the entrepreneurs which we create today will be able to move on to create wealth and totally change the character, complexion and structure of our sector.
5.30 p.m.

I want to commend the Securities Commission for the work it has done since its establishment and to urge all Barbadians, as far as is practical, to participate in the trade in securities.

Thank you, Mr. Deputy Speaker.

Hon. Miss M. A. MOTTLEY: Mr. Deputy Speaker, I beg to move that further consideration of this Bill be deferred.

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

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

ADJOURNMENT

Hon. Miss M. A. MOTTLEY: Mr. Deputy Speaker, this brings us to the end of Government's Business for the day and I beg to move that this Honourable House be adjourned until Tuesday, June 1, 2004 at 10 o'clock in the morning.

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

The question that the House be adjourned until Tuesday, June 1, 2004 at 10 o'clock in the morning was put and resolved in the affirmative without division and Mr. DEPUTY SPEAKER adjourned the House accordingly.
5.31 p.m.

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